CICA CHAIR TO SPEAK AT ICANS’ 2010 ANNUAL MEMBERS’ LUNCHEON

ICANS is pleased to announce that the guest speaker at this year’s Members’ Luncheon will be Bill MacKinnon, FCA, Chair, CICA Board of Directors. The Members’ Luncheon — an event to introduce the membership to the province’s newest UFE graduates and FCA inductees, as well as an opportunity to recognize the 2010 CA of the Year — will be held in Halifax on December 17th from 11:45 am to 2:30 pm at the Marriott Halifax Harbourfront Hotel.

Originally from Winnipeg, Mr. MacKinnon completed his Bachelor of Commerce (Honours) degree at the University of Manitoba in 1967. He achieved his CA designation in 1971 and was appointed an FCA by the Institute of Chartered Accountants of Ontario (ICAO) in 1994.

Mr. MacKinnon was appointed Chair of the CICA this fall and brings extensive professional experience and executive leadership to the position. He became a partner at KPMG in 1977; he was the Managing Partner for KPMG’s Toronto office from 1988 to 1993 and was the Managing Partner for the firm’s Toronto Region until 1997. That year, Mr. MacKinnon assumed the role of Vice Chairman, National Consulting, until 1999 when he became the CEO of KPMG Canada, a position he held until his retirement in 2008.

That said, from the beginning of his career, Mr. MacKinnon was an active member of the Ontario Institute. He was a lecturer for 10 years and served on the ICAO’s education committee from 1978 to 1982. Mr. MacKinnon is also an active community volunteer and an avid supporter of the arts in Toronto. In particular, he was the Treasurer and Director of the Canadian Stage Company (CSC) from 1988 to 1997 and was the CSC’s President and Chairman from 1998 to 2000. In addition, Mr. MacKinnon is a director of a number of not-for-profit and corporate boards. He is Chairman of the Toronto Board of Trade, Chairman of the Board of the Toronto East General Hospital and is a Member of the Board of Roy Thomson Hall and the Toronto Community Foundation. He is also a Member of the Boards of Telus Corporation, the Public Sector Pension Investment Board, Osisko Mining Corporation, Pioneer Petroleum and Novadaq Technologies Inc. In addition, Mr. MacKinnon chairs the Audit Committees of the Public Sector Pension Investment Fund and Novadaq Technologies.

Upon his appointment as CICA Chair, Mr. MacKinnon said: “I look forward to the new responsibilities and challenges associated with representing not only the Institute, but the entire CA profession. We operate in an ever-changing global environment and the profession must be positioned to meet new challenges. It is critical to maintain the values and principles that have long made the Canadian CA one of the more respected business designations in the world.”

SEND US YOUR UFE MARK’S DAY PHOTOS

As the UFE ‘Mark’s Day’ fast approaches and plans get underway to celebrate, don’t forget to pack a camera and take lots of party pictures! Later, you can email your best shots to ICANS and we’ll compile a UFE photo gallery to include in a future issue of E-SCAN.

Saved as JPEG files, please send your photos to communication@icans.ns.ca and please indicate who is in the photos.

Note: Please keep watch for information

re: luncheon tickets - coming soon via email!
NOTICE - MAIL BALLOT VOTE

RULES OF PROFESSIONAL CONDUCT - PROPOSED CHANGE TO PARTNER ROTATION REQUIREMENTS

Rule 204.4 (20) - Specific Prohibitions, Assurance and Specified Auditing Procedures Engagements
(long association of senior personnel with a reporting issuer audit client).

The Council of the Institute of Chartered Accountants of Nova Scotia (ICANS) is requesting the membership to consider approving an amendment to the Rules of Professional Conduct, the effect of which is as follows:

- The partner rotation limits relating to reporting issuer audit clients imposed under Rule 204.4 (20) will be changed from a five year on/five year off rotation to a seven year on/five year off rotation.

It is Council’s belief that this amendment should be adopted before December 31, 2010 and for that reason, has decided to seek the approval of the membership through the use of a Mail Ballot, as contemplated by the Institute’s Act and Bylaws.

The Mail Ballot package was recently sent to all members of the Institute. The package included:

- An Information Sheet dated November 8, 2010;
- The form of Mail Ballot; and
- A special Ballot Return Envelope.

The mail-in deadline to the Institute’s office is December 13, 2010 (Note: ballots received after this date will not be counted).

The following is provided as additional background information to that which was sent to the membership by email on September 8, 2010 at the request of the CA profession’s Public Trust Committee’s (PTC) Independence Task Force (ITF):

**Background**

The CA profession’s Public Trust Committee (PTC) formed an Independence Task Force (ITF) to consider the efficacy and adequacy of the independence requirements that were introduced in 2003, to consider the recent revisions to the Code of Ethics (the Code) issued by the International Ethics Standards Board as they pertain to independence and to determine what changes, if any, may be appropriate to the independence provisions in the Rules of Professional Conduct (RPC).

In April 2010, the ITF issued an Exposure Draft and a Consultation Paper. The Exposure Draft invited feedback on proposed changes to the RPC that the rotation of audit partners of reporting issuers be changed from the current requirement of five years on and five years off, to seven years on and two years off. The Consultation Paper invited feedback on the proposal that the independence requirements in the RPC be as close as possible to those contained in the Code. The current proposed change to the RPC deals only with the partner rotation matter that was the subject of the Exposure Draft. The subject of the Consultation Paper will be addressed in 2011.

The majority of respondents agreed with the proposal in the Exposure Draft to change the partner rotation requirements from a five/five cycle to a seven/two cycle. These respondents included firms, preparers and members of audit committees. The primary focus of their responses dealt with the length of time that a partner could remain on the engagement. These respondents were of the view that the improvement in audit quality generated by the longer association of the partners offset the increased familiarity threat. The respondents also noted that Canada has a significant number of smaller listed entities that are dispersed across the country and serviced by smaller offices that do not necessarily have the depth of partner resources locally to rotate partners within the offices, particularly where industry expertise is required.

While the majority of respondents expressed support for the proposed approach, some from the regulator community expressed certain concerns. One member of the regulator community expressed explicit opposition to the proposal to permit the partners to remain on the audit for seven years. The remainder of the regulator community did not oppose the proposal for a partner to remain on the audit for seven years. The majority of the regulator community, however, disagreed with the proposed two-year time out period, because they were of the view that it was insufficient to address the familiarity threat.

In weighing all of the responses received, the ITF was mindful of the regulator community’s mandate for investor protection. The ITF, therefore, concluded that, even though the majority of respondents expressed support, it was not in the public interest to move from a five-year time-out period to a two-year time-out period. Accordingly, the ITF recommended to the PTC that the rotation cycle change from five/five to seven/five. The PTC agreed with this recommendation and, the recommendation to change the RPC was forwarded to the Provincial Institutes/Ordre Councils/Boards for approval.

Please watch for the Mail Ballot package and please be sure to return your marked ballot in the envelope provided by the December 13, 2010 deadline. If you have any questions, please contact Gregory H. Crosby, CA, LL.B, ICANS’ Director of Regulatory Affairs, at (902) 425-3291 ext. 24 or gcrosby@icans.ns.ca.
ALIGNING THE ‘NEW’ CICA HANDBOOK WITH THE RULES OF PROFESSIONAL CONDUCT

The Rules of Professional Conduct (Rules) contain a number of references to the CICA Handbook. This article provides an update of the reviews underway at a national level, which include an examination of the impact of the ‘new’ CICA Handbook on the Rules.

Independence Rule
As you are likely aware, the CA profession, through the Public Trust Committee (PTC) and its Independence Task Force (ITF), has been reviewing the Rule on Independence (also referred to as Rule 204) to consider whether our existing rule can be better aligned with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA).

One of the early results of that review is the proposal to introduce amendments to Rule 204 and its related Council Interpretations (CIs) to establish new partner rotation provisions for reporting issuer assurance engagements. The mail ballot package you should have received recently deals with those amendments (please refer to article on page 2).

As part of its further review of Rule 204, the ITF is examining all of the other independence provisions. It is aware that the introduction of Canadian Auditing Standards (CAS) will have an impact on some of the references in the Rule and the CIs to current CICA Handbook standards, and may also impact the application of the standards. The ITF will be updating references and providing further guidance where there may be overlap or gaps between the Rules and the CICA Handbook. Until that work is complete, members should be guided by current practice.

For example, one area of concern that has been noted relates to annual communication of independence matters on all audit engagements, whether related to reporting issuers (including listed entities) or not. The current requirement for such communications to take place for all audit engagements continues, notwithstanding that the CAS specify that such annual communication is only necessary for listed entities, and do not address annual independence communication requirements for other audit engagements.

Other Rules
The balance of the Rules and related CIs also include a number of references to current CICA Handbook standards. The Rules Harmonization Committee, which also reports to the PTC, is currently reviewing the balance of the Rules to address those remaining references and will recommend amendments as necessary in the next several months.

Further Updates
The PTC will provide periodic updates on the progress of this work to the Provincial Institutes in due course.

CANADA’S CAs WELCOME ADDITIONAL GUIDANCE ON ENVIRONMENTAL DISCLOSURES

On October 29, 2010, the CICA issued a media release commending Canada’s securities regulators for publishing additional guidance to help reporting issuers meet existing environmental disclosure requirements. The aim of the staff notice from the Canadian Securities Administrators (CSA) is to assist issuers in assessing which information must be disclosed on environmental matters, such as risks related to weather patterns or environmental legislation.

“The CSA publication reflects the increasing importance of environmental matters in financial reporting, the changing regulatory landscape and increasing investor interest in environmental matters,” said Chris Hicks, Principal, Guidance and Support, with the CICA. “The CICA has been active in this field for many years and our depth of knowledge is recognized and valued, as evidenced by CSA’s references to four CICA environmental reporting publications.”

The CICA publications referenced are:
- Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision Making (August 2010);
- Climate Change Briefing - Questions for Directors to Ask (July 2009);
- Building a Better MD&A: Climate Change Disclosures (November 2008);
- Executive Briefing - Climate Change and Related Disclosures (March 2008);

The four publications can be found online at www.cica.ca/climate.

CSA Staff Notice 51-333 provides a comprehensive discussion of information required to be reported, including an appendix that provides examples of possible disclosures. The additional guidance from the CSA will be covered at the upcoming Environmental, Social and Governance Conference being hosted by the CICA. The conference runs December 6 to 7th in Toronto and a key focus will be financial reporting implications of environmental issues, including climate change. More information is available at www.cpa.cica.ca/ESGissues.
### CPD REMINDERS

**3 YEAR CYCLE DEADLINE:**
**DECEMBER 31, 2010**

All PD learning activities (including verifiable) - **minimum 120 hours.**
Verifiable learning activities - **minimum 60 hours.**

**PD Learning Activities (CPD Bulletin #2)**

"... activity that provides for the development of new or existing competencies that are relevant to the overall professional responsibilities and growth of a Member."

**Verifiable Learning Activities (CPD Bulletin #2)**

"... professional development for which there is some way to verify attendance at or completion of the learning activity."

*Note:* Learning Activities are not confined to the subjects of accounting, auditing or taxation.

*Note:* Verifiable Learning Activities are not confined to the formal courses organized by ICANS or others.

Please refer to the wording of Bulletin #2 at the following link for further information: [http://www.icans.ns.ca/forthepublic.asp?cmPageID=204](http://www.icans.ns.ca/forthepublic.asp?cmPageID=204).

---

**ICANS’ 2010 FALL PD PROGRAM**

ICANS’ 2010 fall PD program continues. To view an updated PD calendar and see where spots are still available, please visit: [http://www.icans.ns.ca/media/documents/PDCalendar.pdf](http://www.icans.ns.ca/media/documents/PDCalendar.pdf).

In addition, to help speed up the registration process, please include your membership number on your registration form; this number is located on any CICA mailing label and it begins with the letter ‘C’. Also, remember to include the course number along with the course name.

So, don’t delay; make sure you register for your preferred courses while spaces are still available. And, if you have any questions, please contact Danielle Roode at droode@icans.ns.ca or Kathie Slaunwhite at kslaunwhite@icans.ns.ca or by calling ICANS at (902) 425-3291.

---

### TAXES AND PRUDENT FISCAL MANAGEMENT HIGHLIGHT PRE-BUDGET INPUT FROM CANADA’S CAs

On **November 2, 2010,** the CICA issued a media release stating that Canada’s CAs are calling for a simpler, more competitive corporate tax system and prudent fiscal management by the federal government. The CICA appeared before the House of Commons Standing Committee on Finance as part of the pre-budget consultation process.

“We applaud the government’s commitment to reducing the general corporate income tax rate to 15 per cent by 2012,” said Bruce Flexman, Chair of the CICA’s Tax Policy Committee. “In deciding whether or not to invest, businesses are driven by the need for certainty. In the current economic climate, it is crucial that the government remain visibly committed to reducing corporate tax rates.”

Flexman added that complexity plays an equally important role in attracting investment, stating: “Canada’s corporate tax system must be simplified to lessen the costs associated with the burden of compliance. The system can become more competitive, simpler and more efficient.”

The CICA also notes that if Canada is to remain competitive and attract the best and the brightest, we need to stay attuned to the personal income tax burden placed on Canadians. In addition, the CICA is calling on the government to consider further incentives for retirement savings. Innovation is another area where the CICA believes action can be taken, citing the Scientific Research and Experimental Development program. The federal government is being urged to make investment tax credits fully refundable for all claimants, regardless of company size or to consider allowing an offset through which they are creditable against an employer’s portion of EI premiums. Currently, investment tax credits are fully refundable only for smaller companies.

With respect to the country’s finances, the CICA recognizes that this is a transition year as the federal government moves away from stimulus spending to a greater focus on restraint. “The government must demonstrate the ability to rein in spending and prudently manage its finances going forward,” stressed Flexman. “This is especially important in the near term, given that there is not a lot of room for error contained in the last federal budget. In other words, execution is the key.”

The CICA submission to the committee, entitled, *Enhancing Canada’s Competitiveness,* is available at [www.cica.ca/prebudget2010](http://www.cica.ca/prebudget2010).
CARRYING ON PRACTICE AS AN LLP
As a result of amendments made to the Partnership Act (NS), the Registrar of Joint Stock Companies will consider new registrations to operate as a Limited Liability Partnership (LLP) in Nova Scotia.

Generally speaking, the intention of the LLP status is to limit the personal liability of the individual partners in respect of claims relating to the actions of others and the debts of the partnership. (Note: Legal counsel should be sought for the purpose of understanding the legal effect of the legislation.) To become registered as an LLP in Nova Scotia, partners must make application to the Registrar of Joint Stock Companies. In support of the application, the partners must submit a certificate issued by ICANS.

For further information on the application requirements of the Registry of Joint Stock Companies, click on: http://www.gov.ns.ca/snsr/access/business/registry-joint-stock-companies/contact.asp.

And, for further information on ICANS’ certificate requirements, please contact Gregory H. Crosby, CA, LL.B, Director of Regulatory Affairs, at (902) 425-3291 ext. 24 or at gcrosby@icans.ns.ca.

ACCOUNTING STANDARDS BOARD (AcSB) PROPOSES TO AMEND FIRST-TIME ADOPTION STANDARDS FOR PRIVATE ENTERPRISES AND NOT-FOR-PROFIT ORGANIZATIONS
This Exposure Draft will be of interest to those planning to adopt the new accounting standards for private enterprises or accounting standards for not-for-profit organizations where there is a defined benefit plan with unrecognized actuarial gains and losses and past service costs that were determined previously in accordance with Section 3461, Employee Future Benefits, in Part V of the CICA Handbook - Accounting.

“This Exposure Draft proposes to amend Section 1500, First-Time Adoption, in Part II of the Handbook, to permit most private enterprises to carry forward unrecognized actuarial gains and losses, and past service costs determined under the previous reporting,” explains Nancy Estey, AcSB Principal. “The AcSB intends to make a similar provision in the accounting standards for not-for-profit organizations.”


CA-LED BAND CAPTURES FIRST PLACE AGAIN AT MARCH OF DIMES FUNDRAISER
On October 29, 2010, Halifax’s top amateur musicians took to the stage to battle for the title of Halifax’s best corporate band and to help raise approximately $25,000 for children living with physical disabilities.

Reportedly an extremely close contest, The Trough — featuring ICANS members Mark Winfield, CA, TEP, Tax Partner, Raymond Yuill Chartered Accountants and John Swain, CA, Sole Practitioner, John Swain Chartered Accountant — emerged victorious for the second straight year, defending their 2009 title and taking home the title of ‘Fan Favorite.’

“We are thrilled to have participated in such a fun event in support of a great cause,” says Mark Winfield on behalf of The Trough. “We thank the many volunteers who have made the event such a success.”

Promoted as “Rock for Dimes,” the event featured an ‘electric 80s’ theme and as such, guests and band members were encouraged to wear their sunglasses, big rocker hair, stirrup pants, Peter Pan boots, neon T-shirts and leg warmers. All proceeds benefitted March of Dimes Canada’s Conductive Education® (CE) Nova Scotia program, which blends elements of education and rehabilitation to improve the independence, mobility and confidence of children with disabilities.

Next up . . . Catch Mark, John and their Trough band mates at ICANS’ 2011 Convocation on January 29th at the World Trade & Convention Centre, where they will provide the tunes for the post-ceremony dance!
NEW TOOLKIT HELPS SMALL AND MEDIUM BUSINESSES ADDRESS CASH MANAGEMENT ISSUES

On October 22, 2010, the CICA issued a media release to announce a new publication it produced in conjunction with CIBC to provide valuable cash management advice for small and medium-sized businesses. The Cash Management Toolkit for Small and Medium Businesses, authored by Jeffrey D. Sherman, MBA, CA, is designed to help business owners understand the various components and concepts of cash management.

"Taking a strategic approach to cash management is essential for business owners, especially in today’s unsettled economic climate," said Cairine Wilson, VP Member Services, CICA. “The toolkit is designed to support business owners in developing a solid cash management foundation.”

In addition, Jon Hountalas, Executive VP, CIBC Business Banking, explained: “CIBC recognizes that one of the fundamentals to success for any business is managing cash flow effectively. “This toolkit is a rich, comprehensive guide and an excellent resource for every business leader that can be used by businesses in any industry at any life stage.”

In particular, the toolkit provides an in-depth case study and a number of checklists to assist business owners. It also provides detailed advice on issues such as: budgets, projections and forecasts; fraud and risk management; credit and collections, payment terms; optimizing inventory; obtaining and investing cash; handling debt; working with your banking partners.

Available in English and French, additional info about the toolkit, including how to order a copy, is available at www.CAstore.ca/cashmgmt.

CAstore
On November 8, 2010, CICA launched its new online store. CAstore will be the new name for Knotia Store. The new e-commerce site is designed to improve the online shopping experience for CICA members and customers. In response to member feedback, CICA separated the online store from the research site — knotia.ca — and have given it a fresh new look that better reflects the CA brand. The CAstore is where members and customers can now go to find and buy the more than 1,300 print books, eBooks, DVDs and email newsletters available through the CICA. Please visit CAstore.ca to view the new site and for more information.

REALpac IFRS HANDBOOK

The REALpac IFRS Handbook (“Recommended Accounting Practices for Real Estate Investment and Development Entities Reporting in Accordance with IFRS”) is a comprehensive guide for real estate investment and development entities in applying IFRS. The Handbook outlines recommended accounting practices, policies and disclosures in applying relevant IFRSs, as issued by the International Accounting Standards Board, and related accounting interpretations, as issued by the International Financial Reporting Interpretations Committee, for those transactions common to the real estate industry.

For more information, visit: CAstore.ca/RPIFRS-PICA.

CICA RESOURCES

• Understanding Reports on Financial Statements Brochure
A new addition to CICA’s Client Development Brochure series, Understanding Report on Financial Statements, explains the three levels of service CAs provide with respect to communications on financial statements: audit, review and compilation. This informative guide can be distributed to new and prospective clients to give them a practical overview of the types of financial statements that may be required for their business, and open the door for further conversation on how their CA can help them achieve their goals. Other brochures in the series include: New Canadian Auditing Standards (CASs); New Accounting Standards for Private Enterprises; International Financial Reporting Standards (IFRSs); and Tax Planning. Available in both English and French, the brochures can be downloaded for FREE from the CICA website. Alternatively, CAs can purchase personalized copies of the brochures, with the name and contact information of their business, printed directly on the back cover. For more information and/or to order, visit: http://www.cica.ca/service-and-products/client-development-brochure-series/item42640.aspx.

• Canadian Business Compliance Manual (CBCM)
National in scope with a practical format, the Canadian Business Compliance Manual (CBCM)* is a unique source of business information for accountants and other professionals who need an easy-to-understand, comprehensive overview of the legal requirements and associated administrative and compliance information being used in Canadian business today.

*Note: CBCM is formerly The Accounting Manual (ACCMAN). Current subscribers to ACCMAN (print and electronic) will automatically be sent CBCM.

For more information and/or to order, visit: https://www.knotia.ca/kStore/Catalogue/ProductPricing.cfm?productID=124.
The article below is a follow-up to an article which appeared in the June 2010 E-SCAN (page 4).

US PAID TAX RETURN PREPARER REGISTRATION PROCESS IS NOW IN PLACE
~ by Jennifer Horner, CA, Senior Manager, BDO Canada LLP

As discussed earlier this year, the United States has introduced a system for regulation of tax return preparers. This system involves a requirement for registration of all paid preparers of US tax returns, a minimum standards test and continuing education standards in order to continue to be registered as a preparer. In addition, all registered paid preparers will be required to adhere to the standards of US Treasury Department Circular 230, which sets out regulations governing the practice of attorneys, certified public accountants, enrolled agents, enrolled actuaries, enrolled retirement plan agents and appraisers before the Internal Revenue Service.

Canadian firms should review the new rules carefully - they may need to consider which staff or tax professionals currently involved in the preparation of US tax returns need to register for a PTIN, as it is not only the signing preparer who needs to be registered.

The process for registration for paid preparers with a US social security number was launched in September. Such paid preparers can register on-line via the IRS website http://www.irs.gov/taxpros/article/0,,id=210909,00.html (this is the process preferred by the IRS), or by paper filing US Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application.

The remainder of this article is directed at foreign preparers who do not have a PTIN. However, the comments below regarding testing timelines also apply to foreign preparers who already have a PTIN and have registered on-line as per the instructions above.

The IRS also announced the details of the process for a paid preparer living outside the US who does not have a US social security number to obtain a PTIN. Such preparers must complete US Form 8946, PTIN Supplemental Application for Foreign Persons without a Social Security Number, and then apply on-line for a PTIN (and mail Form 8946 as part of the on-line process) or mail Form 8946 with a completed Form W-12 to the IRS.

Proof of Identity and Foreign Status

The information and the supporting documents requested on Form 8946, provide the IRS the means to confirm the identity of the individual applying for the PTIN. If the applicant has a valid passport, this is the only supporting document required. If the applicant does not have a passport, then other documents can be used - for example, a birth certificate in combination with a driver’s license. A complete list of documents can be found in the instructions to the form. To avoid sending original documents to the IRS, certified copies of the documents can be provided. The IRS will accept copies that have been certified in one of the following ways:

- By the issuing agency or official custodian of the original record;
- Notarized by a Canadian notary and authenticated by a consular office at a US Embassy or Consulate;
- Notarized by a US notary public legally authorized within his/her local jurisdiction to certify that each document is a true copy of the original. (Note: this will likely involve travelling to the US.)

According to information on the US consular services website — http://travel.state.gov/law/judicial/judicial_2086.html — US notaries cannot practice outside of the US, as they are commissioned to a specific State. There are US consular services in Ottawa, Vancouver, Calgary, Winnipeg, Toronto, Montreal, Quebec City and Halifax.

Readers of the instructions on Form 8946 will see a reference to a process if the documents are issued in a country that has joined the Convention Abolishing the Requirement of Legalization for Foreign Public Documents (Hague Convention). Per information on both The Hague Conference on Private International Law and the US Embassy websites, Canada is not a signatory to this convention, and therefore, this process has not been referred to as an alternative method of verification of documents.

Deadline for Application

Although there is no deadline per se, as applications can be made after December 31, 2010, all returns issued by tax preparers after December 31, 2010 must show a registered PTIN. It is advisable to apply as soon as possible. Testing is not yet available and once testing is in place, the exam must be passed before the PTIN is issued.

The IRS estimates that an on-line application will take about two-to-four weeks to process to issue a PTIN and a paper application will take about four-to-six weeks to process to issue a PTIN.

Continued on page #7
Who Must Get a PTIN?
Anyone who is a paid tax return preparer must obtain a PTIN. This includes preparers who work on a tax return, but who are not a signing preparer. The regulations make a general distinction between mechanical and administrative functions, such as data entry and collating information, and functions that include some degree of advice, analytical skill, legislative interpretation or professional judgment. The first category does not require a PTIN, while the second category does. It should be noted that the IRS examples on data entry and information gathering are very strict. In one of the examples, the IRS states as a general comment that if an individual prepares all or substantially all of a tax return, including making determinations that affect tax liability, they must have a PTIN. This is true whether or not the return will be reviewed by another registered preparer. For more examples, see: http://www.irs.gov/taxpros/article/0,,id=218611,00.html#scenarios.

The requirement to obtain a PTIN is not just restricted to preparers of US personal tax returns; paid preparers of any US returns are required to obtain a PTIN.

Testing
The testing is not expected to be in place until mid-2011. Those who register before the exam is available will have until the end of 2013 to take and pass the exam. If the application is after the exam is available, then the exam must be passed before the PTIN is issued.

Many details with regard to testing are not yet known. The current FAQ on the IRS websites states that those who need to be tested will need to physically go to a testing site, authenticate their identity, and take the test in person at the testing site. More information about testing, including test locations and test procedures, is not yet available.

Exemptions from Testing
Currently, US attorneys, CPAs or enrolled agents who are active and in good standing with their licensing agencies are exempt from the test requirement. Since the Canadian CA Profession has a reciprocity agreement with the US CPAs, an alternative to the test requirement for a Canadian CA is to write and pass the US IQEX exam and obtain a US CPA. According to news release IR-2010-99, the IRS is considering extending the testing exemption to a discrete category of people who engage in return preparation under the supervision of someone else — for example, some employees who prepare all or substantially all of the return and work in certain professional firms under the supervision of one of the above individuals who signs the return.

Continuing Education
Along with the registration and testing requirements described above, there will be a continuing education requirement. The IRS proposals call for an annual continuing education requirement of three hours of federal tax law updates, two hours of ethics and 10 hours of other federal tax law. US attorneys, CPAs, enrolled agents, enrolled actuaries or enrolled retirement plan agents will not need to meet this continuing education standard, because of the education requirements of their professions. Other than these general comments, further details are not yet available.

Application Fee
The annual fee is $64.25 per individual.

This summarizes the main details relevant for a Canadian resident preparer of US tax returns who needs to obtain a PTIN. Such professionals are advised to make application as soon as possible, as the PTIN must be used for all returns issued after December 31, 2010. For further details, please see the resources available at the IRS website: http://www.irs.gov/taxpros/article/0,,id=210909,00.html and the instructions to Form 8946.

Latest Update (as reported by ICABC)
The IRS has announced temporary relief for foreign paid preparers for 2011 tax return filing season. On October 26, 2010, the IRS released Revenue Procedure 2010-41 announcing that if the following process is followed, paid preparers will be considered to be in compliance with the laws requiring a PTIN registration, even if they have not been issued a PTIN.
• Complete Form W12 and submit online or by mail by January 31, 2011 or 10 days after the first day on which they prepare a US tax return, whichever is later;
• Submit a completed Form 8946, including any required additional documentation within 60 days of the submission of a completed application form; and
• Submit the user fee of $64.25 (USD) with the online or paper-filed application form.

Preparers in compliance with the above rules may prepare and sign US tax returns without furnishing a PTIN or other identifying number. This administrative relief will end effective October 31, 2011. For further details, please see the IRS website at http://www.irs.gov/taxpros/article/0,,id=210909,00.html.
THE PARTNERSHIP ‘PRENUP’: RESPONSIBLY MANAGING DISSOLUTIONS

~ by Malcolm D’Souza, MBA, CA and Kaitlin D’Silva, AICA Services Inc.

The dissolution of a partnership brings with it a myriad of related risk management concerns, each of which is compounded by the emotions and circumstances surrounding the separation. The ease with which this separation occurs depends on the preparation by involved stakeholders at the outset of the partnership itself. Smart preparation is the only means for smooth separation. Most claim and insurance pitfalls resulting from partnership dissolutions can be avoided, so long as a firm is willing to use diligence and foresight when drafting the partnership agreement at the time the partnership is created.

In an accounting firm, partners must have confidence that they will each consistently provide the same quality of service. This is facilitated by clear documentation of standards, policies and practices within a firm. The rationale for clearly documented policies is straightforward: failure to meet standards of the profession can lead to significant problems, including lawsuits. The same principles should be applied to the development of the partnership agreement.

The easiest time to determine and document the roles and responsibilities of each partner is when the partnership is created, and thereafter, each time a new partner is introduced. These responsibilities should include the ongoing obligations that a partner has to their former partner(s) and firm, and the ongoing cooperation that is expected between all parties. The failure to detail these obligations in writing can open the door to uncertainty and needless disputes amongst former partners down the road, exposing one or more of the partners to unnecessary risk, liability and expense, and the possible loss of insurance coverage.

This article provides tips in a number of areas regarding precautionary measures that can be taken by firms in the development of partnership agreements to prevent or mitigate the impact of problems, as well as some best practices once the separation has taken place.

Client Issues
One longstanding reality is that a partner(s) who leaves a firm will often take his or her clients and client files (permanent and working paper files) with them. In terms of managing risk, the existing firm should take great care when orchestrating this transition period.

- **Recommendation #1:** The partnership agreement must require the leaving partner to keep the files that he or she takes for the length of the time that is consistent with the retention policy followed by the departed firm. This is key for all parties, because the firm or the leaving partner could be liable for any important documents that are inadvertently destroyed. It is not uncommon for a claim to arise as much as 10 years after a service is provided. It is essential that documents are retained and made available as evidence for the service in question to assist in resolving the claim.

Insurance Coverage Issues
When a two or three-person partnership dissolves, either the leaving partner or remaining partners will typically take carriage of ‘prior acts coverage’ for their former firm. This is done through the use of an endorsement to their current policy, which will provide coverage for any claim for services prior to separation. This is where avoidable problems can arise, because if a claim falls under an innocent partner’s policy that is carrying ‘prior acts coverage’ for their former firm, then any deductible becomes the responsibility of that innocent partner.

- **Recommendation #2:** Proper foresight when drafting the partnership agreement will ensure that partners agree to pay their own deductibles for services they have provided that lead to a claim, regardless of whether or not they still work with the firm.
- **Recommendation #3:** Another option is the use of a ‘discovery policy’ endorsement to cover the services provided by the former partnership. This protects both the leaving partner(s) and their former partner(s) from being negatively impacted by reported claims for incidents taking place prior to separation. Ideally, the discovery policy would not include a deductible, so as to avoid dispute over who is responsible for said deductible. Also, this option may have an additional cost, as it involves an extra policy being purchased for prior acts.

Claims and Issues of Cooperation
Dealing with a negligence claim on behalf of a client can become increasingly complicated when it involves services provided by a former partner of the firm. Communication and cooperation between former partners is the key to navigating said claims successfully. Errors and omissions insurance is a ‘claims made policy’, meaning that the policy responding to the claim is the one in existence when the claim is advanced, as opposed to the one that was in existence when service was provided. For dissolved partnerships, this could prove problematic.

- **Recommendation #4:** It is imperative that the reporting of a claim or potential claim on a timely basis after dissolution be included as a clause in the partnership agreement, as well as any other minimum disclosure requirements. These disclosure requirements should include at least the following two parts: (1) that the leaving partner(s) must notify their former firm should they become aware of written or verbal allegations against them with respect to services provided prior to separation; and (2) the leaving partner(s) should also make former partners aware of any errors or omissions that arise in regards to services to clients of the firm. Adhering to these requirements also ensures that insurers can be promptly informed when a claim arises. The possible repercussions of late reporting to insurers include a denial of coverage.
THE PARTNERSHIP ‘PRENUP’: RESPONSIBLY MANAGING DISSOLUTIONS (continued from page #8)

- **Recommendation #5**: An accused partner who has left the firm should be required to cooperate and integrate his or her efforts with the former firm to put forward the best defense against a claim. This includes reporting the claim, being available to be interviewed by the lawyer defending the case and remaining available for court procedures, including mediations and examinations for discovery, pre-trials and trials. In exchange, the former partners may agree, in some cases, that the leaving partner(s) will be reimbursed for their time.

**Conflict Resolution**
Taking care in the formation of the agreement can serve the best interests of the partners and the firm in the event of conflict as well.
- **Recommendation #6**: The partnership agreement can provide an arbitration or dispute mechanism process, so that any disputes between practices are resolved privately and quickly - not in a public court system.

**Legal Advice**
A partnership agreement is a legal contract.
- **Recommendation #7**: It is imperative that legal advice be sought and a lawyer be used to prepare the partnership agreement. During this process, individuals should get independent legal advice to ensure their interests are protected.
- **Recommendation #8**: One final word of advice — once the terms have been finalized, the partners need to sign the agreement, and each should keep their own copy in a safe place.

**Conclusion**
While handling partnership dissolutions will inevitably pose new challenges to an accounting firm, issues involving files, claims and insurance needn’t be a nightmare. A little advance preparation can go a long way. The issues discussed here are difficult to address after partners have decided to go their separate ways. Animosity and disagreement can be minimized by mapping out obligations at the beginning of the partnership — your business ‘prenup’ of sorts.

**RECRUITMENT BROCHURES**
If you are interested in having copies of ICANS’ Recruitment Brochure to distribute to students, contact Cindy Mombourquette at cmombourquette@icans.ns.ca or by calling (902) 425-3291 (ext. 21)

**COMMUNITY CORNER**
It’s no secret that CAs are extremely community-minded. In fact, many of our members are involved in local/national charities and non-profit organizations, and help to coordinate important events like the following:

- **What**: Kick It Up!
- **When**: November 25, 2010, 5:30 to 8 pm
- **Where**: Palooka’s Gym (2110 Gottingen St., Halifax)
- **In Support of**: Dress for Success Halifax
- **CA Contact**: Adele Buchanan, CA, adele.buchanan@ca.ey.com or (902) 293-8272

Note: If you are a CA involved with a non-profit organization that’s planning an event and you’d like to share this info with other ICANS members, let us know! Send your info (title, date, location, NPO/charity name, contact) to communication@icans.ns.ca and ICANS will promote it in E-SCAN’s ‘Community Corner.’ Space is limited, so submit your info early and remember, the contact person for the event must be a CA!

**UPDATED CATO WEBSITE**
The CATO website has recently been updated to provide the 2010 edition of the Practical Experience Requirements (PER), updated FAQs and the support materials to reflect modifications made to the PER.

To learn more, visit [www.icans.ns.ca](http://www.icans.ns.ca) and click on the following button:
EVENTS OF INTEREST

WEBINAR - AcSB UPDATE: TRANSITIONING TO PRIVATE ENTERPRISE STANDARDS
The Accounting Standards Board (AcSB) recently hosted a webinar entitled, Transitioning to Private Enterprise Accounting Standards. Experts from the Board’s Private Enterprise Advisory Committee discussed the general approach to transition, as well as frequently encountered issues. If you missed the webinar, you can access an archived copy at www.acsbcanada.org/webinar.

PROJECT MANAGEMENT TRAINING COURSES
• Project Leadership Workshop; Dec. 13 - 17, 8:30 am to 4:30 pm at the Technology Innovation Centre, 1 Research Dr., Halifax. To register, click on: http://www.regonline.ca/register/checkin.aspx?EventId=893909.

To learn about other upcoming courses, visit: http://www.nationalpm.net/halifax.htm. Also, check out the following PMI events:
• Nov. 24 Volunteer Appreciation Night Dinner Meeting — “Are You Too Soft?” A Presentation by Neal Whitten
• Nov. 25 Big Event — “Let’s Talk Leadership, Accountability & Professional Maturity” — A Workshop by Neal Whitten
• Nov. 30 Project Management Framework & Tools

For more info and/or to register, visit: www.pmi.ns.ca or contact Joan Pike, Association Manager, PMI NS Chapter, at (902) 423-1764.

UPCOMING CICA PD OPPORTUNITIES
• Nov. 20 - 24 in Tremblant — Corporate Reorganizations Course — http://www.cpd.cica.ca/cr/about.cfm
• Nov. 23 - 24 in Toronto — CICA/IASC Foundation Conference IFRS in North America - 2010 — http://www.cpd.cica.ca/ifrsconference/about.cfm
• Nov. 25 - 26 in Toronto — Financial Reporting and Accounting Conference — http://www.cpd.cica.ca/frac/about.cfm
• Nov. 25 in Toronto — IFRS Conference for Financial Statement Users — http://cpd.cica.ca/ifrs_fsu/about.cfm
• Dec. 6 - 9 in Toronto — IFRS Immersion I Course — http://cpd.cica.ca/IFRSImmersion/

For information on all CICA Continuing Education courses and products, visit: www.cpd.cica.ca.

ICANS/FEI DINNER
Mark your calendar now for the Annual ICANS/FEI Dinner. Being held on March 23, 2011. An invitation to all ICANS members, including registration details, will follow in the new year, and you can also check the FEI website for updates: http://www.feicanada.org/events/event_calendar.html?command=sdetail&sdetail=sdetail&sub_id=1005&eid=767.

NEW ON-LINE CAS COURSE
As discussed in the September 2010 issue of CAMagazine, CICA has developed an introductory course to help auditors understand the new Canadian Auditing Standards (CAS). The new course, entitled, “Introduction to Auditing Standards in Canada,” is free, on-line and qualifies for approximately 2 hours of verifiable PD credits. It can be accessed on CICA’s CAS website at www.cica.ca/CAS, under the “CAS Support Tool” icon on the top right-hand side of the page or at http://38.113.180.226/cica_init/.

ANNOUNCEMENT OF AcSB CHAIR
The Accounting Standards Oversight Council (AcSOC) is pleased to announce the appointment of Gordon Fowler, FCA, as Chair of the Accounting Standards Board (AcSB) effective November 1, 2010.

Mr. Fowler recently retired from KPMG LLP as the National Partner-in-Charge for Accounting Standards. He has extensive experience in the areas of IFRSs and was a past member of the KPMG International IFRS Panel.

A member of the AcSB for five years, Mr. Fowler has held the positions of Vice Chair of the AcSB, Chair of the AcSB’s Foreign Currency Translation Task Force, Co-Chair of the Securities Regulations Advisory Group and was an Emerging Issues Committee member.
HERE AND THERE WITH MEMBERS
Jamie Baillie, CA, previously the CEO of Credit Union Atlantic, is now the Nova Scotia Progressive Conservative Party Leader and the MLA for Cumberland South.
Doreen Malone, CA, previously with Neptune Theatre in Halifax, NS, is now a Financial Advisor with Assante Wealth Management.

RESIGNATIONS
The following individual resigned her membership effective April 30, 2010. (Note: most members who resign are non-residents and are members of another Provincial Institute):
Allison Bonnell

IN MEMORIAM
We regret to inform you that the following member has passed away:
Frederick R. Nickerson, CA

MEMBERS IN THE NEWS
As respected business leaders, CAs are often sought for their opinions on issues. To this end . . .
Wayne Crawley, CA, President & CEO, Emera Caribbean Holdings Ltd. and Marie Mullally, FCA, President & CEO, Nova Scotia Gaming Corporation, were profiled in The Achiever’s Edge, an on-line monthly newsletter produced by Bluteau DeVenney & Company, a Halifax-based organization focused on leadership development.
Paul Sobey, FCA, President & CEO, Empire Company Limited, was featured in an article in the Chronicle Herald (Nov. 3, 2010, page C4) re: social responsibility and corporate philanthropy.

CONGRATULATIONS TO . . .
Heidi Jamieson, CA, VP, Taxation & Special Projects, Sobey’s Inc., on being named one of Atlantic Canada’s 50 most promising young leaders. As such, Heidi will attend the 21inc Emerging Leaders Summit, Nov. 21 - 24, 2010 in St. Andrews, NB.

And, to Robert Kelly, FCA, CEO, Bank of New York Mellon Corp., who was officially inducted as Chancellor of Saint Mary’s University at the Fall Convocation held on October 3, 2010.

CAREER OPPORTUNITIES ON THE WEB
Employment and volunteer opportunities can be found at http://www.icans.ns.ca/events.asp?cmPageID=192.
Check out the following:

VOLUNTEER OPPORTUNITIES
- Board Member - ALS-SLA Society of Canada
- Directors & Treasurer - Alcare Place
- Treasurer - New Start
- Treasurer - Bryony House
- Treasurer - Scouts Canada-Nova Scotia Council

EMPLOYMENT OPPORTUNITIES
- Audit Officer
  - Halifax, NS
- Audit Principal
  - Halifax, NS
- Tax Manager
  - Bedford, NS
- Controller
  - Halifax, NS
- Tax, Senior Analyst
  - Halifax, NS & Newfoundland
- Chartered Accountant
  - Halifax, NS
- Senior Accountant
  - Kentville, NS
- Controller
  - Halifax, NS
- Lecturer/Asst. Professor
  - Sackville, NB
- Chartered Accountant
  - Halifax, NS
- Manager, Compliance & Performance Improvement
  - Halifax/Dartmouth, NS
- Associate/Senior Associate, Business Valuations & Corp. Finance Advisory
  - Bedford (Halifax), NS
- Manager, Internal Controls
  - Dartmouth, NS
- Corporate Accountant
  - Halifax, NS

Note: Other career opportunities, together with valuable information and guidance on career counseling, etc., can be found at “CA Source,” on the CICA website.

REMINDERS AND IMPORTANT UPCOMING DATES
- ICANS’ Fall 2010 PD Weeks
  Nov. 15 to 19 - WTCC, Halifax
  Nov. 22 to 26 - Delta Sydney
- 2010 UFE Results Release Date
  December 3
- Members Luncheon
  Halifax - Dec. 17 - Marriott Harbourfront
- 2011 Convocation
  Jan. 29 - WTCC, Halifax
- ICANS 2011 Annual Mtg./Golf Tournament
  June 20 - Chester Golf Club

E-SCAN is a monthly publication of the Institute of Chartered Accountants of Nova Scotia, distributed to members and students by e-mail. Copies of E-SCAN are available on the Institute’s website at www.icans.ns.ca

Institute of Chartered Accountants of Nova Scotia (ICANS)
1791 Barrington Street
Suite 1410
Halifax, Nova Scotia
B3J 3L1
Tel: (902) 425-3291
Fax: (902) 423-4505
icans@icans.ns.ca

CEO and Executive Director
Michele A. Wood-Tweel, FCA, CFP, TEP
mwood-tweel@icans.ns.ca

Director of Professional Standards
Wenda Bennett, CA
wbennett@icans.ns.ca

Director of Regulatory Affairs
Greg Crosby, CA, LLB
gcrosby@icans.ns.ca

Director of Professional Development
Kathie Slaunwhite
kslaunwhite@icans.ns.ca

Executive Assistant
Lynnette Rhind
lrhind@icans.ns.ca

Membership Registrar
Danielle Roode
droode@icans.ns.ca

Administrative Assistant
Cindy Mombourquette
cmombourquette@icans.ns.ca

Communications Consultant
Joy Barkhouse
communication@icans.ns.ca