

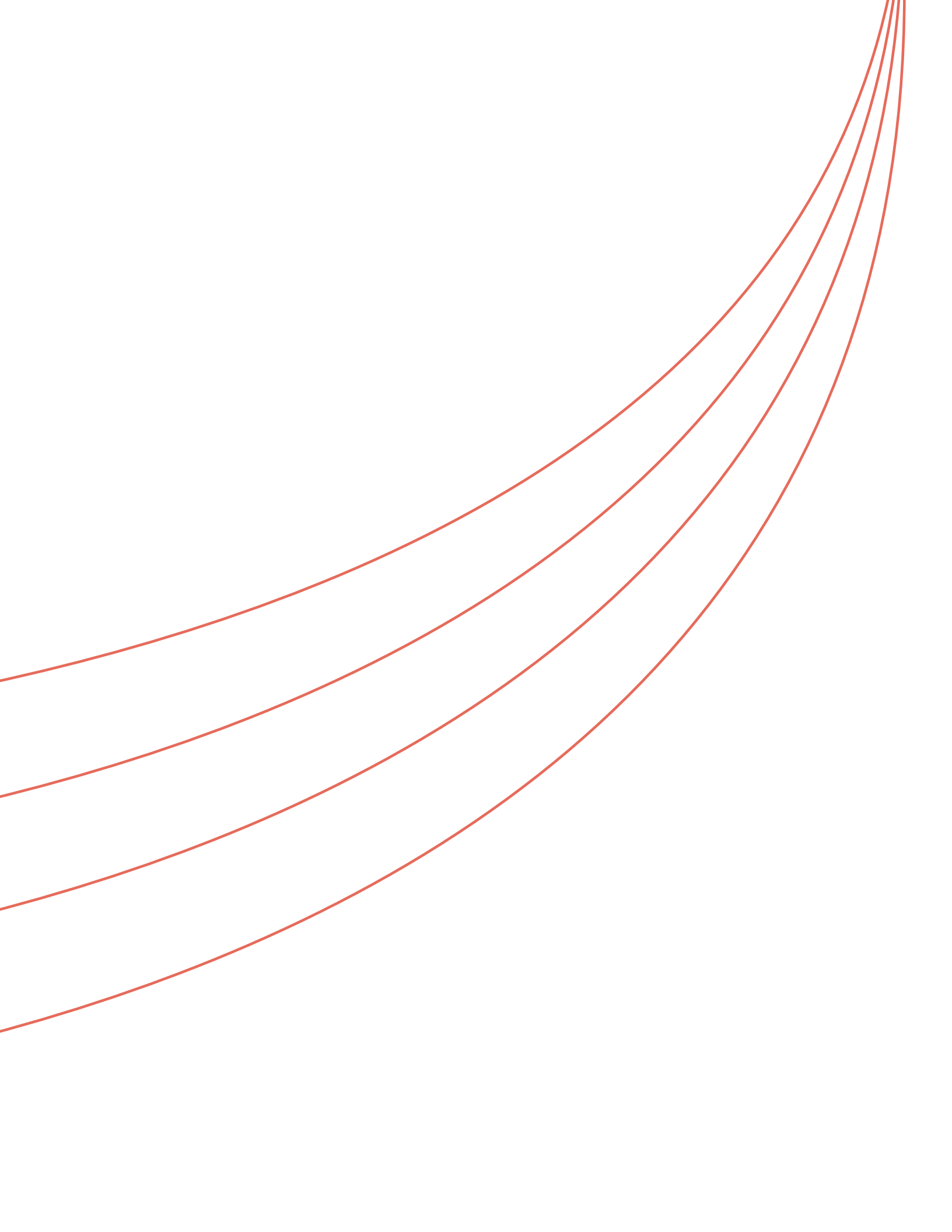
CA<sup>4</sup> Prequalification Education

# The UFE Candidates' Competency Map:

Understanding the Professional Competencies Evaluated on the UFE

2010 – Effective for the 2011 UFE





**CA**  Prequalification Education

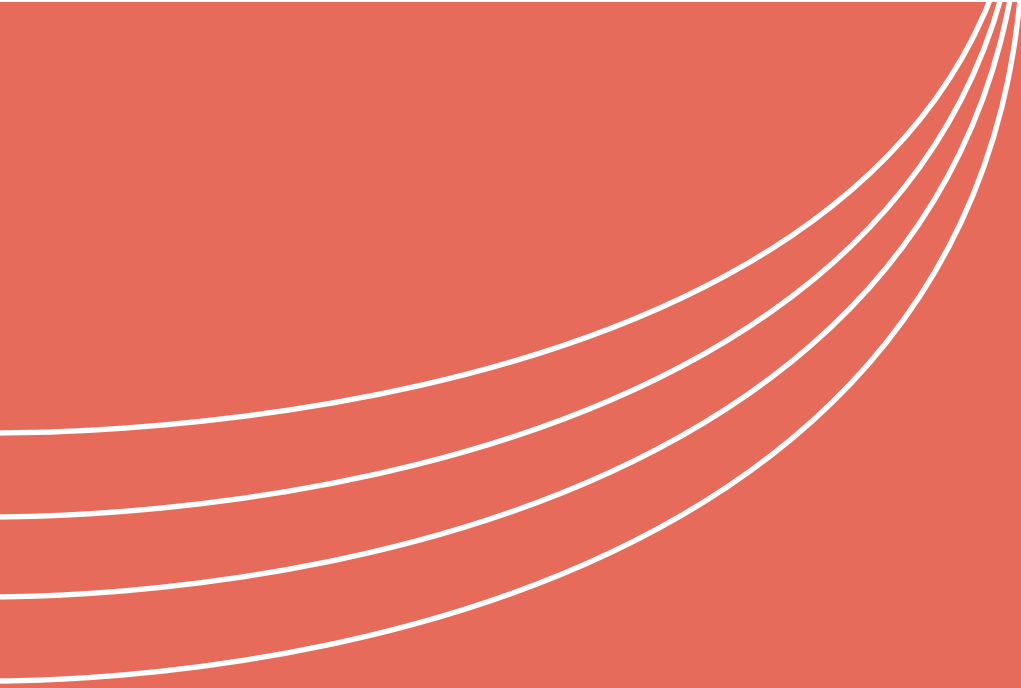
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2010 – Effective for the 2011 UFE

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CA Training Offices and CA Students should refer to the regulations of their Provincial Institute/Ordre for the specific requirements they must satisfy. Some CA Training Offices may be subject to requirements of more than one Provincial Institute/Ordre/Region.

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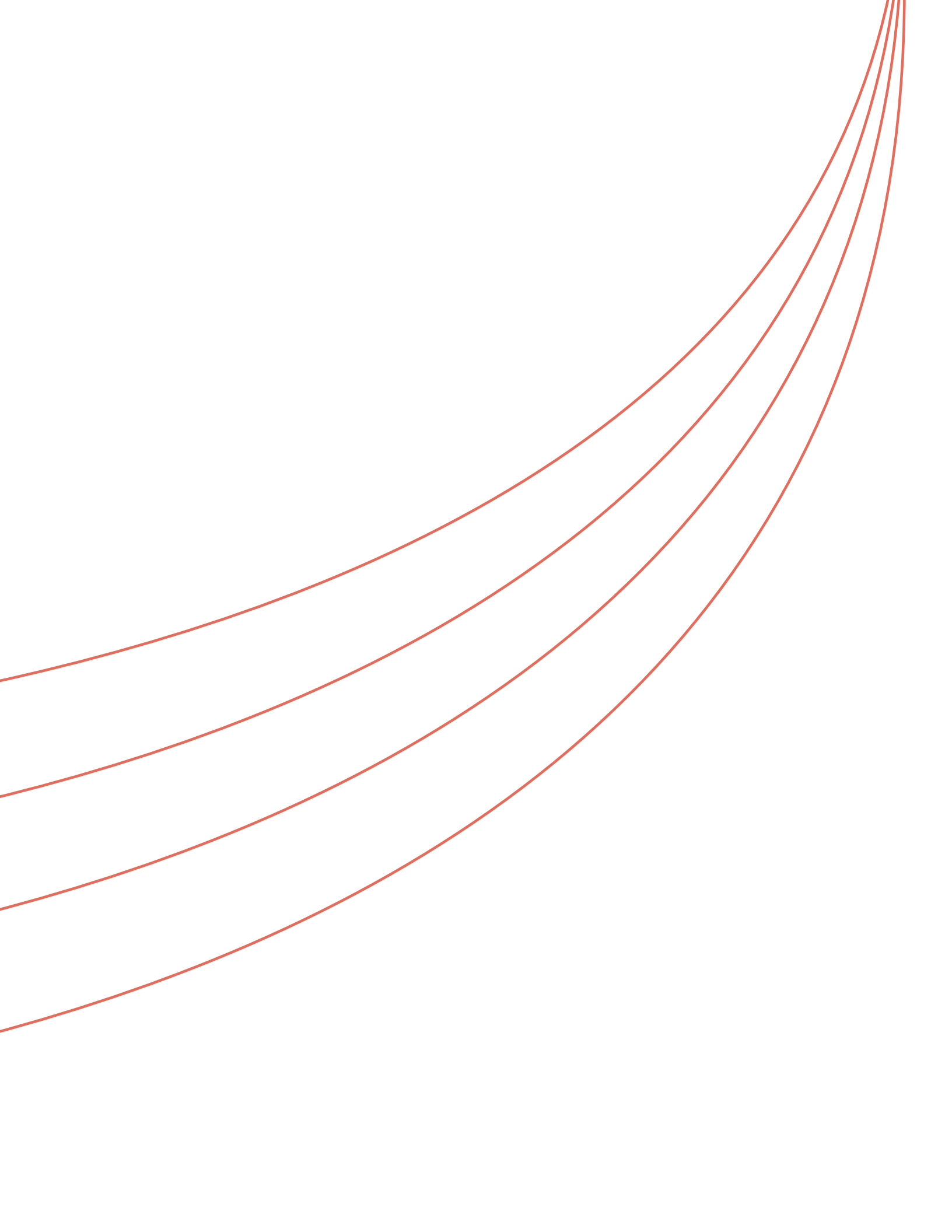
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***The UFE Candidates' Competency Map: Understanding the Professional Competencies Evaluated on the UFE*** is one of a series of publications published by the CICA for candidates and potential candidates to the profession. Contact your Provincial Institute/Ordre for a complete listing of available documents.

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## Introduction

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### The Purpose of The UFE Candidates' Competency Map

*The UFE Candidates' Competency Map (or the Map) provides an overview of the specific professional competencies and proficiency levels that CA candidates are expected to demonstrate on the profession's Uniform Evaluation (the UFE). It is used by the profession's Board of Evaluators to develop the UFE, and by accounting academics in the profession's professional education programs and in universities to ensure that their programs cover the required competencies. Employers consult the Map to ensure that their students acquire the pre-qualification professional education necessary both to prepare them for the UFE and to serve as the foundation for their practical experience. CA candidates are strongly encouraged to review the Map in preparing for the UFE to make sure they possess the required competencies to the expected level of proficiency.*

### Becoming a CA

“CA” is Canada's best known and most highly respected professional accounting designation. Chartered Accountants receive professional education that uniquely prepares and qualifies them to offer exemplary financial competence, both as independent advisors and as integral members of senior management teams. For the individual, the CA designation signifies years of business studies, work experience, and commitment to the highest standards of professional ethics and objectivity. The designation is nationally recognized and internationally respected, offering opportunities anywhere in Canada and Bermuda and, through our agreements with international accounting bodies, in many other countries.

CA education is competency-based. It focuses on ensuring that every CA, on qualification, has the necessary level of underlying knowledge *and* the practical skills and experience to apply that knowledge effectively. It is a process that integrates:

- **Formal, competency-based academic and professional education**, acquired through recognized academic and professional education programs delivered by universities and by the profession's four regional delivery systems;
- **Ongoing evaluation and simulation** to help candidates develop competencies and assess their readiness for entry to the CA profession;
- **Uniform Evaluation** (the UFE), which all candidates must pass in order to enter the profession, challenges candidates to demonstrate competence by responding to simulations—business cases that are representative of the kinds of challenges faced by the entry-level CA; and
- **Practical experience**, acquired through a term of employment of a minimum of three years, including graduate-level professional education, with a CA Training Office recognized by the profession.

All CA candidates must complete all components successfully to earn their CA designation.

Qualifying as a CA provides a solid foundation for a successful career. All CAs are expected, once qualified, to take personal responsibility for their ongoing professional education throughout their careers.

### **The Scope of The UFE Candidates' Competency Map**

*The UFE Candidates' Competency Map* focuses exclusively on the foundational competencies assessed on the UFE. It does not include the competencies developed and better assessed through the professional education program and/or the experience components of CA education, such as making oral presentations, interviewing clients, etc. At the time of writing the UFE, the CA candidate will have been exposed to all the required competencies through simulated business cases, role-playing, and interaction with educators. The candidate is expected to demonstrate the required competencies on the UFE to the level of proficiency defined in the *Map*.

### **For More Information on the CA Qualification Process**

*The UFE Candidates' Competency Map* addresses one component of CA education. Detailed information on all aspects of the integrated CA qualification process is available through your Provincial Institute/Ordre, your regional education provider websites, and through the CICA web site at [www.cica.ca](http://www.cica.ca). Several publications are available for downloading or purchase.

For detailed information on experience requirements, including standards for recognition as a CA Training Office, see our website at [www.CATOadvantage.ca](http://www.CATOadvantage.ca).

*The Uniform Evaluation Reports*, for each of 2003 to 2009, are available for purchase at [www.knotia.ca/store/ufe](http://www.knotia.ca/store/ufe).

### **The Restructuring of Canadian Standards**

Both accounting and assurance standards have undergone significant restructuring in Canada over the last few years. The adoption of international standards for both financial reporting by publicly accountable enterprises (International Financial Reporting Standards, or IFRSs) and for audits of historical financial statement audits (International Standards on Auditing, adopted as Canadian Standards on Auditing, or CASs) was a significant change for the CA profession. Generally, these new standards are now in effect. New accounting standards for private enterprises are also in effect. Changes have also been made in public sector accounting, with certain entities now able to adopt IFRS.

Although, the bulk of the standards changes came into effect in 2011, further changes are expected. In particular, revisions have been proposed to the accounting standards for not-for-profit entities. These changes are expected to be mandatory in 2012, although early adoption is likely to be permitted in 2011.

### **Expectations of UFE Candidates**

The impact of these changes on the profession is significant. Today's UFE candidate will play an important role in the ongoing implementation of these new standards and therefore must have a solid understanding of them.

As a result of the changes, the *CICA Handbook-Accounting* is now divided into five parts:

- Part I—International Financial Reporting Standards (IFRS)
- Part II—Accounting Standards for Private Enterprises (ASPE)
- Part III—Accounting Standards for Not-for-Profit Organizations
- Part IV—Accounting Standards for Pension Plans
- Part V—Pre-changeover Accounting Standards

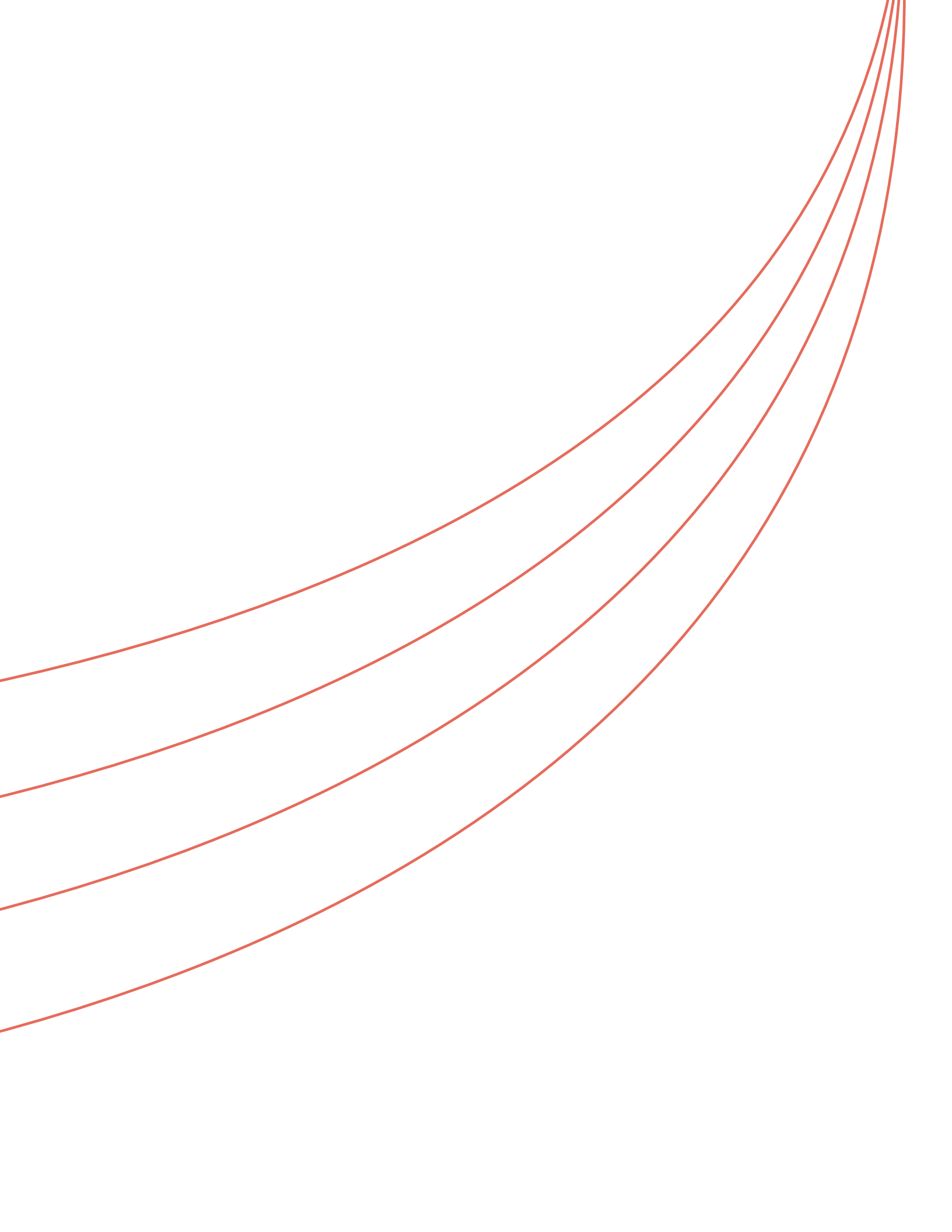
For the 2011 UFE, CA candidates are generally responsible for the full body of Parts I and II, with the exception of certain specific exclusions which are outlined in the Performance Measurement and Reporting *Knowledge Reference List* on page 51. CA candidates can choose to early adopt and apply Part III (expected to be released January 2011), where it is applicable, but also have the choice of applying Part I. Those applying Part III, would do so with Part II serving as the base standards. Candidates are not responsible for Part IV because this material is outside normal circumstances. Candidates are not responsible for Part V since its retention as part of the *Handbook-Accounting* is transitional.

The *CICA Handbook-Assurance* now consists of two parts:

- Part I
- Part II

For the 2011 UFE, CA candidates are generally responsible for the full body of Part I. Candidates are not responsible for Part II as it is transitional and is not relevant once Part I is applied.

*Candidates will be informed of any significant changes in expectations in the March 31, 2011 Technical Update.*



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## Definitions

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This document uses a number of terms in ways specific to the CA profession. Understanding their special “CA” sense is essential to understanding *The UFE Candidates’ Competency Map*.

**Competence:** the broad range of knowledge, skills, attitudes, and observable behaviour that together account for the ability to deliver a specified professional service. Competence also involves adoption of a professional role that values accountability to the public and leadership in professional practice, the public sector, the corporate sector, and education.

**Competency:** the particular tasks that CAs perform while applying, or bringing to bear, the pervasive qualities and skills that are characteristic of CAs to the level of proficiency defined as appropriate by the profession.

**Normal circumstances:** circumstances where:

The entity, situation, event or transaction is of a size or degree of complexity likely to be encountered by an entry-level CA, and

- The entity is a business in the private sector, formed as a proprietorship, as a partnership, as a private corporation; or
- The entity is a small public corporation, or a division of a large public corporation; or
- The entity is in the public sector or is a not-for-profit organization or a division of either; or
- The entity is an individual

For qualification purposes, CA candidates are expected to demonstrate specified levels of proficiency in *normal circumstances*. Proficiency levels that are assigned to the competencies in this document set out what should be reasonably expected of the entry-level CA candidate at the point of writing the UFE.

**Pervasive qualities and skills:** the professional qualities and skills that all CAs are expected to bring to all tasks—the “how” of a CA’s work. *The UFE Candidates’ Competency Map* identifies pervasive qualities in three categories: I-Ethical Behaviour and Professionalism, II-Personal Attributes and III-Professional Skills. They are defined as follows:

**I-Ethical Behaviour and Professionalism:** the CA profession is committed to maintaining the confidence of clients, employers, and the public through an overriding commitment to integrity in all professional tasks. Thus, all CAs are expected at all times to abide by the highest standards of integrity; they must be, and must be seen to be, carrying out all assignments objectively and independently, in accordance with the ethical values outlined in detail in Section I of *The UFE Candidates’ Competency Map*.

**II-Personal Attributes:** CAs are expected to develop a number of personal qualities that shape the way they conduct themselves as professionals. These qualities or attributes are outlined in Section II of *The UFE Candidates’ Competency Map*.

**III-Professional Skills:** CAs are also expected to develop a wide range of professional skills that, while not unique to the CA profession, are critical to its successful practice. These skills are outlined in Section III of *The UFE Candidates’ Competency Map*.

**The Integration of Information and Information Technology:** the competencies related to the role technology and information plays in strategy, decision-making, processing and reporting of information that candidates are expected to develop that are an integral part of virtually all the tasks undertaken by CAs. These competencies are included in the specific competency areas. They are listed in table format on page 29 for ease of reference.

**Specific Competencies:** the competencies that CA candidates are expected to develop before writing the UFE—the “what” of a CA’s work. These competencies are grouped into six main categories or sections:

**IV-Governance, Strategy and Risk Management**—competencies related to the development and evaluation of an entity’s ability to make decisions and maximize its organizational performance, including its governance, strategies, policies and resources;

**V-Performance Measurement and Reporting**—competencies related to the presentation of an entity’s financial and non-financial information to external and internal users to meet their reporting needs;

**VI-Assurance**—competencies related to enhancing the reliability of information, including the validation, testing, and the provision of broadly defined assurance services, including statutory and regulatory audit/assurance requirements, documentation and evaluation of controls;

**VII-Finance**—competencies related to the financial management of assets and liabilities, treasury and assessment of an entity’s value;

**VIII-Management Decision-Making**—competencies related to the identification of information needs, and to the development and use of decision-making tools in achieving the entity’s strategies;

**IX-Taxation**—competencies related to taxation planning, compliance, and reporting for various entities.

Each competency area identifies the competencies relevant to the UFE. Below the name of each competency, the *Map* supplies details intended as guidelines as to what is expected from candidates when demonstrating the competency.

**Level of Proficiency:** the degree of expertise an individual is expected to exhibit in a competency.

*The UFE Candidates’ Competency Map* defines the levels of proficiency candidates must demonstrate at the time of writing the UFE. Three distinct and increasingly higher levels of proficiency are identified. *Level C* requires the lowest proficiency, whereas *Level A* requires the highest. Each of the levels is defined below.

**Level C:** describes accurately the task or role constituting the competency, the possible evidence of performance, the significance of the competency, and the types of circumstances in which it would arise or be applied in normal circumstances. Proficiency at *Level C* is demonstrated when a CA explains, summarizes, gives examples, depicts, interprets, and paraphrases, among other things, the professional skills and underlying knowledge required by the competency.

**Level B:** demonstrates without prompting from others an understanding of the task and the required professional skills including basic quantitative and qualitative analysis, but not necessarily the ability to successfully complete the task without adequate support or supervision in normal circumstances. Proficiency at *Level B* is demonstrated when the nature of the problem is identified. The issues related to the problem are often evaluated, analyzed, etc., on a preliminary basis. That is, the work requires the review of more senior personnel to ensure its completeness and accuracy. Any requirement for the involvement of personnel with special expertise necessary to complete all aspects of the task is identified. A preliminary recommendation is often made. This level of proficiency includes *Level C* proficiency.

**Level A:** completes all elements of a specified task successfully in normal circumstances. Proficiency at *Level A* is demonstrated when the problem is clearly identified and thoroughly analyzed or when a situation is evaluated and useful recommendations are made and/or implemented. The CA is responsible for the work whether it is completed solely by a CA or by a team of CAs. This level of proficiency includes *Level B* and *Level C* proficiencies.

The following example outlines expectations at *Level A* and, to assist candidates in differentiating among the three proficiency levels, it also provides expectations for *Levels B* and *C*.

### Scenario

An entry-level CA is hired as the assistant-controller of a newly formed parts-manufacturing small business. The company has yet to issue its first set of financial statements. CA is involved in the choice of the accounting policies. (See V-2.2: Develops or evaluates accounting policies in accordance with GAAP)

**NOTE** The above scenario is considered to fall within normal circumstances because the entity is a manufacturing company in the private sector and is of a size and degree of complexity likely to be encountered by an entry-level CA.

The CA candidate is expected to demonstrate a *Level A* proficiency in this competency at the point of writing the UFE.

- **Level C:** The CA candidate explains to senior management the importance of establishing accounting policies and of consistently applying those policies to the company's financial transactions. The CA candidate informs management of some of the factors to be taken into account when choosing the basis of accounting, developing the accounting policies, such as users' specific needs or industry-specific practices. The CA candidate explains that often there are alternative accounting treatments, describes the alternatives, and that judgment is required in establishing the policy that best suits the entity.
- **Level B:** The CA candidate asks senior management to describe the company's strategies to confirm that the adoption of IFRS is not a valid option. The CA candidate then asks for a description of the key transaction streams. The CA candidate then documents these streams, and based on this information identifies alternative accounting policy choices. The CA candidate identifies the significant factors that influence the choice of policies, such as the various financial statement users and their needs. The CA candidate presents suggested policies to senior management who will decide which ones to implement. The candidate demonstrates these skills in addition to the skills and abilities outlined in *Level C*.

- **Level A:** The CA candidate develops and recommends the company's accounting policies. The CA candidate gains an understanding of who the various stakeholders are and of their reporting needs. The CA candidate analyzes the information gathered and then chooses the accounting policies that best reflect the results of the entity and provide the most useful information for reporting performance. The candidate presents a firm recommendation to management. The candidate demonstrates these skills in addition to the skills and abilities outlined in both *Levels B* and *C*.

At the end of each of the six Specific Competency sections, examples are provided to help candidates understand the different expectations at each proficiency level. In each of these examples, the particular proficiency level expected of the CA candidate is identified (*Level A, B* or *C*). In addition, to assist the candidate in differentiating between the expectations associated with the three proficiency levels, each example includes the expectations for the other two levels. That is, if the expected proficiency for the particular competency in the example is *Level B*, the example will also include the proficiency expectations for *Levels A* and *C* to assist the CA candidate in understanding the differences.

**NOTE** *Level A* proficiency is required for all Pervasive Qualities and Skills (Sections I, II and III of the *Map*).

### The Knowledge Reference Lists

The CA qualification's competency-based approach recognizes that knowledge is necessary but not sufficient for performing professional services. For knowledge to become a CA competency, it must be applied in a manner that includes the integration of the CA Pervasive Qualities and Skills described above.

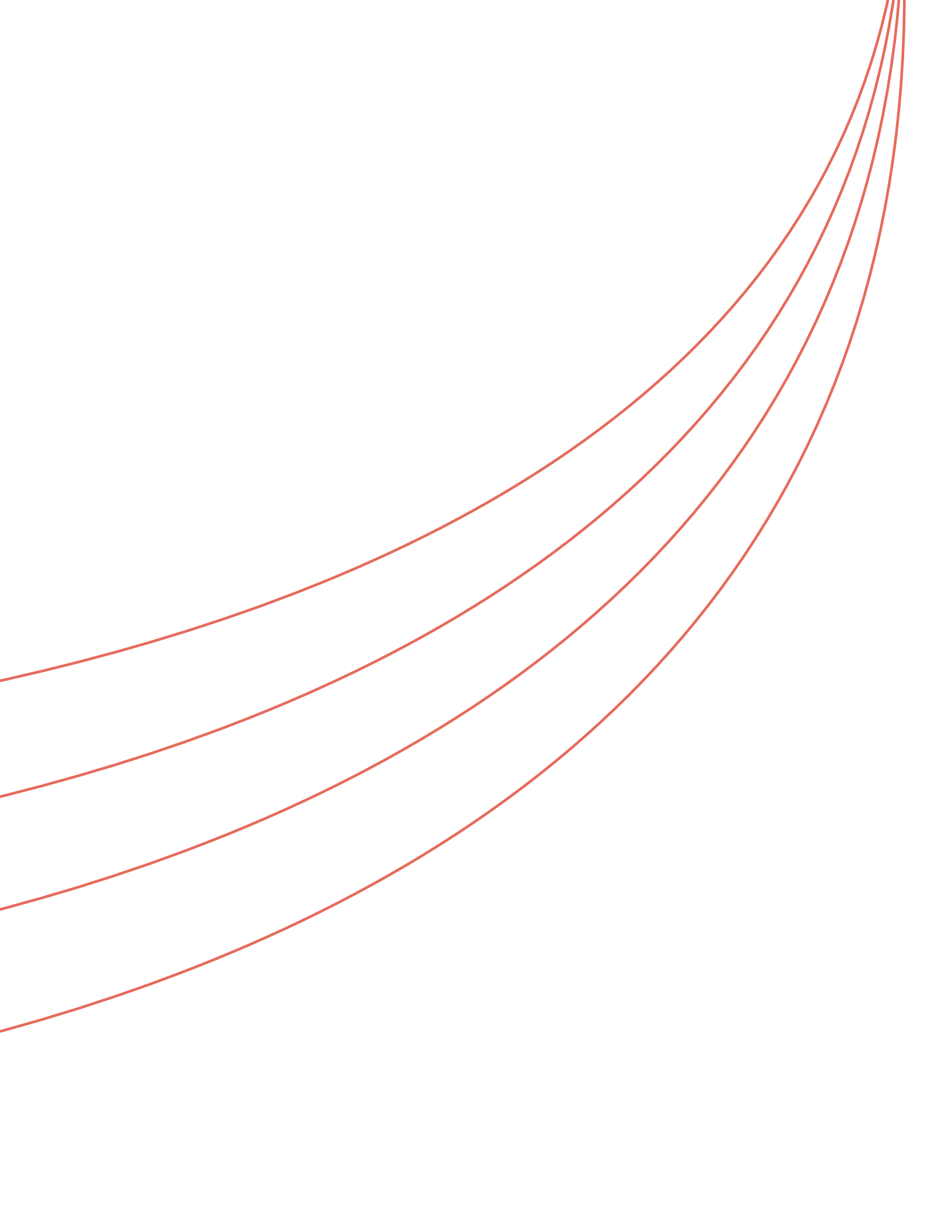
The acquisition of the CA knowledge base is, however, critical for success. CAs acquire knowledge that encompasses the economic, legal, and business environment in which businesses and other organizations operate, and knowledge such as generally accepted accounting principles and current tax regulations, directly related to one or more competencies.

To help CA candidates identify knowledge integral to the competencies they are expected to demonstrate, a **Knowledge Reference List** is included for each specific competency area. This list outlines the knowledge that underlies each specific competency area. Generally, candidates can use this list as a guide to ensure they have identified the appropriate material underlying the specific competency areas.

The Knowledge Reference Lists were compiled using information gathered from various sources: the CICA *Handbooks* and other CICA publications, *The Income Tax Act*, and undergraduate textbooks. CA candidates are encouraged to make use of these and similar sources to further the breadth and depth of their knowledge.

The Knowledge Reference Lists include individual topics under the specific competency area where they are most relevant, or most strongly identified. This does not mean that the knowledge associated with a particular topic is relevant to only that area. In many instances, knowledge is relevant to two or more competency areas.

For the Information and Information Technology elements found in each of the specific competency areas, a reference has been made to the detailed IT Knowledge Reference List found in the Integration of Information and Information Technology section on page 29.



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## Weighting of the Competencies

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The Professional Learning Committee (PLC) determines the policies for the minimum coverage of the *UFE Candidates' Competency Map* on each Uniform Evaluation (UFE):

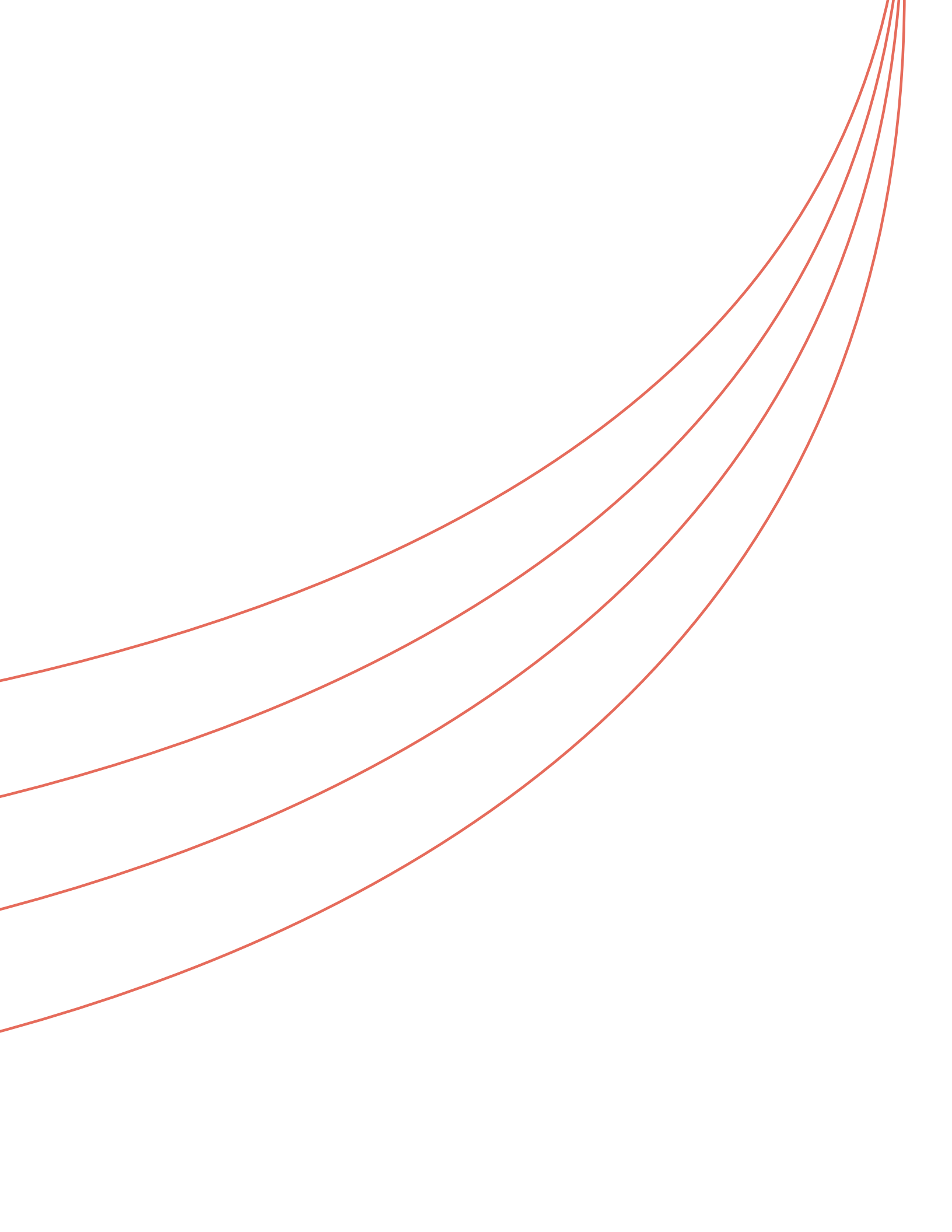
All simulations will require candidates to demonstrate proficiency in these qualities and skills:

Specific competencies	Relative Weight
Governance, Strategy and Risk Management	5 — 10%
Performance Measurement & Reporting	20 — 30%
Assurance	25 — 35%
Finance	10 — 20%
Management Decision-Making	10 — 20%
Taxation	10 — 20%

Two of the primary indicators on the UFE must relate to Information Technology (IT) competencies (as shown on the Information Technology Competency list).

There is no prescribed weighting of the pervasive qualities and skills; CA candidates must demonstrate them at all times and in a manner relevant to each simulation.

Accounting and Assurance standards that are issued but not yet effective are testable at a *Level C* based on the expectations set out in the *Map*. However, candidates may choose to apply those standards at *Level B* or *Level A*, as defined by the expectation level set for the competency, where early adoption is permitted by the standard.



## List of CA Competencies

The Pervasive Qualities and Skills	Level of Proficiency	Details on Page
<b>I-Ethical Behaviour and Professionalism</b>		19
I-1 Protects the public interest	A	19
I-2 Acts competently with honesty and integrity	A	20
I-3 Carries out work with a desire to exercise due care	A	20
I-4 Maintains objectivity and independence	A	20
I-5 Avoids conflict of interest	A	21
I-6 Protects the confidentiality of information	A	21
I-7 Maintains and enhances the profession's reputation	A	21
I-8 Adheres to the rules of professional conduct	A	21
<b>II-Personal Attributes</b>		22
II-1 Self-manages	A	22
II-2 Demonstrates leadership and initiative	A	22
II-3 Maintains and demonstrates competence and recognizes limits	A	22
II-4 Strives to add value in an innovative manner	A	23
II-5 Manages change	A	23
II-6 Treats others in a professional manner	A	23
<b>III-Professional Skills</b>		24
III-1 Obtains information		24
III-1.1 Gathers or develops information and ideas	A	24
III-1.2 Develops an understanding of the operating environment	A	24
III-1.3 Identifies the needs of internal and external clients and develops a plan to meet those needs	A	24
III-2 Examines and interprets information and ideas critically		24
III-2.1 Analyzes information or ideas	A	24
III-2.2 Performs computations	A	25
III-2.3 Verifies and validates information	A	25
III-2.4 Evaluates information and ideas	A	25
III-2.5 Integrates ideas and information from various sources	A	25
III-2.6 Draws conclusions/forms opinions	A	25
III-3 Solves problems and makes decisions		25
III-3.1 Identifies and diagnoses problems and/or issues	A	25
III-3.2 Develops solutions	A	26
III-3.3 Decides/recommends/provides advice	A	26
III-4 Communicates effectively and efficiently		26
III-4.1 Seeks and shares information, facts, and opinions through written discussion	A	26
III-4.2 Documents in written and graphic form	A	26
III-4.3 Presents information effectively	A	27

<b>The Pervasive Qualities and Skills</b>	<b>Level of Proficiency</b>	<b>Details on Page</b>
III-5 Manages and supervises		27
III-5.1 Plans projects	A	27
III-5.2 Identifies need for internal and external expertise	A	27
III-5.3 Facilitates decision-making	A	27
III-6 Understands how IT impacts a CA's daily functions and routines	A	27
III-7 Considers basic legal concepts	A	28

<b>The Specific Competencies</b>	<b>Level of Proficiency</b>	<b>Details on Page</b>
<b>IV-Governance, Strategy and Risk Management</b>		<b>35</b>
IV-1 Evaluates an entity's governance model		35
IV-1.1 Evaluates the entity's governance structure	B	35
IV-1.2 Understands the leadership processes of the board or other governing body	C	36
IV-1.3 Identifies and evaluates the audit committee's role in governance	A	36
IV-1.4 Understands the importance of governance planning	C	36
IV-2 Evaluates an entity's strategies		36
IV-2.1 Understands the entity's strategic plan and planning processes	B	36
IV-2.2 Gains an understanding of the entity's mission, vision and strategies	B	37
IV-2.3 Identifies and evaluates opportunities and risks	A	37
IV-2.4 Identifies key elements of the entity's value system	B	37
IV-2.5 Evaluates the adequacy of the entity's IT strategy	B	37
IV-2.6 Identifies the factors that impact the entity's financial strategies	B	38
IV-2.7 Evaluates the entity's performance measurement and reporting strategy	A	38
IV-3 Evaluates an entity's plans for risk management		38
IV-3.1 Understands the entity's risk management processes	B	38
IV-3.2 Evaluates the entity's risk management program	B	38
IV-3.3 Assesses the IT risks and how they are managed	B	39
IV-3.4 Identifies courses of action to help manage risks	B	39
IV-4 Evaluates an entity's ability to manage organizational performance		39
IV-4.1 Evaluates decision-making and accountability processes	B	39
IV-4.2 Understands the need for access to information	B	39
<b>V-Performance Measurement and Reporting</b>		<b>45</b>
V-1 Analyzes financial reporting needs and establishes the necessary processes		45
V-1.1 Analyzes financial reporting needs	A	45
V-1.2 Develops or evaluates reporting processes to support financial reporting	A	45
V-1.3 Develops reliable financial information	A	46
V-1.4 Establishes or enhances financial reporting using IT	B	46

The Specific Competencies	Level of Proficiency	Details on Page
V-2 Conducts external financial reporting		46
V-2.1 Identifies the appropriate basis of accounting	A	46
V-2.2 Develops or evaluates accounting policies in accordance with GAAP	A	46
V-2.3 Accounts for the entity's routine transactions	A	47
V-2.4 Accounts for the entity's non-routine transactions	B	47
V-2.5 Describes the accounting for the entity's complex matters	C	47
V-2.6 Prepares financial statements using the identified basis of accounting	A	47
V-2.7 Prepares or evaluates financial statement note disclosure	A	47
V-2.8 Prepares or evaluates financial components of the Management Discussion and Analysis (MD&A)	B	48
V-2.9 Explains the financial statement results and balances to stakeholders	A	48
V-2.10 Maintains awareness of pending financial reporting standards changes	C	48
V-2.11 Describes the need to apply other accounting principles or the need for special presentation of information	C	48
V-3 Conducts internal financial reporting		49
V-3.1 Develops or evaluates internal financial reports	A	49
V-3.2 Recommends improvements to internal financial reporting systems	B	49
V-4 Conducts specialized reporting		50
V-4.1 Identifies and analyzes specific reporting obligations	A	50
V-4.2 Identifies regulatory and other filing requirements	C	50
V-4.3 Identifies and analyzes non-financial reporting needs	B	50
V-4.4 Conducts external and internal non-financial reporting	B	50
<b>VI-Assurance</b>		<b>58</b>
VI-1 Analyzes, evaluates and advises on assurance needs (external or internal)	A	58
VI-2 Provides assurance services (external or internal)		58
VI-2.1 Considers issues related to accepting an assignment	A	58
VI-2.2 Determines which financial reporting framework or policies to apply to the subject matter being evaluated	A	59
VI-2.3 Evaluates the implications of key risks and business issues for the assignment	A	59
VI-2.4 Develops guidelines to set the extent of assurance work, based on the scope and expectations of the assignment	A	59
VI-2.5 Designs appropriate procedures based on the assignment's scope, risk and materiality guidelines	A	59
VI-2.6 Executes the work plan	A	59
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## The Pervasive Qualities and Skills

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### Pervasive Qualities – A Vital Relationship

The pervasive qualities and skills in *The UFE Candidates' Competency Map* combine with the specific competencies in a vital relationship which results in the competencies that are unique to the CA profession. Together, they combine to produce the technical excellence, integrity, objectivity and commitment to public interest for which the CA profession is known. CA candidates are expected to demonstrate the highest level of proficiency, *Level A*, for all the pervasive qualities and skills described below.

### I-Ethical Behaviour and Professionalism

Ethical Behaviour and Professionalism is the first of three categories of the “Pervasive Qualities and Skills”, i.e., those qualities that a CA brings to any task. Whether recently qualified or highly experienced, all CAs are required to uphold ethical principles and conduct them selves professionally. Acting with integrity, through adherence to these values, is fundamental to the profession’s commitment to excellence and the public interest.

Integrity means acting ethically and honestly, carrying out all work with an objective frame of mind and maintaining independence, both in fact and in appearance, where appropriate. Integrity also means that CAs raise and address issues regarding stewardship— that is, the discharge by management of its stewardship responsibilities to those who have provided resources to an entity. CAs monitor whether management is being accountable and honest in addressing issues of stewardship and when making decisions or reporting information.

It is this strong commitment to integrity in everything that CAs do that earns them their reputation for trustworthiness, and the confidence of clients, employers and the public at large. As a result, clients and employers seek to involve CAs in the most significant financial and business decisions that they face.

#### I-1 Protects the public interest

For all assignments, adheres to the related standards

Understands the profession’s standards of competence and integrity and how these standards serve the public and protect the public interest

Identifies ethical dilemmas in a business or government situation and makes decisions that ensure the public interest is paramount

**I-Ethical Behaviour and Professionalism****I-2 Acts competently with honesty and integrity**

Understands and adheres to the profession's standards of competence and integrity

Follows the law and the spirit of the law

Ensures that breaches of an entity's code of conduct and unethical behavior are reported to a supervisor so that such information is communicated to the appropriate level within the governing body (e.g., board of directors)

Acts honestly

Makes transparent decisions, recognizing and accepting responsibility for actions and for the consequences of those decisions

Critically evaluates appropriate internal and / or external resources in resolving ethical dilemmas

**I-3 Carries out work with a desire to exercise due care**

Ensures that when carrying out work, the interests of the public, the client, and the employer are placed before own self-interest

Preserves the trust inherent in fiduciary relationships with the public at large, the client, the employer, and the profession

Prepares information in such a way that the pertinent facts are fairly presented

Interprets information in an objective manner, exercising professional skepticism when required

Makes appropriate ethical judgments based on an understanding of the level of care expected of professional accountants in various situations

**I-4 Maintains objectivity and independence**

Understands the principles and rules of independence and acts appropriately

Identifies the potential for bias in a proposed activity or decision, and takes steps to maintain objectivity

Takes steps to maintain independence in both fact and appearance, extricating oneself from situations where independence may be impaired

**I-5 Avoids conflict of interest**

Understands the reasons for avoiding conflict-of-interest situations and is familiar with the guidelines and laws that have been developed to prevent their occurrence

Consciously avoids real, potential or perceived conflicts of interest

Ensures that the interest of one party is not favoured over that of another

**I-6 Protects the confidentiality of information**

Does not divulge or exploit confidential information

Protects against the accidental distribution of confidential information

**I-7 Maintains and enhances the profession's reputation**

Performs work to a high standard of quality

Contributes to the enhancement of the profession's image

Promotes the profession

Practises professional courtesy

**I-8 Adheres to the rules of professional conduct**

Abides by the profession's harmonized Rules of Professional Conduct (in Quebec, abides by the Rules of Professional *Conduct for CAs*)

## II-Personal Attributes

Certain personal or individual attributes make up the second of the three categories of “Pervasive Qualities and Skills,” i.e., those qualities that a CA brings to any task. The profession’s commitment to be leaders in enhancing decision-making and improving organizational performance requires CAs to foster individual characteristics that are vital to fulfilling this commitment. Thus, CAs take responsibility for maintaining their own professional competence by maintaining awareness of new developments and for managing their own careers. They know their own limitations, and use professional judgment in deciding when to involve specialists and other professionals. They demonstrate leadership, exercise initiative, and strive constantly to add value; they are innovators, and they are adaptable. These individual attributes manifest themselves in all of the CA’s professional undertakings and at all stages of his or her career.

### II-1 Self-manages

Ensures all assigned work is complete; assesses own performance and updates professional development plan

On a regular basis, analyzes information about the entity’s performance that is pertinent to the CA’s position and responsibility

### II-2 Demonstrates leadership and initiative

For each assignment, identifies milestones that measure whether work is being performed on time and within budget

Communicates with internal and external clients to assure them that milestones are being met and objectives are being achieved

Identifies opportunities, issues, and possible improvements and makes suggestions or recommendations to the supervisor or internal and external clients as appropriate

Challenges assumptions

Contributes and leads, by action and example

### II-3 Maintains and demonstrates competence and recognizes limits

Performs quality work with diligence and due care, based on the most recent standards or practices

Relies on the work of others only after establishing a reasonable basis for reliance, such as sufficient evidence of their competence, their knowledge of current standards, and evidence of due care

Recognizes the limits of his or her competence and voluntarily defers to others when more experience or greater expertise is necessary to complete the task successfully and, if applicable, arranges for adequate supervision

**II-Personal Attributes**

**II-4 Strives to add value in an innovative manner**

Seeks internal and external information pertaining to the entity that will provide insights and useful ideas that are consistent with the entity's objectives

Identifies and explores innovative alternatives before making decisions or limiting alternatives

Seeks to improve effectiveness and efficiency of assigned tasks

**II-5 Manages change**

Anticipates change in the business environment and considers impact on entity's or own objectives

For anticipated changes, provides a realistic analysis of adjustments and challenges likely to be encountered and suggests steps to deal with them

Assesses how own work is likely to be affected, and is open to change

Helps proactively plan change

**II-6 Treats others in a professional manner**

Treats others respectfully, courteously and equitably

Shows empathy by understanding why others have a particular perspective on an issue

Resolves conflict and differences of opinion by focusing on issues, not personalities

### III-Professional Skills

Wide-ranging professional skills make up the third of the three categories of “Pervasive Qualities and Skills,” i.e., those qualities that the CA brings to any task.

These skills are listed and defined below. They encompass the creation, analysis, evaluation, and synthesis of information and ideas; problem-solving and decision-making skills; communication and management skills, and proficiency in technology. They are vital to the professional success of CAs.

Professional judgment is a required element in the development of these professional skills. As CAs gain real life experience, their professional skills will grow in breadth and depth.

#### III-1 Obtains information

##### III-1.1 Gathers or develops information and ideas

Identifies the purpose of gathering information or researching an issue

Uses appropriate methods for obtaining or developing the information needed, e.g., internal or external electronic resources, document reviews, observation of activities, interviews, etc.

##### III-1.2 Develops an understanding of the operating environment

Using information obtained from a variety of sources, develops an understanding of the entity’s operating environment, including:

- stakeholders
- critical success factors for the industry / sector
- exposure to uncertainties, e.g., political, financial, technological, etc.
- environmental shifts that might affect the entity, e.g., emerging market trends, legislative and regulatory changes, etc.

##### III-1.3 Identifies the needs of internal and external clients and develops a plan to meet those needs

Identifies possible areas where professional services may be of assistance

Develops the steps or services that will effectively and efficiently meet agreed-upon needs

Considers the application of best practices in assessing the client’s needs

#### III-2 Examines and interprets information and ideas critically

##### III-2.1 Analyzes information or ideas

Identifies the purpose of the analysis and the information and/or ideas and material to be considered

Breaks down information or ideas in detail, seeking to identify essential elements and hence to uncover new information or gain new insights

Identifies the limitations of given information with regard to achieving the identified purpose of the analysis

Compares information from internal or external sources as needed to achieve the identified purpose:

- internal comparisons—comparing elements of a body of information for insights and as a check on consistency and reliability
- external comparisons—comparing information to data obtained from other relevant, credible sources

Makes logical inferences

## III-Professional Skills

**III-2 Examines and interprets information and ideas critically****III-2.2 Performs computations**

Identifies the purpose of the computation(s) and whether a precise calculation, an estimate, a forecast, or a projection is required

When the computation involves a forecast, a projection or valuation, identifies the supporting facts, data, knowledge of trends and markets necessary to achieve the purpose, and states most of the key assumptions

**III-2.3 Verifies and validates information**

Identifies information that needs to be verified

Determines the extent of testing needed to validate the completeness, accuracy and reliability of information used in the analysis

Identifies corroborating information that will strengthen the ability to draw sound conclusions about the information

Concludes, based on the work done, whether to accept or reject the information or whether to modify the testing

**III-2.4 Evaluates information and ideas**

Studies the available information in detail, seeking to fulfill the purpose of the evaluation

Forms an opinion or reaches a conclusion that the information does or does not fulfill the purpose of the evaluation

Identifies further work or action that is appropriate in response to unexpected findings

**III-2.5 Integrates ideas and information from various sources**

Considers and combines ideas and information from a variety of sources to create a design, formulate a plan, arrive at a solution to a problem, obtain a broader understanding of an issue, etc. For example, considers and combines current sales figures, trends in customers' tastes, and competitors' expansion plans to forecast next year's sales

**III-2.6 Draws conclusions/forms opinions**

Taking into account the identified purpose, the information gathered and the analysis of that information, forms an opinion on the outcome of an issue or on the impact of the information on a situation, e.g., "Based on the projected cash flow, the company will have insufficient cash to finance the expansion."

**III-3 Solves problems and makes decisions****III-3.1 Identifies and diagnoses problems and/or issues**

Identifies cause and effect relationships

Distinguishes between problems that can be solved and insoluble issues that have to be managed

Seeks to understand, identify and analyze the nature and context of a problem or issue, and to understand the factors contributing to the problem, before drawing conclusions or considering potential solutions or courses of action

**III-Professional Skills****III-3 Solves problems and makes decisions****III-3.2 Develops solutions**

In collaboration with affected stakeholders, develops potential solutions to address root causes of problems

For each alternative course of action, considers:

- the likely outcome
- apparent effectiveness in addressing root causes of problems
- feasibility of effective implementation
- stakeholder support for effective implementation

Identifies preferred solutions or ranks potential solutions, providing support for the ranking

**III-3.3 Decides/recommends/provides advice**

Exercises professional judgment by selecting or recommending a course of action or by providing advice that:

- is likely to contribute the most to achieving the stated goals
- complies with all relevant standards, especially those protecting the public interest
- gives due recognition to stakeholder interests
- makes optimal use of available resources

Prioritizes the decisions based on degree of urgency or some other criterion

For an apparently insoluble problem, suggests an approach to manage it

**III-4 Communicates effectively and efficiently****III-4.1 Seeks and shares information, facts and opinions through written discussion**

Obtains and evaluates the views of others

Confirms own understanding by summarizing views

States own views clearly and concisely

Analyzes and synthesizes the comments of all parties to develop a complete and insightful understanding of the issues at hand

Communicates conclusions reached or next steps to be taken

**III-4.2 Documents in written and graphic form**

Records information and ideas using the appropriate form and medium of written and/or graphic communication

Identifies the intended purpose of the document, its intended users, and user needs; the uses to which the document will be put, deadlines, and restrictions on its distribution

Given the intended purpose and the user's needs, identifies and develops:

- a logical and appropriate structure for the document
- the nature and amount of background information needed and the appropriate level of technical language to use
- the amount of detail required

Prepares appropriate, clear, concise, and precise documentation

## III-Professional Skills

**III-4 Communicates effectively and efficiently****III-4.3 Presents information effectively**

Analyzes the purpose, audience, and context of the presentation

Decides on the appropriate presentation medium to achieve the purpose

Considers the likely extent of the audience's existing knowledge of the subject and range of knowledge among audience members

Analyzes the amount of detail required and the necessary extent of precision and/or verification of any information being used

Considers any restrictions on the dissemination of confidential information, and/or the risk of such information being obtained by unauthorized users

**III-5 Manages and supervises****III-5.1 Plans projects**

Provides an outline of the objective of a project, or provides input on proposed objectives

Identifies the stakeholders and/or other affected parties whose perspectives and input should be sought and the resources likely to be needed to complete the project

Suggests elements of a viable plan

Suggests revisions to the plan to reflect new developments

**III-5.2 Identifies need for internal and external expertise**

For those areas under the CA's supervision:

- identifies the need for additional expertise to achieve the entity's strategies
- analyzes the optimal mix of employees and external consultants and contract employees needed to provide that expertise

**III-5.3 Facilitates decision-making**

Negotiates and reconciles differing views to find acceptable compromises leading to agreement where possible

Uses problem-solving techniques to assist in reaching decisions

**III-6 Understands how IT impacts a CA's daily functions and routines**

Weighs risks and merits of available tools and selects the most appropriate for the task

Uses computer applications to expedite the completion of tasks such as:

- calculating information e.g., spreadsheets
- generating information e.g., taxation compliance software
- retrieving information
- researching information
- protecting information

**III-Professional Skills****III-7 Considers basic legal concepts**

Seeks familiarity with the legal framework within which the entity operates

Assesses the impact of relevant regulations on routine and long-term decisions

Obtains and applies a general understanding of basic legal concepts when performing work such as breach of contract in contract law, negligence in tort law, tax case law

In analyzing a transaction, recognizes the need for guidance on the applicability of general legal concepts

## The Integration of Information and Information Technology

*The UFE Candidates' Competency Map* is a highly integrated document even though the competencies are presented in various groupings (Sections I to IX). Some competencies are of a pervasive nature but also contain elements of underlying knowledge related to their development, making them also like a specific competence. As the Information and Information Technology competencies have become an integral part of virtually every task undertaken by CA candidates, they fall into this unique category. There are many competencies in the *Map* that refer to “information”, “processes” or “systems” where, although not explicit in the description, information technology (IT) is a consideration. When reviewing all the competencies in the *Map*, candidates must keep in mind that both manual and automated systems are contemplated. Those *Map* competencies that are predominantly IT-related have been listed here to assist candidates in identifying them. However, these competencies are actually part of Sections I to IX.

*For ease of reference the Information and Information Technology competencies and related knowledge are listed here, in the same order as the sections into which they have been integrated.*

Competency	Level of Proficiency	Page
<b>IT competencies found in III-PROFESSIONAL SKILLS</b>		
III-6 Understands how IT impacts a CA's daily functions and routines	A	27
<b>IT competencies found in IV-GOVERNANCE, STRATEGY AND RISK MANAGEMENT</b>		
IV-1.4 Understands the importance of governance planning	C	36
IV-2.1 Understands the entity's strategic plan and planning processes	B	36
IV-2.5 Evaluates the adequacy of the entity's IT strategy	B	37
IV-3.3 Assesses the IT risks and how they are managed	B	39
IV-4.2 Understands the need for access to information	B	39
<b>IT competencies found in V-PERFORMANCE MEASUREMENT AND REPORTING</b>		
V-1.2 Develops or evaluates reporting processes to support financial reporting	A	45
V-1.4 Establishes or enhances financial reporting using IT	B	46
V-3.2 Recommends improvements to internal financial reporting systems	B	49
V-4.3 Identifies and analyzes non-financial reporting needs	B	50
<b>IT competencies found in VI-ASSURANCE</b>		
VI-2.5 Designs appropriate procedures based on the assignment's scope, risk and materiality guidelines	A	59
VI-3.2 Identifies the role IT plays in an entity's key operational controls	A	61
VI-3.4 Evaluates IT-related elements of internal control	B	62
<b>IT competencies found in VIII-MANAGEMENT DECISION-MAKING</b>		
VIII-2.1 Analyzes, selects and implements IT solutions to support processes and management's information needs	B	78
VIII-2.2 Evaluates alternative IT solutions	B	78
VIII-2.3 Identifies and evaluates acquisition or sourcing decision factors	B	78
VIII-2.4 Performs an analysis of the IT options	B	78
VIII-2.5 Improves the entity's IT systems implementation	B	79

### The Information and Information Technology related Knowledge found throughout *The UFE Candidates' Competency Map*

The following subject matter underlies the Information and Information Technology competencies found throughout the *Map*. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered through their Region or Provincial Institute/Ordre.

#### 1. IT governance and accountability

- IT governance components
  - Strategic alignment
    - › IT planning, monitoring and continuous improvement practices
  - Value delivery
  - IT performance measurement
  - Resources management
  - Risk management
    - › Adherence to corporate policies and external regulations (e.g., privacy)
    - › Internal audit
    - › System availability, system continuity and business continuity
    - › Security
    - › Integrity
    - › Maintainability
    - › Legal and regulatory compliance
    - › Privacy
    - › IT event identification

#### 2. General IT strategy

- How IT solutions fulfill business needs
- Business case development
- Strategic IT plan development
- Technological trend awareness

#### 3. General IT planning, including:

- Information technology planning processes, short-term and long-term
- Vendor management
- Project management
- Overall system capacity requirements
- Backup and disaster recovery

#### 4. General IT policies, including:

- Hardware and software management and support
- Information classification and ownership
- Security policy
- Internet and e-mail acceptable use

## 5. IT functions, including:

- IT professionals (e.g., chief information officer, chief information security officer, technical manager, project manager, database administrator)
- Application support
- Network support
- Communications
- Database administration
- Security
- Procurement

## 6. Information systems

- General business information systems
- General system architectures
- Nature, types and uses of information within an entity
- Processing modes (batch, online, etc)
- Types of networks (local area network, wide area network and wireless network)

## 7. Identification of key hardware components in a system or network

- Components and processing units
- Server
- Input and/or output devices
- Physical storage devices
- Communication devices (e.g., switch, router, hub, firewall)
- Physical control techniques
- Environment controls (e.g., air conditioning)

## 8. Types of software, including

- Operating systems
- Communication systems
- Security
- Generalized audit software (i.e. to perform CAATs)
- Application software
  - Business applications and office productivity (word processing and/or spreadsheet)
  - Financial accounting applications
  - E-business enabling and internet applications, including EDI web-based solutions
- Open source, proprietary, in-house
- Transactional, operational, decision support, utility
- Enterprise resource planning (ERP)

## 9. Data organization and access

- Data structures, data types and database and file organization
- Access methods and file maintenance
- Electronic data transfer
- Database management systems
- Knowledge management systems
- Privacy and confidentiality requirements

**10. Data integrity, privacy, confidentiality and security principles, including**

- Classification of information
- Privacy and confidentiality requirements
- Logical and physical data protection
- Data integrity controls
- Data recovery
- Data breach considerations
- Data retention and disposal

**11. System security components, including**

- Virus, spyware, malware and junk e-mail detection and prevention
- Encryption
- Authentication techniques
- Intrusion prevention and detection
- Incident response

**12. System design, acquisition and/or development process methodology**

- Implementation of system life cycle phases
- Project management principles
- Documentation
- Return on investment and business case development techniques
- Investigation and feasibility, e.g., cost, requirement fit, vendor stability, etc.
- Business process reengineering
- Request For Proposal (RFP) and Request For Information (RFI) processes
- System analysis & design concepts & techniques
- Segregation of development, test and production environments
- Implementation phases
- Data conversion strategies
- Change management

**13. Sourcing**

- Insource vs. outsource vs. co-source alternatives
  - Helpdesk
  - Network monitoring
  - Hardware and/or application hosting
  - System development and maintenance
  - Access management
- Service level and performance agreements
- Third party reports
- Contracting practices (e.g., licensing, payment structure)

**14. The role of IT in the reporting of information, including**

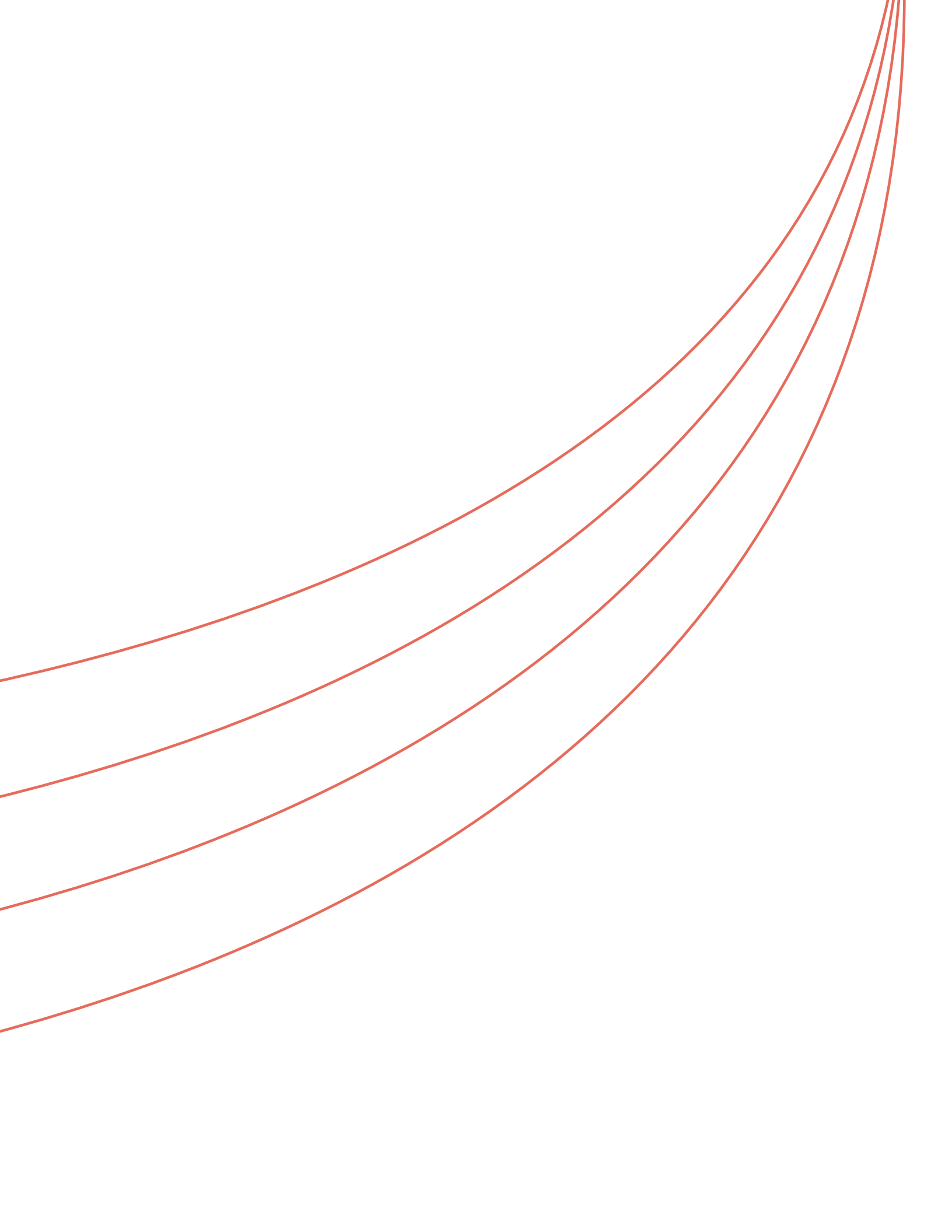
- Real-time access
- Remote access to information
- Dash board, spreadsheet, report generator
- XBRL (eXtensible Business Reporting Language)

**15. Internal control (the IT component)**

- Control frameworks
- Management of internal controls
  - Authorization of transactions / activities
  - Segregation of duties
  - Design and use of documentation and records
  - Safeguards over access to and use of assets and records
  - Preventative, detective and corrective measures
- Optimizing the use of resources
- Preventing and detecting error
- Preventing and detecting fraud
- Safeguarding assets
- Maintaining reliable control systems
- Spreadsheet design and control
- Role of internal audit
- IT's role in statutory, regulatory and other compliance (e.g. ICFR and CEO and CFO certification of systems)

**16. Application controls**

- General computer controls vs. application controls
- Automated controls vs. manual controls
- Data entry controls
- Control total balance
- Audit trails and computerized audit
- Log files and transaction journals
- Processing controls (within the process)
- Data access controls
- End-user and business unit computing controls



## The Specific Competencies

### IV-Governance, Strategy and Risk Management

Governance, strategy and risk management, considered together as a single broad competency area ensures that a CA can assist an entity to identify and exploit opportunities while reducing risks (operational, financial, marketing, legal, environmental, etc.). It involves the development and implementation of strategies that take advantage of identified opportunities while minimizing the damage of any risks to the achievement of organizational goals. It also involves monitoring the entity's progress with regard to its organizational goals and strategy and includes feedback mechanisms that allow stakeholders to contribute to the evolution of the strategy.

The primary role of the CA in this competency area will be as part of a team of external advisors or employed as a member of a management team. Management teams provide audit committees, boards of directors and other governing bodies with expertise and advice to help them discharge their governance, strategic, and risk management responsibilities. As part of the management team, a CA contributes to the enhancement of the entity's performance. Management teams take into account the needs of key stakeholders, including shareholders, suppliers, employees and customers, while striving to protect the public interest.

This section identifies the specific CA competencies in Governance, Strategy and Risk Management. However, the importance of integrating the pervasive qualities listed in Sections I, II and III, particularly ethics, when reading each of the specific competencies cannot be overstated.

#### IV-1 Evaluates an entity's governance model

##### IV-1.1 Evaluates the entity's governance structure

###### *Level B*

Understands and explains the components of the entity's governance structure and its role (e.g., board of directors, audit committee)

Explains to stakeholders the principles of good governance (i.e., rights of owners, equitable treatment of owners, role of stakeholders in governance, disclosure and transparency)

Evaluates, on a preliminary basis, an entity's governance structure and identifies areas of improvement

**IV-Governance, Strategy and Risk Management****IV-1 Evaluates an entity's governance model****IV-1.2 Understands the leadership processes of the board or other governing body***Level C*

Gains an understanding of the importance of the leadership processes implemented by the board or other governing body

Examples of processes include:

- achieving an appropriate mix among board committees and members
- keeping board members fully informed on the changing dynamics of the operating environment, etc.
- conducting effective discussion, analysis, synthesis, and decision-making based on accurate and timely information
- building an open and constructive relationship between the board and management
- evaluating relationships and performance of external advisors, e.g., lawyers, actuaries, auditors
- reviewing the entity's strategic direction on a regular basis and assessing performance through ongoing monitoring

**IV-1.3 Identifies and evaluates the audit committee's role in governance***Level A*

Evaluates whether the audit committee's role, with respect to the following items, is being fulfilled:

- reviews the entity's financial statements (annual, quarterly, etc.), management reports and representations made by management
- understands management's use of estimates and judgments in financial reporting
- monitors compliance with regulatory requirements and filings
- adequately understands advice from external advisors
- has an appropriate relationship with the internal and external auditors
- evaluate the impact of the internal and external audit findings

**IV-1.4 Understands the importance of governance planning***Level C*

Understands and communicates the importance of having a governance plan in place that includes:

- management oversight of regular operations and approval of irregular operations
- key information reports
- appropriate IT policies, processes and structures
- non-typical transaction control processes

**IV-2 Evaluates an entity's strategies****IV-2.1 Understands the entity's strategic plan and planning processes***Level B*

Communicates the goals and objectives of strategy development

Understands and explains the critical components of an effective strategic plan (e.g., vision, mission, critical success factors, ethical considerations)

Understands and assesses the need for different types of strategies to support the entity's mission, vision and objectives (e.g., finance, IT, taxation, human resources, marketing)

Identifies missing elements of the entity's strategic plan

**IV-2 Evaluates an entity's strategies****IV-2.2 Gains an understanding of the entity's mission, vision and strategies***Level B*

Gains an understanding of the connection between the entity's mission, vision and strategies and its operating environment

Identifies any inconsistency between the stated mission, vision and strategies and the entity's operating environment and decision-making processes

Explains the important role of the mission, vision and strategies to an entity that does not have them

**IV-2.3 Identifies and evaluates opportunities and risks***Level A*

Identifies and evaluates significant risks and opportunities associated with the entity's external and internal environment

Assesses the entity's stakeholders' risk tolerance and its balance with opportunity

Identifies information that will help manage risk

Identifies significant environmental shifts and assesses their implications for the entity's exposure to risk, its opportunities, and its capacity to fulfill its strategies

**IV-2.4 Identifies key elements of the entity's value system***Level B*

Identifies the existence of tools such as a code of conduct, a code of ethics, and training and reward systems used to communicate, reinforce, and renew the entity's stated values

Identifies the key components of corporate culture and the impact on the entity's pursuit of its mission and strategies (e.g., tone of the entity's leadership, human resources policies, management-union relationship)

Evaluates, on a preliminary basis, the implications of these findings with regard to the entity's pursuit of its mission and strategies

Identifies signs of incongruence of either the mission and strategies or the policies and day-to-day operations with the stated ethical values

**IV-2.5 Evaluates the adequacy of the entity's IT strategy***Level B*

Evaluates, on a preliminary basis, the suitability and alignment of the entity's IT strategy

Identifies, analyzes and discusses, on a preliminary basis, some of the key factors, such as:

- the efficiency and effectiveness of the entity's IT solutions in meeting its IT needs and in helping to solve common business problems, based on the entity's overall strategy
- the manner in which the entity uses IT to obtain, create, disseminate information that helps achieve its various strategies
- the development of an appropriate IT structure, including committees to address the entity's IT needs

Suggests possible improvements to the entity's existing IT strategy

**IV-Governance, Strategy and Risk Management****IV-2 Evaluates an entity's strategies****IV-2.6 Identifies the factors that impact the entity's financial strategies***Level B*

Understands the nature of capital markets and how they operate

Identifies the types of information required by the entity for its financial decision-making

Identifies the general macro-economic factors that impact the various strategies of the entity, (e.g., domestic and international capital markets, inflation, political stability)

Explains, in general terms, the effect of macro-economic factors on the financial strategies of an organization

Explains, in general terms, the effects of industry-specific issues on the financial strategies of the entity (e.g., the effects of its competitors' or its suppliers' businesses)

**IV-2.7 Evaluates the entity's performance measurement and reporting strategy***Level A*

Evaluates the entity's approach to monitoring financial and non-financial performance (external and internal, quantitative and qualitative)

Evaluates the nature and timeliness of the entity's distribution and use of information and the effects on financial and non-financial performance

Evaluates the strategy's adequacy in meeting the entity's and its stakeholders' needs and in meeting legal and regulatory requirements

**IV-3 Evaluates an entity's plans for risk management****IV-3.1 Understands the entity's risk management processes***Level B*

Understands and explains the critical components of an effective risk management program (e.g., identifying, analyzing, designing, implementing, measuring and monitoring)

Understands and explains the common methods of managing risk (e.g., avoidance, transference, acceptance, mitigation)

Identifies the possible consequences of having an ineffective risk management program

**IV-3.2 Evaluates the entity's risk management program***Level B*

Identifies the existence of policies, procedures, processes and reporting mechanisms that are part of the entity's risk management program

Identifies the potential impact of significant changes in the entity's environment on the organization's risk profile

Evaluates, on a preliminary basis, the consistency of the policies, procedures, etc., with the entity's stated mission and strategies

**IV-3 Evaluates an entity's plans for risk management****IV-3.3 Assesses the IT risks and how they are managed***Level B*

Identifies, analyzes and discusses how the entity manages the risks related to the IT environment, processes and emerging technologies in order to ensure system availability, integrity and security, i.e.:

- how the entity manages the risk related to the IT environment
- how the entity manages the risk associated with each application
- how the entity manages the implementation of new technologies

**IV-3.4 Identifies courses of action to help manage risks***Level B*

Identifies and suggests methods to manage risks, for example:

- avoiding risk by choosing not to undertake certain types of activities
- transferring risk to third parties through insurance, hedging, outsourcing, etc.
- mitigating risks through preventive and detective control measures
- accepting risks, recognizing that the benefits of doing so outweigh the costs of transfer or mitigation

On a preliminary basis, decides and advises on actions that the entity should take to adapt to risks and opportunities

**IV-4 Evaluates an entity's ability to manage organizational performance****IV-4.1 Evaluates decision-making and accountability processes***Level B*

Gains an understanding of the accountability processes as practiced in the entity, including whether there is a clear understanding of:

- roles, responsibilities, expectations, and the processes to be followed for decision-making and accountability
- policies and procedures, noting those that are inconsistent with the tone set by the entity's leadership

Describes various reward and recognition systems and how they might affect the entity

**IV-4.2 Understands the need for access to information***Level B*

Understands the importance of personnel having timely access to the information necessary to achieve the strategies

Understands the importance of processes for ensuring that information is used appropriately and that confidentiality and privacy are maintained

Evaluates, on a preliminary basis, whether an entity can improve its access to information, while maintaining appropriate security

**IV-Governance, Strategy and Risk Management****Knowledge Reference List**

The following subject matter underlies the competencies outlined in Governance, Strategy and Risk Management. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered through their Region or Provincial Institute/Ordre.

**NOTE:** This Knowledge Reference List comprises the knowledge most relevant to, or most strongly identified with, Governance, Strategy and Risk Management. This does not mean that the topics listed are relevant to these competencies exclusively. This Knowledge Reference List may include subject matter that is also relevant to other competency areas.

**1. Corporate governance**

- Objectives of governance
- Board or other governing body responsibilities, authority and organizational structure
- Functioning of the board or other governing body and committees
- Objective and responsibilities of the audit committee
- Criteria for assessing board or other governing body performance
- Organizational mission, vision, values and strategy
- Methods of control in the context of governance planning
- Board or other governing body responsibilities
  - Oversight
  - Reviewing and approving financial policies and disclosures
  - Approving external communications
  - Monitoring changes in the environment
  - Crisis management

**2. Strategy**

- Definition of strategy
  - Vision and mission
  - Entity values
  - Stakeholders
  - External environment
  - Internal environment
- Strategic planning processes
  - Goals and objectives of strategy development
  - Components of a strategic plan
- Key stakeholders of an entity and their roles
  - Shareholders and lenders
  - Suppliers
  - Customers
  - Employees
  - Public interest
- External influences on an entity's strategy development
  - Economy
  - Competitive environment
  - Social
  - Political

- Internal influences on an entity's strategy development
  - Entity's leadership
  - Human resource policies
  - Industrial relations
  - Entity level controls (code of conduct, etc.)
  - Corporate culture

### 3. Risk management concepts

- Definition of risk
- Risk management approach
  - Objectives of risk management
  - Values related to risk management
  - Accountability for risk management
  - Authority for risk management
  - Criteria for risk management
- Principal categories of risk
  - Environmental
  - Strategic
  - Operational
  - Informational
- Specific types of risk, including:
  - Economic (interest, foreign exchange, market)
  - Credit
  - Political
  - Technological
- Risk identification tools / methodologies
  - Interviewing
  - Benchmarking
  - Diagnostics
  - Strengths, weaknesses, opportunities and threats (SWOT) analysis
  - Control self-assessment
- Documentation of risk
- Analyzing and assessing risks
  - Probability of loss and consequences
- Strategies for managing risk
  - Avoidance
  - Transference
  - Mitigation
  - Acceptance
- Implementing and integrating risk management
  - Components of a risk management team
  - Role of management
  - Infrastructure for risk management
  - Objectives of risk management within context of environment
  - Role of board of directors
  - Role of chief risk officer

**4. Management processes**

- Planning
- Reward and compensation
- Motivation
- Goal congruence
- Monitoring and learning processes
- Best practice solutions

**Information and Information Technology Knowledge Reference Items directly related to Governance, Strategy and Risk Management**

For details see *The Integration of Information and Information Technology*

Item Reference:

1. General IT strategy
2. IT governance and accountability

### Example of the expectations at each proficiency level

#### Scenario

A small public company is looking to upgrade a number of existing business processes by implementing a new Enterprise Resource Planning (ERP) system. The company currently has a small Information Technology (IT) group which assists the company in supporting its current network environment and a couple of smaller, customized business applications. The CA candidate, as part of a team, is asked by the board of directors to analyze the company's IT strategy.

The CA candidate is being asked to demonstrate competency *IV-2.5: Evaluates the adequacy of the entity's IT strategy*.

The CA candidate is expected to demonstrate a *Level B* proficiency for this competency.

This example provides expectations at *Level B* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level C* and *Level A*.

#### Level C

In normal circumstances, the CA candidate at *Level C* proficiency would be able to describe and explain:

- standard strategic considerations in the adoption and implementation of information systems;
- the importance of having an IT strategy;
- what the main elements of such a strategy might be;
- general business systems concepts;
- information systems elements and control techniques; and
- ERP basic elements.

The CA candidate at *Level C* proficiency would not be able to assess the company's IT strategy.

#### Level B

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the tasks noted above at *Level C* proficiency, be able to assess the company's IT strategy by:

- identifying, through the CA's basic understanding of IT strategy, the nature of the IT strategy that is required;
- assessing whether an existing strategy appears to be in line with the organization's current strategies and whether it would require the implementation of a new ERP system;
- identifying, through the CA's basic understanding of key business operations, the entity's key system, functional and IT requirements;
- based on the work performed, forming a preliminary conclusion on the appropriate IT strategy;
- identifying other merits, implications or possibilities that a preliminary evaluation has revealed; and
- identifying the need for any further work or analysis.

The CA candidate's preliminary evaluation would be subject to review by senior personnel or a subject matter expert.

**IV-Governance, Strategy and Risk Management****Level A**

In addition to all the tasks noted in *Levels C* and *B* above, the CA candidate at *Level A* proficiency would, in normal circumstances, be able to assist the entity with its IT strategy by:

- providing advice on the development of, or required changes to, its information technology strategy to ensure it is in line with the entity's strategies (The underlying knowledge includes knowing what the various strategic approaches currently available are.);
- advising the entity on which best-practice solutions are in line with the entity's strategies (The underlying knowledge includes knowing what the existing best practices are.); and
- advising the entity on relevant risks related to ERP implementation.

The CA candidate at *Level A* is expected to possess a deeper knowledge of business processes and IT infrastructure than that expected at *Level B*.

## V-Performance Measurement and Reporting

Entities measure and report on their performance. The reports generated are for internal or external use and can be financial or non-financial in nature. Examples include divisional financial statements (internal), balanced scorecard reporting (internal), general-purpose financial statements (external) and components of the Management Discussion and Analysis contained in the annual report (external). Entities report information to their various stakeholders in order to meet their stewardship requirements and to fulfill stakeholders' needs.

The primary role in this competency area will be as part of a team that is competent in understanding an entity's reporting requirements and the importance of providing relevant, accurate and complete information in meeting the entity's reporting requirements. The team has a thorough knowledge of generally accepted accounting principles and a thorough understanding of when and how to apply them.

This section identifies the specific CA competencies in Performance Measurement and Reporting. However, the importance of integrating the pervasive qualities listed in Sections I, II and III, particularly ethics, when reading each of the specific competencies cannot be overstated.

### V-1 Analyzes financial reporting needs and establishes the necessary processes

#### V-1.1 Analyzes financial reporting needs

##### *Level A*

Based on an entity's stated mission, vision and strategies (per section IV), identifies the entity's external and internal financial reporting needs:

- identifies internal and external stakeholders
- identifies each stakeholder group's information and reporting needs

Explains the impact of financial reporting choices on each stakeholder group

#### V-1.2 Develops or evaluates reporting processes to support financial reporting

##### *Level A*

Based on the financial reporting needs of the entity:

- develops or evaluates a reporting infrastructure that includes a chart of accounts, journals, ledgers and management reports
- identifies the staffing level requirements

Ensures the processes and IT systems:

- accurately report performance relative to stated financial objectives
- take into consideration the entity's financial strategies

**V-Performance Measurement and Reporting****V-1 Analyzes financial reporting needs and establishes the necessary processes****V-1.3 Develops reliable financial information***Level A*

Establishes policies and procedures to ensure the reliability of the processes used to record financial information

Establishes processes to reconcile or compare balances to external party records, e.g., banks, customers, suppliers, debtors, etc.

Evaluates the reliability of the processes used in financial reporting

Reviews and analyzes information and investigates possible signs of errors, fraud and illegal acts, e.g., inconsistency in data, lack of completeness, unexpected trends, etc.

**V-1.4 Establishes or enhances financial reporting using IT***Level B*

Establishes, or suggests improvements to, the financial reporting process through the use of IT, such as:

- designing and producing appropriate financial reports
- protecting access and integrity of financial information
- identifying new sources of technology that enhance financial reporting

**V-2 Conducts external financial reporting****V-2.1 Identifies the appropriate basis of accounting***Level A*

Based on the entity's financial reporting needs and on the stakeholders identified, decides on the appropriate basis of accounting:

- for general-purpose financial statements the basis is Generally Accepted Accounting Principles (GAAP), which will vary based on the type of entity
- for special-purpose financial reporting, considers the basis that will best meet users' needs

**V-2.2 Develops or evaluates accounting policies in accordance with GAAP***Level A*

Identifies and evaluates accounting methods for the entity's routine financial transactions, e.g., for revenue recognition; for short-term investments

Selects accounting policies, within the appropriate GAAP, that most fairly present the financial situation

Understands and incorporates new standards into the entity's accounting policies

**V-2 Conducts external financial reporting****V-2.3 Accounts for the entity's routine transactions***Level A*

Analyzes and calculates, or evaluates the accounting for routine transactions (e.g., sales, cost of sales, operating expenses, etc.)

**V-2.4 Accounts for the entity's non-routine transactions***Level B*

Analyzes and calculates, or evaluates, on a preliminary basis, the accounting for non-routine transactions, such as:

- mergers and acquisitions
- divestitures, discontinued operations, and wind-ups

**V-2.5 Describes the accounting for the entity's complex matters***Level C*

Describes the accounting for complex matters, such as:

- first-time adoption of a reporting framework
- measurement of share-based payment
- diluted earnings-per-share
- hedge accounting
- embedded derivatives
- revaluation of property, plant and equipment and intangible assets

**V-2.6 Prepares financial statements using the identified basis of accounting***Level A*

Gathers the relevant financial information from various sources

Prepares the general-purpose financial statements that are applicable or, if appropriate, special-purpose financial statements to achieve fair presentation of the entity's financial position

**V-2.7 Prepares or evaluates financial statement note disclosure***Level A*

Prepares information to be included in the notes to the financial statements

Ensures note disclosure enhances the fair presentation of the entity's financial performance

Ensures note disclosure is in accordance with identified basis of accounting, is complete, and provides useful and understandable information to users

**V-Performance Measurement and Reporting****V-2 Conducts external financial reporting****V-2.8 Prepares or evaluates financial components of the Management Discussion and Analysis (MD&A)***Level B*

Understands and describes the main financial components of the MD&A

Assists in the preparation or evaluation of financial components disclosed in the MD&A

Ensures, on a preliminary basis, financial information in the MD&A enhances the fair presentation of the entity's financial performance

**V-2.9 Explains the financial statement results and balances to stakeholders***Level A*

Explains the financial information in the context of the entity's operations and activities during the period using financial statement tools such as ratio and trend analysis

Provides a tailored description of the entity's balances as at the reporting date to the different stakeholder groups

Ensures that the explanation accurately reflects the entity's results and takes into account the degree of sophistication of the stakeholder group

**V-2.10 Maintains awareness of pending changes to financial reporting standards***Level C*

Identifies the key differences between the exposure draft or the IFRS issued but not yet effective in Canada when compared to the current Canadian standard

**V-2.11 Describes the need to apply other accounting principles or the need for special presentation of information***Level C*

Describes and explains the need for the application of other accounting principles such as US GAAP

Describes and explains the need for special presentation of information, e.g., reporting reconciliations to US GAAP

**V-3 Conducts internal financial reporting****V-3.1 Develops or evaluates internal financial reports***Level A*

Determines and develops internal reports that align with performance measurement strategies

Incorporates information that is relevant to management in a format that facilitates decision-making

Researches the applicability of alternative approaches to internal financial reporting on performance measurement

Reviews and evaluates the accuracy and completeness of internal financial reports that are prepared by others

Reports results and summarizes the main points compared to, or in light of:

- the information needs of all internal clients, e.g., divisional financial statements
- the entity's budgets and forecasts
- the entity's key performance measures
- industry / sector benchmarks

**V-3.2 Recommends improvements to internal financial reporting systems***Level B*

Drawing on insights gained from developing or reviewing information, develops or advises, on a preliminary basis, on improvements in:

- effectiveness and quality of accounting records
- efficiency of accounting and reporting systems
- internal reporting
- operations
- business planning
- performance measures

**V-Performance Measurement and Reporting****V-4 Conducts specialized reporting****V-4.1 Identifies and analyzes specific reporting obligations***Level A*

Identifies, analyzes and advises on obligations relating to financial contracts and transactions such as debt covenants

**V-4.2 Identifies regulatory and other filing requirements***Level C*

Understands and describes the reporting obligations that are due to requirements set out by applicable regulators

Describes the types of reports needed to meet other specialized financial reporting needs

Describes the processes and systems that support compliance and reporting obligations

**V-4.3 Identifies and analyzes non-financial reporting needs***Level B*

Based on the entity's mission, vision and strategies, identifies, on a preliminary basis, the entity's non-financial reporting needs

Understands and describes the process used to design and develop information systems to capture non-financial information relevant to the measurement criteria established

Establishes, on a preliminary basis, procedures to ensure reliability of the processes used to record and report non-financial information

**V-4.4 Conducts external and internal non-financial reporting***Level B*

Describes and gives examples of criteria that might be suitable for evaluating the subject matter, e.g., industry best practices, benchmarks

Develops, evaluates and presents, on a preliminary basis, non-financial information to measure against established criteria

Ensures non-financial information in the MD&A enhances the fair presentation of the entity's performance

Drawing on insights from developing or reviewing non-financial information, explains results to stakeholders

## V-Performance Measurement and Reporting

**Knowledge Reference List**

The following subject matter underlies the competencies of Performance Measurement and Reporting. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered by their Region or Provincial Institute/Ordre.

**NOTE:** This Knowledge Reference List comprises the knowledge most relevant to, or most strongly identified with, Performance Measurement and Reporting. This does not mean the topics listed are relevant to these competencies exclusively. This Knowledge Reference List may include subject matter that is also relevant to other competency areas.

The underlying knowledge associated with competencies in Performance Measurement and Reporting can be categorized into three main components: 1. Performance Measurement and Financial Reporting Concepts and Framework, 2. *CICA Handbook-Accounting* and 3. *CICA Public Sector Accounting Handbook*.

### 1. Performance Measurement and Financial Reporting Concepts and Framework

- Financial statements and their elements
- Objective of financial statements
- Benefit versus cost constraint
- Materiality
- Attributes of information in financial statements
  - Understandability
  - Relevance
  - Reliability
  - Comparability
- Recognition criteria and measurement
- Disclosure
- Management Discussion and Analysis
- Nature of performance measurement
- Measuring, monitoring and reporting:
  - Performance measures (qualitative and quantitative)
  - Reporting to the board of directors and related committees
  - Regulatory reporting
  - Reporting to management
- Accounting theory
  - Theory of investor decision-making
  - Theory of capital markets
  - Agency theory
  - Positive Accounting Theory (PAT)
- Directions in accounting research
- Formulation of accounting standards in Canada
- Regulatory process in Canada
- The role of international financial reporting standards in Canada

## V-Performance Measurement and Reporting

## 2. The CICA Handbook - Accounting

The *CICA Handbook—Accounting* is the primary source for entities that prepare financial statements in accordance with Canadian generally accepted accounting principles (GAAP). It contains the following parts:

- Part I—International Financial Reporting Standards (IFRS)
- Part II—Accounting Standards for Private Enterprises (ASPE)
- Part III—Accounting Standards for Not-for-profit Organizations
- Part IV—Accounting Standards for Pension Plans
- Part V—Pre-changeover Accounting Standards

## 2.1 Part I—IFRS

The CA candidate is responsible for the full body of Part I (IFRS) within the limitations imposed by normal circumstances, at a *Level A, B* or *C*, as described in the Performance Measurement and Reporting competencies. All exclusions are outlined below.

Knowledge of **Interpretations** is at the same level as the IFRSs to which the interpretations relate.

Part I (IFRS) does not include the *International Financial Reporting Standard for Small and Medium-sized Entities*. Candidates are not responsible in any way for these separate IFRS standards.

**Exclusions:**

- Deferred tax related to a business combination, subsidiary, branch and associate, or joint venture (within IAS 12)
- IAS 26-Accounting and Reporting by Retirement Benefit Plans
- IAS 29 and IFRIC 7-Financial Reporting in Hyperinflationary Economies
- IFRS 4- Insurance Contracts
- IFRS 6- Exploration for, and Evaluation of, Mineral Resources
- IFRIC 2- Members Shares in Cooperative Entities and Similar Instruments
- IFRIC 6- Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment
- IFRIC 9- Reassessment of Embedded Derivatives
- IFRIC 12 and SIC 29- Service Concession Arrangements
- SIC 7- Introduction of the Euro
- SIC 12- Consolidation of Special Purpose Entities

## 2.2 Part II—ASPE

The CA candidate is responsible for the full body of Part II (ASPE) within the limitations imposed by normal circumstances, at a *Level A, B* or *C*, as described in the Performance Measurement and Reporting competencies. All exclusions are outlined below.

**Exclusions:**

- Consolidation of variable interest entities (within Section 1590 and all of AcG-15)
- Consolidated financial statements — reciprocal shareholdings (within Section 1601)
- Section 1625- Comprehensive revaluation of assets and liabilities
- Income taxes related to compound financial instruments, business combinations and investments in subsidiaries and joint ventures (within Section 3465)
- Transfer of receivables (within Section 3856)
- AcG-16 - Full cost accounting in the oil and gas industry
- AcG-19 - Disclosures by entities subject to rate regulation

### 2.3 PART III – Accounting Standards for Not-for-profit organizations

The CA candidate is responsible for the guidance dealing with the unique circumstances of not-for-profit organizations, as currently provided in Part III-Accounting Standards for Not-for-profit organizations within the limitations imposed by normal circumstances, at a *Level A, B* or *C*, as described in the Performance Measurement and Reporting competencies.

The detailed accounting standards for Not-for-profit organizations will be added to Part III once the Accounting Standards Board completes its deliberations on this topic (expected release date in January 2011 with an effective date of 2012). For the 2011 UFE, candidates may apply either Part I (IFRS), or once published, early adopt Part III in combination with Part II (ASPE).

### 2.4 PART IV – Accounting Standards for Pension Plans

The CA candidate is not responsible for this section as it is outside of normal circumstances.

### 2.5 PART V – Pre-changeover Accounting Standards

The CA candidate is not responsible for this section as it is being transitioned out, having been replaced by Parts I, II, III and IV.

## 3. CICA Public Sector Accounting Handbook

*The CICA Public Sector Accounting Handbook* is the primary source of GAAP for federal, provincial, territorial and local governments, government organizations, government partnerships and school boards. However, it requires that certain public sector organizations follow the *CICA Handbook – Accounting*, Part I, and adopt IFRS as of January 1, 2011. The Introduction to *Public Sector Accounting Standards* describes which standards apply to which public sector organizations.

Many of the standards, concepts and principles in the *Public Sector Accounting Handbook* are consistent with the *CICA Handbook – Accounting* and in that instance proficiency is to be demonstrated at *Level A*. The application of the concepts and principles that are unique to Public Sector Accounting are required to be demonstrated at *Level C* proficiency.

### Information and Information Technology Knowledge Reference Items directly related to Performance Measurement and Reporting

For details see *The Integration of Information and Information Technology*

Item Reference:

#### 14. The role of IT in the reporting of information

**V-Performance Measurement and Reporting****Examples of the expectations at each proficiency level****Example 1, under Part I (IFRS)****Scenario:**

ABC Company (ABC) is a small public company. It provides the following information related to transactions completed during the year:

- Short-term investments — Shares in a public company, purchased for \$60,000 at the beginning of the year, have a market value of \$61,000 at year end.
- Long-term Debt — A term bank loan of \$500,000 with a fixed interest rate of 6% was obtained one month before year end.
- Contract to Purchase US dollars — A forward contract to purchase \$100,000 US dollars in three months, at which time ABC will settle a payable for the purchase of a new piece of equipment to be delivered COD from a US supplier. ABC entered into this transaction to protect against fluctuations in the exchange rate.
- Interest Rate Swap — ABC entered into its first-ever interest rate swap with a separate financial institution to convert the interest on the long-term debt into a variable rate.

The CA candidate is being asked to provide advice on how to account for the above items in the year-end financial statements under Part I (IFRS).

The CA candidate is being asked to demonstrate competency *V-2.3: Accounts for the entity's routine transactions*.

The CA candidate is expected to demonstrate a *Level A* proficiency for this competency.

This example provides expectations at *Level A* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level B* and *Level C*.

**Level C**

In normal circumstances, the CA candidate at *Level C* proficiency would be able to describe or explain basic concepts such as what a financial instrument is, the different types of financial instruments and how they are classified on the balance sheet, what comprehensive income is and hedging.

The CA candidate at *Level C* would be able to describe or explain the relevant accounting concepts by:

- recognizing that all the items are defined as financial instruments;
- explaining that the shares in a public company are financial assets and must be classified as either held for trading (HFT) or available for sale (AFS) depending on the facts surrounding their purchase;
- explaining that the shares must be measured at fair value when they are purchased and at each balance sheet date (quarterly and at year-end). If they are classified as HFT, the CA candidate would explain that the gain would be reported in net income or, if classified as AFS, that the unrealized gain would be reported in other comprehensive income;
- explaining that the long-term debt would be measured initially at fair value, and subsequently at amortized cost, using the effective interest rate method;

## V-Performance Measurement and Reporting

- explaining that the contract to purchase the US dollars and the interest rate swap are derivative financial instruments;
- explaining that the contract to purchase the US dollars and the interest rate swap may be eligible for the selection of hedge accounting and explaining, in general terms, how it applies to ABC; and
- recognizing that the derivative financial instruments must be measured at fair value at year-end and that subsequently the accounting treatment would depend on whether hedge accounting is applied.

Underlying knowledge includes a theoretical understanding of financial instruments, comprehensive income reporting and hedges as described in Part I (IFRS). The CA candidate at *Level C* would not be expected to account for the transactions described above.

**Level B**

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the tasks noted above at *Level C*, be able to account for some of ABC's financial instruments on a preliminary basis by:

- classifying the shares in the public company as either held for trading (HFT) or available for sale (AFS) depending on the facts surrounding their purchase;
- measuring the shares at fair value at year-end (\$61,000). If classified as HFT, the CA candidate would report the gain of \$1,000 in net income or, if classified as AFS, report the unrealized gain in other comprehensive income. The CA candidate would recognize that the gain would require the calculation of a deferred income tax liability and that the tax effect would be included in other comprehensive income if the shares are classified as AFS (The underlying knowledge includes other comprehensive income and deferred income tax.);
- measuring the long-term debt using the effective interest rate method and recognizing that if 6% is an equivalent market risk rate the debt would be carried at face value of \$500,000 (The underlying knowledge includes the application of the effective interest rate method.);
- classifying the financial instruments on the balance sheet appropriately (The underlying knowledge includes financial instrument classification.); and
- determining the proper measurement value for the various classifications; the CA candidate must discuss the income treatment for any valuation adjustments.

**Level A**

In normal circumstances, the CA candidate at *Level A* of proficiency is able to account for these transactions and prepare the financial statements. In addition to all the tasks noted in *Level C* and *B* above, the CA candidate at *Level A* would, in the case of a financial instruments and hedging scenario, be expected to do the following:

- accurately calculate the amounts to be reported on the balance sheet for all types of financial instruments using fair value information provided, applying the effective interest method where appropriate;
- accurately calculate the related adjustments to net income and/or other comprehensive income, including income tax implications; and
- understand, interpret, and use the results of the calculations in making decisions.

The CA candidate at both *Level B* and *Level A* would have an understanding of the reporting needs of the entity and of how to account for financial instruments. In addition, the CA candidate could access Part I-IFRS, IAS 39 *Financial Instruments: Recognition and Measurement*, IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes*.

**V-Performance Measurement and Reporting****Example 2, under Part II (ASPE)****Scenario:**

ABC Company (ABC) is a private company. It provides the following information related to transactions completed during the year:

- Short-term investments — Shares in a public company, purchased for \$60,000 at the beginning of the year, have a market value of \$61,000 at year end.
- Long-term Debt — A term bank loan of \$500,000 with a fixed interest rate of 6% was obtained one month before year end.
- Contract to Purchase US dollars—A forward contract to purchase \$100,000 US dollars in three months, at which time ABC will settle a payable for the purchase of a new piece of equipment to be delivered COD from a US supplier. ABC entered into this transaction to protect against fluctuations in the exchange rate.
- Interest Rate Swap—ABC entered into its first-ever interest rate swap with a separate financial institution to convert the interest on the long-term debt into a variable rate.

The CA candidate is being asked to provide advice on how to account for the above items on the yearend financial statements, applying Part II (ASPE).

The CA candidate is being asked to demonstrate competency *V-2.3: Accounts for the entity's routine transactions*.

The CA candidate is expected to demonstrate a *Level A* proficiency for this competency.

This example provides expectations at *Level A* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level B* and *Level C*.

**Level C**

In normal circumstances, the CA candidate at *Level C* proficiency would be able to describe or explain basic concepts such as what a financial instrument is, the different types of financial instruments and how they are classified on the balance sheet.

The CA candidate at *Level C* would be able to describe or explain the relevant accounting concepts by:

- recognizing that all the items are defined as financial instruments;
- explaining that the shares in a public company are financial assets and are investments in equity instruments that are quoted in an active market, so the shares must be measured at fair value when they are purchased and at each balance sheet date and explain that the gain would be reported in net income;
- explaining that the long-term debt would be initially measured at fair value and subsequently at amortized cost;
- explaining that the contract to purchase the US dollars and the interest rate swap are derivative financial instruments;
- explaining that the contract to purchase the US dollars and the interest rate swap may be eligible for the selection of hedge accounting and explaining, in general terms, how it applies to ABC; and
- recognizing that the derivative financial instruments must be measured at fair value at year-end and subsequently, and that the accounting treatment would depend on whether hedge accounting is applied.

## V-Performance Measurement and Reporting

Underlying knowledge includes an understanding of financial instruments and the basics of hedge accounting as described in Part II (ASPE). The CA candidate at *Level C* would not be expected to account for the transactions described above.

**Level B**

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the tasks noted above at *Level C*, be able to account for some of ABC's financial instruments on a preliminary basis by:

- measuring the shares at fair value at yearend (\$61,000) and reporting the gain of \$1,000 in net income. The CA candidate would recognize that the gain would require the calculation of a future income tax liability when applicable (The underlying knowledge includes future income tax.);
- measuring the long-term debt at fair value and recognizing that if 6% is an equivalent market risk rate the debt would be carried at face value of \$500,000 (Underlying knowledge includes measurement of financial liabilities.);
- classifying the financial instruments on the balance sheet appropriately (The underlying knowledge includes financial instruments classifications.); and
- explaining how the choices available under Part II (ASPE) (e.g., how to account for income taxes, or hedge accounting) impact a company's accounting treatment choices for financial instruments.

**Level A**

In normal circumstances, the CA candidate at *Level A* of proficiency is able to, in addition to the tasks notes in *Level C* and *Level B* above, the CA candidate at *Level A* would, in the case of financial instruments, be expected to do the following:

- accurately calculate the amounts to be reported on the balance sheet for all types of financial instruments using fair value information provided by others;
- accurately calculate the related adjustments to net income, including income tax implications; and
- understand, interpret, and use the results of the calculations in making decisions.

The CA candidate at both *Level B* and *Level A* would have an understanding of the reporting needs of the entity and of how to account for financial instruments. In addition, the CA candidate could access Part II (ASPE), section 3856, *Financial Instruments*, section 1000 *Financial Statement Concepts* and section 3465 *Income Taxes*.

**VI-Assurance****VI-Assurance**

Assurance expertise, broadly defined at entry-level, goes beyond assurance services as defined in the *CICA Handbook-Assurance*.

Assurance expertise involves enhancing the reliability of a wide variety of information or to report on the compliance of processes with certain standards. The financial statement audit is perhaps the best known assurance activity of the profession. Entities and the public at large look to the external audit of financial statements, statutory or otherwise, to validate the information and to attest to the reliability of the information gathering and reporting processes. However, there are many other types of assurance activities that CAs perform—some internal, some external. Although some of these activities do not result in an assurance engagement report being issued, they all enhance the reliability of the information produced in some way. Examples of assurance activities provided by CAs include providing advice related to the design, implementation and operation of internal controls and other systems and processes, review of controls at a service organization, compliance with rules or regulations, or special reporting engagements such as due-diligence work, or review engagements, compilation engagements, etc.

The primary role in this competency area will be as part of an internal or external assurance team in public practice, in industry or in the public sector. That team has expertise in assessing an entity's assurance needs and in performing those services. The team enhances the degree of reliance that audit committees, boards of directors and other governing bodies can place on financial information and reporting processes.

This section identifies the specific CA competencies in Assurance. However, the importance of integrating the pervasive qualities listed in Sections I, II and III, particularly ethics, when reading each of the specific competencies cannot be overstated.

**VI-1 Analyzes, evaluates and advises on assurance needs  
(external or internal)**
*Level A*

Understands the various types of assurance services that are available

Utilizes the entity's mission, vision, strategies and stakeholders needs in order to analyze, evaluate, and recommend assurance service requirements and options to the entity

Recommends assurance services appropriate to meeting the entity's needs

Identifies the nature, scope and standards applicable to a particular assignment

**VI-2 Provides assurance services (external or internal)**
**VI-2.1 Considers issues related to accepting an assignment**
*Level A*

Examines issues of independence, competence and objectivity to assess whether or not there are barriers to the acceptance of, or working on the assignment

Utilizes the understanding gained of the elements of risk and the decision factors when evaluating the overall risk associated with accepting the assignment

<b>VI-2 Provides assurance services (external or internal)</b>
<b>VI-2.2 Determines which financial reporting framework or policies to apply to the subject matter being evaluated</b>
<i>Level A</i>
<p>Determines the acceptability of the financial reporting framework:</p> <ul style="list-style-type: none"> <li>• for general-purpose financial statements, the framework would be Generally Accepted Accounting Principles, which will differ by type of entity e.g. IFRS, ASPE, etc.</li> <li>• for special-purpose financial statements and other subject matters being evaluated, identifies what financial reporting framework or set of acceptable rules or policies best apply</li> </ul>
<b>VI-2.3 Evaluates the implications of key risks and business issues for the assignment</b>
<i>Level A</i>
<p>Based on the assurance team's understanding of the entity and its environment, identifies the specific risk factors that could result in material misstatement of the subject matter, including fraud risk factors</p> <p>Assesses the risk at the appropriate levels e.g., financial statement level, transaction level, etc.</p> <p>Evaluates the impact of the risk assessment on the nature, timing and extent of assurance work to be performed</p>
<b>VI-2.4 Develops guidelines to set the extent of assurance work, based on the scope and expectations of the assignment</b>
<i>Level A</i>
<p>Develops an understanding of materiality and Generally Accepted Auditing Standards (GAAS) and how they apply to the decision-making needs of the users of the information</p> <p>Identifies the factors that affect materiality</p> <p>Determines materiality</p>
<b>VI-2.5 Designs appropriate procedures based on the assignment's scope, risk and materiality guidelines</b>
<i>Level A</i>
<p>For a given set of circumstances, decides on:</p> <ul style="list-style-type: none"> <li>• the sufficiency and appropriateness of evidence required to support the report</li> <li>• the nature, the timing and the extent of procedures that are most appropriate (e.g., tests of control and/or substantive procedures) to obtain the evidence</li> <li>• identifies the impact of the IT environment on the nature, extent and timing of the work and the need to use computer assisted audit techniques to gather evidence</li> <li>• the nature, timing and extent of the use of specialists</li> </ul> <p>Communicate the plan to appropriate key stakeholders</p> <p>Is alert to changes in circumstances not considered in the design of the assignment procedures and adjusts the procedures or overall plan appropriately</p>
<b>VI-2.6 Executes the work plan</b>
<i>Level A</i>
<p>Performs the procedures specified in the program (e.g., analytical review of expenses)</p> <p>Applies an appropriate level of skepticism, remaining alert to the possibility of fraud</p>

**VI-Assurance****VI-2 Provides assurance services (external or internal)****VI-2.7 Documents the results of procedures performed***Level A*

For each procedure performed, ensures that the documentation provides a clear link to significant findings or issues that arose during the assignment and to the assessed risks

Ensures the documentation contains sufficient information to support the nature, timing and extent of procedures performed and the results of the procedures

Draws a conclusion on whether the procedure meets its objective

Modifies the work plan as necessary

**VI-2.8 Evaluates the evidence and the results of analysis***Level A*

Evaluates whether the assessment of the risk of material misstatements remains appropriate

Evaluates the sufficiency, reliability and appropriateness of the evidence obtained and assesses the significance of the results of analysis

Identifies inconsistencies, unexpected circumstances, unexpected findings, or findings that indicate possible fraud, error or illegal acts

Determines whether the subject matter conforms with the rules, standards, or policies used for evaluation

Identifies the impact of findings on the scope of the assignment or the assurance plan, determining whether necessary to modify the nature, timing or extent of planned procedures

Evaluates the overall adequacy of documentation

**VI-2.9 Draws conclusions and drafts a report***Level A*

Analyzes and decides on the reasonableness of the conclusions on the subject matter, based on an understanding of the nature of the business and its operations for the period and on the evidence gathered

Analyzes the impact of misstatements in the context of materiality, and decides on the need to gather additional evidence or to extend the scope of procedures

Assesses the need for corrections or remediation

Considers whether misstatements are indicative of fraud and assesses the impact on the report

Evaluates the reasonableness of the subject matter as a whole

In the case of matters being reported on, evaluates the appropriateness of the conclusions in accordance with applicable criteria

Develops an appropriate report in accordance with the terms of the assignment, and applicable statutory or regulatory requirements (e.g., *CICA Handbook – Assurance*)

**VI-2 Provides assurance services (external or internal)****VI-2.10 Prepares information for meetings with stakeholders***Level A*

Prepares information for timely discussion with management, those with oversight responsibility for financial reporting (where appropriate), and other stakeholders in presentation or report format, on matters which may include:

- the results of assurance procedures
- recommendations for improvement to processes, controls, etc.
- misstatements arising from fraud
- misstatements arising from error
- illegal or possibly illegal acts
- any other item required due to the nature of the assignment (e.g., applicable statutory requirements)

**VI-3 Provides control-related services****VI-3.1 Identifies the entity's key operations***Level B*

Identifies and understands which key business operations support the entity's performance objectives

Understands and documents the actual operational processes being used

**VI-3.2 Identifies the role IT plays in an entity's key operational controls***Level A*

Identifies and documents the specific IT-related control elements in an internal control system related to:

- IT planning, monitoring and continuous improvement practices
- development of IT standards of performance
- adherence to corporate policies and external regulations
- capability and resources of internal audit to assess IT controls and function
- CEO and CFO certification of systems
- effective operation of application controls and IT-dependant manual controls
- IT environment and general computer controls, including outsourced services

**VI-3.3 Evaluates internal control***Level A*

Evaluates internal control in the context of a recognized framework such as The Committee of Sponsoring Organizations (COSO), Criteria of Control (COCO)

Identifies and gains an understanding of key controls

Identifies the adequacy of compensating controls:

- documents procedures for reporting compliance with approved internal controls
- designs, implements and documents periodic reviews of the effectiveness and efficiency of internal controls

Understands the implications of deficiencies identified and recommends improvements

**VI-Assurance****VI-3 Provides control-related services****VI-3.4 Evaluates IT-related elements of internal control***Level B*

Evaluates internal control in the context of a recognized framework such as Information Technology Control Guidelines (ITCG), and Control Objectives for Information and Related Technology (COBIT)

Identifies methods of evaluating the reliability of specific IT-related control elements for:

- IT governance
- compliance with policy
- effectiveness
- achievement of performance objectives

Identifies and evaluates, on a preliminary basis, the feasibility of various approaches used in the evaluation of IT related elements of internal controls (e.g., around the computer, through the computer, with the computer)

Tests the functioning of the IT controls (e.g., using generalized audit software, walkthroughs, etc.)

Understands the implications of the IT deficiencies identified and recommends improvements

**VI-4 Provides comprehensive auditing services***Level C*

Explains the role of the comprehensive auditor, including:

- strategic positioning of comprehensive auditing in relation to the entity's strategies and mission
- beneficial opportunities for economy, efficiency and effectiveness in the use and management of the entity's available resources
- performance of comprehensive risk identification and assessment to determine project priority

**VI-5 Maintains awareness of pending assurance standards changes***Level C*

Identifies the key differences between the exposure drafts a proposed rule or regulation or of a standard issued but not yet effective in Canada when compared to the current standards.

### Knowledge Reference List

The following subject matter underlies the competencies of Assurance. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered through their Region or Provincial Institute/Ordre.

**NOTE:** This Knowledge Reference List comprises the knowledge most relevant to, or most strongly identified with, Assurance. This does not mean that the topics listed are relevant to these competencies exclusively. This Knowledge Reference List may include subject matter that is also relevant to other competency areas.

#### 1. The *CICA Handbook – Assurance Part I*, includes:

##### A. Quality control standards

##### B. Audit engagements

- General-purpose financial statements
- An audit of internal control over financial reporting that is integrated with an audit of financial statements
- Special-purpose financial statements
- Financial information other than financial statements
- Compliance with agreements, statutes and regulations
- Auditor's report on controls at a service organization
- Compliance with legislative and related authorities in the public sector

##### C. Review engagements

- General-purpose financial statements
- Special-purpose financial statements
- Financial information other than financial statements
- Compliance with agreements and regulations

##### D. Other engagements

- Compilation engagements
- Auditor Review of interim financial statements
- Compilation of future-oriented financial information
- Reports on the results of applying specified auditing procedures to financial information other than financial statements
- Agreed upon procedures regarding internal control over financial reporting
- Reports on application of accounting principles
- Auditor association with annual reports, interim reports and other public documents

##### E. Internal control concepts (including the IT component)

- Participants in control
- Control frameworks
- Management of internal controls
  - Authorization of transactions / activities
  - Segregation of duties
  - Design and use of documentation and records
  - Safeguards over access to and use of assets and records
  - Preventative, detective and corrective measures
- Optimizing the use of resources
- Preventing and detecting error
- Preventing and detecting fraud
- Safeguarding assets
- Maintaining reliable control systems
- Role of internal audit

**VI-Assurance****F. Canadian assurance standard setting process**

- Directions in assurance research
- Formulation of assurance standards in Canada
- Regulatory process in Canada

**2.1 As a result of the complex nature of certain topics covered by the *CICA Handbook-Assurance Part I*, the CA candidate is expected to demonstrate proficiency at *Level C* in the following areas:**

- Auditor involvement with offering documents of public and private entities, including current legislative and regulatory requirements and auditor assistance to underwriters and others
- Examination of a financial forecast or projection included in a prospectus or other offering document
- The auditor's consent and comfort in connection with securities offering documents
- Audit of financial statements affected by environmental matters
- Application of audit procedures to segment disclosures in financial statements
- Use of a legal opinion as audit evidence concerning a transfer of receivables
- Value-for-money auditing in the public sector
- Services on matters relating to solvency
- Auditor's report on summarized financial statements
- Auditor's report on comparative financial statements
- Legislative requirements to report on the consistent application of GAAP

**2.2 Assurance engagements for which criteria must be established, and some non-*CICA Handbook-Assurance* engagements. The CA candidate is expected to demonstrate proficiency at *Level C* in the following areas:**

- Operational audits
- Continuous auditing
- Investigative / forensic engagements
- Environmental audits
- Emerging services

**3. In addition, the following topics included in the *CICA Handbook-Assurance Part I* are outside normal circumstances as they are industry-specific and are therefore not examinable on the UFE:**

- Auditor's report on pension fund financial statements filed with a regulator
- Special reports on regulated financial institutions
- Auditor's report on the financial statements of federally regulated financial institutions
- Audit of policy liabilities of insurance companies
- Transactions or conditions reportable under the "well-being reporting requirement" in federal financial institutions legislation
- Criteria for non-derivative reports issued under subsection 295(5) of "an Act respecting trust companies and savings companies" in Québec

**Information and Information Technology Knowledge Reference Items directly related to Assurance**

For details see *The Integration of Information and Information Technology*

Item Reference:

- 15. Internal Control (IT Component)
- 16. Application Controls

### Example of the expectations at each proficiency level

#### Scenario:

Block Company, a small manufacturer of electrical parts, has been audited by Fuller and Fuller, Chartered Accountants since its inception many years ago. The general purpose audited statements are prepared solely for the bank to support Block's financing. Income from continuing operations, which is strong relative to the industry average, is expected to have decreased by 10% in the year just ended. Management is disappointed but confident that the situation will improve by the end of this year's first quarter. It is a few weeks after year end; the CA candidate is planning the audit using CASs and is considering materiality.

The CA candidate is being asked to demonstrate competency *VI-2.4: Develops guidelines to set the direction and extent of assurance work, based on the scope and expectations of the assignment.*

The CA candidate is expected to demonstrate a *Level A* proficiency for this competency.

This example provides expectations at proficiency *Level A*. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level C* and *Level B*.

#### **Level C**

In normal circumstances, the CA candidate at *Level C* proficiency is able to:

- explain materiality, including performance materiality;
- describe or explain the general factors that are considered in making materiality decisions at the planning stage of the audit; and
- explain the relationship between the risks of material misstatement and materiality and their impact on the extent of audit work to be performed.

(Underlying knowledge is an understanding of the concepts of materiality and risk.)

#### **Level B**

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the tasks described above at *Level C* proficiency, be able to:

- identify some of the significant factors involved in planning the materiality levels in a given situation (e.g., users of the financial statements, scope of the engagement, professional judgment);
- provide calculations to help support preliminary materiality decisions (e.g., a percentage of income or a percentage of assets) (Underlying knowledge is an understanding of the guidance that exist for determining materiality.); and
- propose a preliminary level of materiality, which someone else will review, taking into account most of the significant qualitative and quantitative factors (Underlying knowledge is an understanding of some of the qualitative factors that are considered when determining materiality, particularly users' needs; if assets are pledged in support of bank financing, a planned materiality level based on assets may be more appropriate.)

**VI-Assurance****Level A**

In normal circumstances, the CA candidate at *Level A* proficiency, in addition to all the tasks noted in *Level C* and *Level B* above, would be able to:

- identify all the significant factors involved in planning materiality in a given circumstance;
- make all relevant calculations required to make preliminary materiality decisions and compare with materiality decisions of the previous year; and
- determine materiality taking into account all the relevant qualitative and quantitative factors (in this case the expected decrease in income before taxes suggests the use of a lower materiality level than that used in the previous audit; the CA candidate would need to pay particular attention to the level of misstatement that might exist in balances representing opening equity).

For both *Level B* and *Level A*, in addition to having a general understanding of the concepts of risk and materiality, the CA candidate could access the *CICA Handbook – Assurance*, Part I- CAS 320.

## VII-Finance

Corporate transactions such as mergers, acquisitions, and divestitures have become commonplace in our global environment. Entities are frequently faced with financing choices with strategic consequences. Their managers must make capital structure decisions, evaluate short-term and long-term financing needs, and choose appropriate finance tools.

The primary role in this competency area will be as part of a team of external advisors or employed as a member of a management team. As part of the team, a CA assists in converting the entity's strategies into specific financial objectives and then fulfilling those objectives. The team evaluates the entity's financing needs and recommends appropriate financing tools.

This section identifies the specific CA competencies in Finance. However, the importance of integrating the pervasive qualities listed in Sections I, II and III, particularly ethics, when reading each of the specific competencies cannot be overstated.

### VII-1 Evaluates overall financial strategy

#### VII-1.1 Establishes or evaluates financial objectives

##### *Level B*

In light of the entity's mission and strategies, gains an understanding of the financial objectives that form part of the entity's finance strategy

#### VII-1.2 Evaluates the legal form and structure of the entity

##### *Level B*

In light of the entity's stated financial objectives, prepares a preliminary analysis of the appropriate forms of organization for fulfilling these objectives

Includes consideration of:

- form of ownership (e.g., public versus private company, proprietorship, partnership)
- extent of ownership (e.g., direct investment, versus outsourcing or strategic alliances)
- tax issues, trade issues and location of investment or sourcing

#### VII-1.3 Identifies ways in which ownership can change

##### *Level B*

Identifies ways the ownership of an entity can be restructured (e.g., buyouts, takeovers, restructurings, etc.)

Explains some of the issues that can arise from a change in control (changes to structure, due diligence, risks, etc.)

**VII-Finance****VII-2 Oversees treasury management****VII-2.1 Monitors cash flow***Level A*

Monitors annual, monthly, weekly and if necessary, daily cash flow to ensure that the entity's financial obligations are met and performance objectives are achieved

Identifies cash shortfalls (or excesses) and advises on suitable finance (or investment) options

**VII-2.2 Analyzes the entity's working capital***Level A*

Develops strategies and monitors the entity's working capital, including:

- accounts receivable/payable management
- inventory management
- short-term/long-term cash position
- excess cash investment
- management of the dividend policy
- debt obligations

**VII-2.3 Identifies the role of short-term, medium-term, long-term and project financing***Level B*

Taking into account the entity's strategies and objectives, describes the role, characteristics, advantages and disadvantages of various sources of financing

Suggests which source of financing is most appropriate in the circumstances, e.g., debt, equity, leasing, etc.

Recognizes the need for project financing and offers suggestions

**VII-2.4 Identifies and evaluates sources of funds***Level B*

Considering the size and stage of development of the entity (e.g., start-up), identifies possible sources of funds through capital markets, private investors, personal contributions, bank financing

Identifies and evaluates, on a preliminary basis, financing options suitable to the entity based on its strategies, including:

- an initial public offering
- taking a company private
- asset-backed financing, including leases
- a private placement
- bank loans and other debt instruments
- shareholder contributions

Identifies other sources of funds, including government assistance, venture capital and capital through other secondary markets

**VII-2 Oversees treasury management****VII-2.5 Identifies types of financial instruments***Level C*

Understands and explains various types, features and processes related to financial instruments, for example:

- forward and future contracts (including swaps)
- put and call options (including warrants) and other derivatives
- securitization, investor or creditor rights, conversion features, etc.

Describes the suitable use of the various types of financial instruments and in general their risks

**VII-2.6 Analyzes the entity's cost of capital***Level B*

Calculates and monitors the entity's cost of capital and contributes to the development of a strategy to achieve the entity's performance objectives

Analyzes, for review and input by others, an entity's dividend policy, debt-to-equity ratio, use of stock options, etc.

**VII-3 Develops or analyzes investment plans, business plans and financial proposals***Level B*

Gains an understanding of the intended purpose and audience and takes them into account when preparing an investment plan, a business plan or financial proposal

Ensures that the plan or proposal contains relevant and accurately prepared information:

- identifies the strengths and weaknesses of the plan or proposal
- determines the resources needed to complete the plan or proposal
- calculates the anticipated costs and recoveries
- identifies suitable sources of financing (e.g., debt, issuance of shares, additional private investors, etc.)

Clearly identifies all underlying assumptions made

**VII-Finance****VII-4 Analyzes the value of a business****VII-4.1 Analyzes the entity's financial situation***Level A*

Performs financial analysis, including:

- ratio analysis
- trend analysis
- cash flow analysis
- discounted cash flow

Compares the outcomes from various analyses, interprets the results, and draws conclusions as to the entity's financial situation

**VII-4.2 Estimates the value of the business***Level B*

Using different valuation methods, analyzes, calculates, estimates, forecasts a plausible range of values for a business for review and input by others:

- asset-based approaches
- transaction-based approaches, e.g., discounted cash flow
- market-based approaches

Identifies the critical assumptions and facts that underlie the valuation estimate

**VII-5 Analyzes the purchase, expansion, or sale of a business***Level B*

Analyzes, on a preliminary basis, the risks and financial implications of a proposed start-up, expansion, merger, acquisition, strategic alliance or divestiture

Based on the analysis, suggests:

- the form of the transaction (e.g., percentage ownership; assets vs. shares, expansion through franchising / alliance / joint venture, etc.)
- financing options and terms
- systems, information, confidentiality and disclosure requirements
- key risks and rewards and potential fit with strategies
- due diligence procedures
- conflict-of-interest issues

**VII-6 Identifies or advises a financially troubled business***Level B*

Identifies a financially troubled business

Prepares a preliminary analysis of:

- the sources and causes of financial difficulty
- the potential for the success or failure of proposed recovery plans
- the net realizable value of assets if disposition is an option

Contributes to the development of a preliminary business recovery plan, including future-oriented suggestions and direction for the entity's long-term health

### Knowledge Reference List

The following subject matter underlies the Finance competencies. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered through their Region or Provincial Institutes/Ordre.

**NOTE:** This Knowledge Reference List comprises the knowledge most relevant to, or most strongly identified with, Finance. This does not mean the topics listed are relevant to these competencies exclusively. This Knowledge Reference List may include subject matter that is also relevant to other competency areas.

#### 1. Ownership

- Form of ownership (e.g., private vs. public)
- Extent of ownership:
  - Direct
  - Outsourcing
  - Strategic partnerships

#### 2. Forms of expansion and divestiture

- Mergers
- Acquisitions
- Strategic alliances
- Joint ventures
- Spin offs

#### 3. Capital markets

- Nature of capital markets
- Accessibility to markets:
  - Public offerings and underwriters
  - Private placements
  - Secondary markets
- Macro-economic effects on capital markets (e.g., unemployment, inflation, free trade)

#### 4. Capital structure decisions

- Optimal capital structure
- Impact of risk
- Impact of financing mix on weighted average cost of capital
- Ownership and control considerations

#### 5. Financial leverage and risk

- Concept of financial leverage
  - Impact on residual return
  - Impact on risk
- Interaction with operating leverage
- Instruments creating financial leverage
  - Debt
  - Leases
  - Preferred shares

**VII-Finance****6. Distribution of earnings**

- Dividend policy
- Alternatives to cash dividends
  - Stock dividend
  - Stock splits
  - Share repurchase
  - Dividend reinvestment

**7. Financial analysis**

- Free cash flow
- Horizontal and vertical analysis
- Ratio analysis
- Trend analysis
- Regression analysis
- Income tax considerations
- Impact of inflation / deflation

**8. Valuation**

- Purpose of the valuation
- Nature of the time to be valued
- Fair market value concept
- Basic valuation techniques for
  - Fixed income securities
  - Equity instruments
- Common inputs to valuation technique used, including
  - Time value of money
  - Credit risk
  - Market price
  - Marketability
  - Volatility
- Approaches to valuation
  - Asset-based:
    - › Adjusted book value
    - › Liquidation value
    - › Replacement cost
  - Transaction-based:
    - › Capitalization of earnings
    - › Capitalization of cash flow
    - › Discounted earnings
    - › Discounted cash flow
  - Market-based
- Determination of personal net worth

**9. Cash flow/net income estimation**

- Tax effects
- Effects of non-cash items
- Discounting

## 10. Working-capital management

- Nature of working capital
- Role of liquidity
- Cash and marketable securities management
- Receivables and credit management
- Inventory management
- Sources of short-term financing
  - Trade credit
  - Factoring
  - Lines of credit

## 11. Credit policy decisions

- Evaluating credit risk
- Determining collection policy and credit period
- Making use of cash discounts
- Organizing the credit function

## 12. Medium and long-term financing considerations

- Risk-return trade-off
- Capital structure decisions

## 13. Sources of medium and long-term financing

- Bank loans
- Initial Public Offerings
- Internally generated capital, i.e., personal funds
- Venture capital
- Securitization
- Government assistance

## 14. Asset-based financing

- Lease financing:
  - Forms of leasing
    - › Direct lease
    - › Sale and leaseback
  - Determination of the relevant cash flows
  - Determination of the discount rate

## 15. Nature and use of financial instruments

- Debt instruments
- Equity instruments:
  - Common shares
  - Preferred shares
  - Stock rights
  - Warrants
- Derivative financial instruments:
  - Options (put and call)
  - Futures contracts
  - Forward contracts
  - Swaps
  - Other derivatives
- Convertible securities

**VII-Finance****16. Stock-based compensation**

- Stock options
- Stock appreciation rights

**17. Determination of the cost of capital**

- Capital components and cost
- Capital Asset Pricing Model
- Weighted average cost of capital
- Marginal cost of capital

**18. Capital budgeting**

- Role and nature of capital budgeting
- Discount versus capitalization rate
- Investment in working capital
- Tax effects

**19. Techniques of analysis**

- Payback
- Internal rate of return
- Net present value
- Modified internal rate of return

**20. Decision-making under uncertainty**

- Risk-adjusted discount rate
- Sensitivity analysis

**21. Other considerations**

- Capital rationing
- Abandonment decisions

**22. Evaluation**

- Post-audit of capital investments

### Example of the expectations at each proficiency level

#### Scenario:

A small public company, Sports Co., has been operating a medium-size retail operation in Vancouver. The company sells an assortment of footwear and clothing for runners. Sports Co. is interested in expanding into the Alberta retail market. It found another company, Training Co., that offers a similar product. Training Co. has retail outlets in Edmonton and Calgary.

Training Co.'s shareholders were approached, and expressed interest in selling their company to Sports Co. Training Co. has supplied two years' worth of financial history, including income statements and balance sheets. Sports Co. regards the proposed purchase as an excellent opportunity to expand. The CA candidate is asked to provide advice to Sports Co. on a fair purchase price.

The CA candidate is being asked to demonstrate competency *VII-4.2: Estimates the value of the business.*

The CA candidate is expected to demonstrate *Level B* proficiency for this competency.

This example provides expectations at *Level B* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level C* and *Level A*.

#### **Level C**

In normal circumstances, the CA candidate at *Level C* proficiency:

- describes or explains the three different valuation approaches, i.e., asset-based, transaction-based, and market-based; and
- describes or explains the factors that affect the determination of a purchase price.

The CA candidate at *Level C* would not be expected to provide advice to Sport Co. on a fair purchase price.

#### **Level B**

In normal circumstances, the CA candidate at *Level B* of proficiency would, in addition to the tasks noted above at *Level C*, be able to provide Sport Co. with a fair purchase price on a preliminary basis by:

- calculating a preliminary purchase price using an appropriate method (Underlying knowledge includes the types of approaches and methods for valuation: asset-based, transaction-based, market-based.);
- given that income statements are provided, preparing a preliminary discounted cash flow or capitalized earnings amount (Underlying knowledge includes cash flow analysis or normalized earnings analysis—identification of components of cash flow, non-cash items, normal vs. discretionary amounts, discounting.); and
- providing a list of the key due diligence considerations required for the valuation (Underlying knowledge includes knowing what due diligence is and the significant procedures required.)

**VII-Finance**

The CA candidate at *Level B* would understand the need to address the valuation with experts.

The CA candidate at *Level B* is expected to use the information available to calculate a preliminary purchase price. The CA candidate is expected to use an approach appropriate to the circumstances, although a fully detailed analysis and supporting explanation as to the choice of method within that approach is not expected. The CA candidate is expected to apply the valid valuation approach to the situation and to provide a reasonable calculation to move forward. The CA candidate, using the discounted cash flow method, would be expected to make a reasonable attempt at a pro-forma cash flow. However, a significant amount of detail would not be expected. Items to consider when starting with an income statement include adding back non-cash items, debt-service cash flow, anticipated capital expenditures, and estimated cost reductions due to synergies.

**Level A**

In normal circumstances, the CA candidate at *Level A* proficiency would, in addition to all the tasks noted at *Level C* and *B* above, be able to advise Sports Co. on a fair purchase price by:

- considering all three valuation approaches and related methods (Underlying knowledge includes approaches to, and methods of valuation.);
- identifying which valuation method would be most appropriate in the circumstances;
- providing a recommendation on the purchase price, supported by a detailed calculation using the most appropriate approach and method in the circumstances (Underlying knowledge includes the valuation approaches and related methods.); and
- identifying any due diligence considerations required for the valuation (Underlying knowledge includes knowing what due diligence is and its related scope / procedures.)

*Level A* proficiency requires much greater depth of understanding of the methods of valuation and of the variables affecting the calculations.

## VIII-Management Decision-Making

The information needs of decision makers have grown. Decision-makers demand detailed information to help them measure the entity's performance and make appropriate decisions. Having complete and timely information, when making critical business decisions, enables them to successfully implement their strategies.

The primary role of the CA in this competency area will be as part of a management team that enhances the entity's decision-making performance because team members are competent in translating an entity's strategies into measurable objectives, designing the information systems necessary to generate the required information, and using the information generated to gauge an entity's effectiveness in meeting those objectives.

This section identifies the specific CA competencies in Management Decision-Making. However, the importance of integrating the pervasive qualities listed in Sections I, II and III, particularly ethics, when reading each of the specific competencies cannot be overstated.

### VIII-1 Identifies the key information needs and indicators of an entity

#### VIII-1.1 Identifies management's information needs

##### *Level B*

Based on the entity's mission, vision and strategies determines what information is relevant to management and the governing body's decision-making

#### VIII-1.2 Identifies the entity's key performance indicators

##### *Level B*

Identifies key financial performance indicators (KPIs), including industry or sector-specific tracking needs

Describes and gives examples of non-financial key performance indicators that might be suitable in evaluating the entity's effectiveness, such as:

- market share
- customer satisfaction index
- health and safety record
- sales (or other) volume comparisons
- efficiency targets
- sustainability and corporate social responsibility

Considers the applicability of activity-based costing, balanced score card, benchmarking, etc.

#### VIII-1.3 Evaluates the design of the entity's responsibility accounting system

##### *Level B*

Gains an understanding of the structure of an entity's responsibility accounting centres (e.g., profit centre, cost centre, etc.)

Evaluates the impact of the structures on performance evaluation and return on investment, in the context of the entity's strategies

**VIII-Management Decision-Making****VIII-2 Develops and improves the IT infrastructure needed to generate the necessary information****VIII-2.1 Analyzes, selects and suggests IT solutions to support processes and management's information needs***Level B*

Analyzes and determines the entity's IT needs to support the entity's strategies and identifies the key success factors for different IT elements, such as:

- communication architecture
- the entity's IT structure
- mix and type of hardware
- operating and applications software
- new technology trends

Suggests possible IT solutions in an IT improvement project

**VIII-2.2 Evaluates alternative IT solutions***Level B*

Evaluates and discusses, on a preliminary basis, the current IT projects and different IT alternative solutions to support the IT strategy:

- system and software acquisition and/or updates
- system development and/or program modifications
- outsourcing solutions

**VIII-2.3 Identifies and evaluates acquisition or sourcing decision factors***Level B*

Identifies, and evaluates on a preliminary basis, the different factors to consider in an IT (or other) acquisition and in a sourcing decision:

- internal expertise and need for external consultants
- terms, conditions, reputation and availability of external consultants
- services required (e.g., system design, development, implementation)
- cost and benefits

**VIII-2.4 Performs an analysis of the IT options***Level B*

Evaluates, on a preliminary basis, the expected costs and benefits (quantitative and qualitative) of each option being considered:

- identifies the assessment criteria (e.g., return on investment, etc.)
- based on given information, calculates the net benefit that will accrue to the entity

Evaluates and ranks the alternatives

Documents the analysis and provides a preliminary recommendation

## VIII-2 Develops and improves the IT infrastructure needed to generate the necessary information

### VIII-2.5 Improves the entity's IT systems implementation

#### *Level B*

Identifies, on a preliminary basis, the need for improvement in the entity's existing IT systems implementation processes

Provides preliminary advice or makes suggestions on:

- the creation of the IT project implementation team
- management of change at both the operational and the IT infrastructure level, considering people, processes and technology
- the effectiveness of the implementation

## VIII-3 Monitors and evaluates management information

### VIII-3.1 Determines product or service unit cost

#### *Level A*

Using the internally generated data, calculates the cost of a product or service for decision-making purposes:

- identifies and analyzes various cost classifications and flows
- determines the costs for the various types of production activities within the entity (e.g., job order costing, continuous cycle or batch production cost, just-in-time costing, etc.)
- identifies relevant costs and appropriate cost drivers
- understands the cost behaviour of various cost classification schemes (e.g., opportunity costs, product versus period costs)

Considers the applicability of costing systems such as standard costing and activity-based costing in tracking costs

### VIII-3.2 Analyzes financial and other data to provide information for pricing decisions

#### *Level A*

Identifies and evaluates the pricing alternatives (e.g., cost-based, market-based, etc.)

Examines the short-term and long-term impact of setting a certain price

### VIII-3.3 Determines and evaluates the entity's cost-volume-profit relationships

#### *Level A*

Utilizes cost estimation techniques to determine cost behaviour (fixed versus variable costs)

Determines the break-even point or marginal cost of a product to help in pricing/costing decisions and demand forecasting

**VIII-Management Decision-Making****VIII-3 Monitors and evaluates management information****VIII-3.4 Evaluates make-or-buy decision factors***Level A*

Calculates the costs of making or buying

Identifies the qualitative factors that impact the decision

Evaluates alternatives and recommends a course of action considering both quantitative and qualitative factors

**VIII-3.5 Evaluates transfer-pricing options***Level A*

Based on the costing structure of the entity, evaluates transfer-pricing options

- assesses the entity's operating environment and strategies
- identifies the transfer-pricing options that are suitable and analyzes their application (e.g., market price, negotiated price, cost-based, etc.)

Recommends a course of action

**VIII-3.6 Analyzes variances within costing systems***Level A*

Analyzes variances between standard and actual costs and reports results to appropriate levels of management

Where applicable, makes recommendations based on findings

**VIII-4 Prepares an entity's budget****VIII-4.1 Prepares, analyzes and monitors financial budgets***Level A*

Using the information supplied, prepares:

- operating budgets (sales, production, procurement, and general and administrative) over an appropriate period of time
- financial budgets (capital expenditures, working capital) over an appropriate period of time
- special project budgets to be included in business plans
- forecasts

Prepares sensitivity analysis, varying key assumptions

Critically reviews the budget in light of the entity's strategies

**VIII-4.2 Prepares cash flow projections***Level A*

Using the information provided, prepares:

- short-term cash flow projections
- long-term cash flow forecasts, identifying the need for financing / investing

**VIII-4.3 Analyzes and interprets budget variances***Level A*

Analyzes the actual performance against budget (or other relevant benchmark) and provides analysis of variances to the appropriate level of management

Where applicable, makes recommendations based on findings

**VIII-5 Maintains awareness of contemporary managerial accounting techniques***Level C*

Maintains awareness of trends in current managerial accounting techniques

**VIII-Management Decision-Making****Knowledge Reference List**

The following subject matter underlies the competencies of Management Decision-Making. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered through their Region or Provincial Institute/Ordre.

**NOTE:** This Knowledge Reference List comprises the knowledge most relevant to, or most strongly identified with, Management Decision-Making. This does not mean the topics listed are relevant to these competencies exclusively. This Knowledge Reference List may include subject matter that is also relevant to other competency areas.

**1. Concepts of performance management**

- Focus on accountability for performance
- Definition of controllability
- Management by Objectives (MBO)

**2. Cost concepts**

- Nature of costs
- Classification of costs
- Cost behaviour:
  - Cost-volume-profit analysis
- Contribution margin analysis:
  - Break-even analysis

**3. Relevant information for decision-making**

- Criteria for determining relevance
- Opportunity costs and revenues
- Sunk costs

**4. Costing systems and cost allocation methods**

- Standard cost systems:
  - Standard cost components
  - Establishing standards
- Process costing
- Job costing
- Just-in-time costing
- Activity-based costing:
  - Activities and activity cost pools
  - Cost drivers and cost objects

**5. Performance evaluation**

- Activity-based management
- Strategic cost management
  - Target costing
  - Continuous improvement
  - Quality costs
  - Benchmarking

- Analysis of variance with a standard cost system
- Decentralized operations
  - Responsibility centres
- Divisional performance measurement
  - Return on investment
  - Residual income
  - Segment margin analysis
- Sustainability and corporate social responsibility
- Transfer pricing
  - Nature of transfer pricing
  - Methods of transfer pricing
  - International transfer pricing
- The Balanced Scorecard©

## 6. Budgeting

- Nature of budgeting process
- Budgeting considerations
  - Time frame
  - Participative budgeting
  - Responsibility accounting
  - Integration with the accounting system
  - Integration with management and control system
  - Fixed budgeting systems
  - Flexible budgeting systems
  - Zero-based budgeting
- Activity based budgeting
- Variance analysis
- Adjustment to plans and budgets

### Information and Information Technology Knowledge Reference Items directly related to Management Decision-Making

For details see *The Integration of Information and Information Technology*

Item Reference:

3. General IT planning
4. General IT policies
5. IT functions
6. Information systems
7. Identification of key hardware components in a system or network
8. Types of software
9. Data organization and access
10. Data integrity, privacy, confidentiality and security principles
11. System security components
12. System design, acquisition and/or development process methodology
13. Sourcing

**VIII-Management Decision-Making****Example of the expectations at each proficiency level****Scenario:**

Westerland Medical Associates is a medical practice with 15 physicians and a staff of 40. The practice bills most of its patient visits to the provincial health insurance plan but also has billings to private individuals, insurance companies, and workers' compensation boards. Currently, four staff members are responsible for billings and receivables. The practice also employs a bookkeeper who is responsible for the day-to-day accounting, and a practice manager. Discussions with the practice manager indicate that she spends approximately 40% of her time dealing with accounting and billing issues. The practice manager estimates that 20% of the building space is dedicated to offices for the accounting staff.

Medical Billing Inc. has offered to take over all of Westerland Medical Associates' billings, collections and accounting for a monthly fee of \$5,000. If the practice accepts the offer, it will no longer need the billing staff or the bookkeeper. The practice manager believes that if the accounting service is outsourced, she will be able to use the additional time to improve the efficiency of the office, resulting in greater productivity on the part of the remaining staff.

The CA candidate is asked to advise Westerland Medical Associates on whether it should continue to perform the billings and accounting services internally or accept the offer presented by Medical Billings Inc.

The CA candidate is being asked to demonstrate competency *VIII-3.4: Evaluates make-or-buy decision factors.*

The CA candidate is expected to demonstrate *Level A* proficiency for this competency.

This example provides expectations at *Level A* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level B* and *Level C*.

**Level C**

In normal circumstances the CA candidate at *Level C* proficiency:

- describes the process for performing a make-or-buy analysis
- describes or explains the general decision variables that must be taken into account when considering the make-or-buy decision.

The CA candidate at *Level C* would not be expected to calculate the cost of maintaining the internal billing and accounting functions versus outsourcing.

**Level B**

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the tasks noted above at *Level C*, be able to provide Westerland Medical Associates with preliminary advice on the make-or-buy option by:

- identifying some of the relevant costs for the make-or-buy decision and performing a preliminary analysis of the costs of the two options; and
- providing a list of the key qualitative factors that must be considered for the make-or-buy decision.

The CA candidate would understand the need to address both the qualitative and quantitative factors when providing advice to Westerland Medical Associates.

The CA candidate at *Level B* proficiency is expected to use the information available to calculate the cost of continuing to provide the accounting and billing services internally, identifying the key costs relevant to the decision. The CA candidate would be expected to compare this cost with the monthly service fee provided by Medical Billings Inc. and provide a preliminary determination as to the appropriate course of action for the make-or-buy decision.

The CA candidate is expected to identify and discuss some of the key qualitative considerations such as quality control and the reputation of Medical Billings Inc. However, a significant level of detail would not be expected at *Level B*.

**Level A**

In normal circumstances, the CA candidate at *Level A* proficiency would, in addition to the tasks noted above at *Level B* and *C*, be able to advise Westerland Medical Associates on whether it should continue to use an in-house billing and accounting system or sign the contract with Medical Billings Inc. by:

- identifying the relevant costs for the make-or-buy decision including any opportunity costs, sunk costs and fixed costs that will not be eliminated if the billing and accounting services are outsourced to Medical Billing Inc. (Underlying knowledge includes knowing the different types of costs.);
- comparing the relevant costs to the monthly service fees charged by Medical Billing Inc. to determine which alternative will result in the lower cost for the medical practice;
- identifying and integrating into his or her response most of the qualitative factors that would affect the make-or-buy decision;
- providing a recommendation as to the outsourcing decision, supported by the detailed cost calculations and discussion of the impact of the qualitative factors.

*Level A* proficiency requires much greater depth of analysis and integration of the quantitative and qualitative factors, and a fully supported recommendation to Westerland Medical Associates.

**IX-Taxation****IX-Taxation**

Taxation of an entity continues to be a complex area. Entities are challenged to identify tax-planning opportunities in order to reduce their tax burden while remaining in compliance with laws and regulations. They must stay abreast of new rules and regulations to ensure that their strategies are achieved.

The primary role in this competency area will be as part of a team of external advisors, or is employed as a member of a corporate or a public-sector management team. That team provides guidance on appropriate taxation strategies. CA contributes to the team by being competent in identifying the entity's compliance and reporting requirements, and in developing and implementing the entity's tax-planning strategies.

This section identifies the specific CA competencies in Taxation. However, the importance of integrating the pervasive qualities listed in Sections I, II and III, particularly ethics, when reading each of the specific competencies cannot be overstated.

**IX-1 Analyzes the entity's tax profile and identifies general tax issues****IX-1.1 Understands the entity's tax profile***Level A*

Within the context of stated strategies, collects basic information for the analysis of an entity's tax profile:

- the form of the entity, e.g., proprietorship, partnership, trust, joint-venture or corporation
- taxpayer's residency (for an individual or a corporation) and liability for tax
- exposure to taxation associated with various sources of income (e.g., employment, property, business, capital gain/loss)
- organizational structure (i.e., non-arm's-length/related persons, associated corporations, affiliated persons, connected corporations)
- tax risk tolerance

**IX-1.2 Identifies and advises on compliance and filing requirements***Level A*

Identifies the compliance and filing requirements and deadlines for individuals, corporations, and trusts

Advises on standard processes and routine methods to ensure all deadlines are met, including the timely analysis of assessments and reassessments and the consequences of failing to meet those deadlines

**IX-1.3 Describes other types of filing requirements***Level C*

*Examples include GST returns, scientific research and experimental development forms, other income tax returns including information returns for not-for-profit*

Describes processes and routines required to ensure deadlines are met, including the timely analysis of assessments and reassessments

Explains the basic filing information required for these types of forms and returns

## IX-2 Prepares and files necessary returns in accordance with legal requirements

### IX-2.1 Calculates basic income taxes payable for an individual

#### *Level A*

*For basic individual tax:*

Identifies, advises on and/or determines the components of net income for tax purposes, taxable income, and taxes payable

Collects and calculates the information needed to file the tax return for an individual, considering:

- inclusion and classification of income from different sources (e.g., employment including fringe benefits and taxable benefits, property, business, capital gain / loss, other income)
- deductibility of certain expenses (e.g., moving expenses, alimony payments, registered savings plan contributions)
- deductions to determine taxable income
- eligibility for tax credits (e.g., personal, medical)

### IX-2.2 Calculates other income taxes payable for an individual

#### *Level B*

Collects and calculates the information needed to file tax returns for an individual in special circumstances, for example:

- the allocation of income / loss from a partnership to be recorded on the individual's tax return
- the returns for a deceased individual
- the returns for individuals emigrating from Canada (e.g. deemed dispositions)
- inter vivos and testamentary trusts

### IX-2.3 Calculates basic taxes payable for a corporation

#### *Level A*

*For basic corporate tax:*

Identifies, advises on and/or determines the components of net income for tax purposes, taxable income, and taxes payable

Collects and calculates the information needed to file the tax return for a corporation, considering:

- type of corporation (i.e., private, Canadian-controlled private corporation, public)
- inclusion and classification of income (e.g., active business income, income from property, capital gains)
- deductibility of certain amounts (e.g., capital cost allowance, loss carry-forwards and carry-backs)
- tax credits (e.g., small business deduction, general tax reduction)
- refundable dividend tax on hand, refundable Part I tax, Part IV tax

Identifies and explains the impact of the organizational structure on taxes payable

### IX-2.4 Calculates other taxes payable for a corporation

#### *Level B*

Collects and calculates the information needed to file tax returns for a corporation in special circumstances, for example:

- the allocation of income/loss from a partnership to be recorded on the corporation's tax return

**IX-Taxation****IX-3 Practises effective tax-planning to optimize after-tax returns****IX-3.1 Identifies, analyzes, and advises on specific tax-planning opportunities for individuals***Level B*

Analyzes the individual's tax profile to identify possible tax-planning opportunities

Identifies alternative courses of action and planning opportunities for employees and executives (e.g., salary versus fringe benefits, stock-based compensation, bonus plans, pension plans)

Identifies and explains the impact of being an employee versus being self-employed

Suggests the ideal mix of tax strategies in relation to the individual's objectives and reporting needs

**IX-3.2 Identifies, analyzes, and advises on specific tax-planning opportunities for shareholders of closely-held corporations***Level B*

Analyzes the entity's tax profile to identify possible tax-planning opportunities

Identifies alternative courses of action with their corresponding opportunities and risks (e.g., salary versus dividend, loans to shareholders, dividends, deemed dividends)

Considers the integration concept and how it impacts the choice of alternatives

Considers the need to plan for a transfer of the corporation (e.g., to spouse, children, employees, etc.) and explains the process

**IX-3.3 Identifies, analyzes, and advises on financial and estate-planning opportunities for individuals and families***Level B*

With the entity's strategies in mind, collects relevant information to assess financial needs (e.g., net worth, income and expense data)

Analyzes the tax consequences of the investment and financial planning tactics being considered

Identifies and analyzes the tax consequences of shifting income between family members (e.g., attribution rules)

Identifies and analyzes retirement and post-secondary education planning opportunities

Identifies and explains the role of trusts as a planning tool

Suggests a course of action

**IX-3.4 Analyzes tax consequences for non-residents***Level B*

Identifies and explains the taxation of Canadian sources of income for non-residents

**IX-3 Practises effective tax-planning to optimize after-tax returns****IX-3.5 Identifies, analyzes, and advises on tax consequences or planning opportunities associated with certain corporate transactions***Level B*

Identifies, analyzes and explains the impact of incorporating a non-incorporated business

Analyzes and advises on the tax consequences of the sale or acquisition of shares versus assets including the possible acquisition of control and the taxable wind-up of a corporation

Analyzes and advises on how to transfer property in order to meet tax-planning objectives in an existing corporate structure

**IX-3.6 Analyzes tax consequences of other corporation and partnership restructuring transactions***Level C*

Describes the tax consequences of alternative approaches to structuring a transaction (e.g., exchange of shares between related or unrelated parties, transaction between a partnership and its partners) with regard to the achievement of the entity's strategies

Describes the applicability of tax provisions related to the non-taxable wind-up of a subsidiary into its parent corporation or the amalgamation of multiple corporations

**IX-4 Prepares information to respond to assessments, file objections and appeals***Level B*

Analyzes, on a preliminary basis, the content of assessments and reassessments to gain an understanding of the issues

Collects information to assist in formulating an appropriate response

Prepares, on a preliminary basis, responding materials required by regulation to initiate a notice of objection

## IX-Taxation

## Knowledge Reference List

The following subject matter underlies the competencies of Taxation. CA candidates should cover these subjects in their undergraduate or graduate course work, and in the professional education programs offered through their Region or Provincial Institute/Ordre.

**NOTE:** This Knowledge Reference List comprises the knowledge most relevant to, or most strongly identified with, Taxation. This does not mean the topics listed are relevant to these competencies exclusively. This Knowledge Reference List may include subject matter that is also relevant to other competency areas.

The *Income Tax Act* references are provided only as guidance to knowledge requirements.

	Tax Act Reference <sup>1</sup>
<b>1. General concepts and principles of taxation</b>	
• Structure of the <i>Income Tax Act</i> in Canada	
• Reference sources—Interpretation Bulletins, Information Circulars, Advance Tax Rulings and Case Law	
• Liability for tax	Section 2
• Tax evasion	Sections 238, 239
• Tax avoidance—General anti-avoidance rule	Subsections 245(1), (2), (3), (4), (5); paragraph 246(1)(a)
• Liability of directors	Section 227.1
• Books and records	Section 230
• Concept of residency, deemed resident, part-year resident	Subsection 250(1); paragraphs 250(4)(a), (c);
• Currency used for tax information	Subsections 261(2), (3), (5)
• Exempt entities	Paragraphs 149 (1)(c), (d), (e), (f), (j), (k), (l), (o), (o.1), (r), (s), (u), (u.1), (u.2), (x); subsection 149 (5)
• Withholding requirements and information returns	Paragraphs 153(1)(a), (b), (c), (d), (d.1), (h), (j), (1)
<b>2. Computation of income</b>	
• Income for taxation year	Section 3
• Source and timing of income or loss	Section 4
• General limitation—expenses	Sections 67, 67.1, 67.2, 67.3, 67.5, 67.6
• Alternative business structures—sole proprietorship, corporations, joint ventures and partnerships	
• Types of corporations—Canadian Controlled Private Corporation, Public, Private	Subsections 89(1), 125(7), 248(1)
• Taxation year, fiscal period	Subsections 249(1), (3), (3.1), (4); section 249.1
• Professional business, work in progress, inventory	Section 34.1

<sup>1</sup> 2010 UFE candidates are responsible for applicable *Income Tax Act* legislative changes to March 31, 2010. The definitions in Section 248 of the ITA should be understood to the extent that they relate to items listed in the Knowledge Reference List.

## Tax Act Reference

**3. Income or loss from an office or employment**

• Basic rules	Section 5
• Taxable benefits:	Paragraph 6(1)(a)
– Travel, personal or living allowances	Subparagraphs 6(1)(b)(i), (v), (vii), (vii.1), (x), (xi)
– Director's or other fees	Paragraph 6(1)(c)
– Automobile benefits	Paragraphs 6(1)(e), (k), (1); subsections 6(1.1), (2)
– Other taxable benefits	Paragraph 6(1)(f); subsections 6(3), (4), (7), (8), (9), (19), (20), (23)
– Stock option benefits	Paragraph 7(1)(a); subsections 7(1.1), (1.3), (1.31), (8) to (16)
• Deductions allowed and limitations	Paragraphs 8(1)(b), (f), (h), (h.1), (i), (j), (1.1), (m), (r), (s); subsections 8(2), (4), (6), (6.1), (7), (10), (13)
• Employee or self-employed, personal services business	Subsections 125(7), 248(1)

**4. Income or loss from a business or property**

• Types of income—active business income, property income, capital gain/loss	
• Extended meaning of carrying on business	Section 253
• Owner-manager tax-planning:	
– Incorporation	
– Compensation options for owner-manager: employment income vs. dividends	
– Shareholder and employee benefits and loans, deemed interest paid	Subsections 15(1), (1.3), (2), (2.1), (2.3), (2.4), (2.6), (5), (9); section 80.5; subsections 80.4(1), (2), (3), (4), (6), (7), (8)
• Basic rules and principles	Sections 9, 11; subsection 12(2)
• Inclusions	Paragraphs 12(1)(a), (b), (c), (d), (e), (f), (g), (i), (r), (t), (v), (x), (y); subsections 12(3), (4), (11)
• Deductions—Limitations	Paragraphs 18(1)(a), (b), (e), (f), (h), (j), (1), (n), (p), (q), (r), (t), (u)
• Limitation on certain interest, property tax and construction costs	Paragraphs 18(2)(a), (b), (c), (d), (e); subsections 18(3), (3.1), (3.2), (3.3)
• Limitation on other items	Subsections 18(9), (11), (12)
• Inventory valuation	Subsections 10(1), (1.1), (2), (2.1), (3)
• Amounts to be included—dividends	Paragraphs 12(1)(j), (k), (1), (m); 82(1)(a), (a.1), (b); subsections 84(1), (2), (3), (4), (4.1), 84(5), (6), (7), (9); section 90
• Deductions permitted	Paragraphs 20(1)(a), (b), (e.1), (e.2), (f), (g), (j), (1), (m), (m.2), (n), (p), (q), (y), (z), (z.1), (aa), (bb), (cc), (dd), (ee), (hh), (hh.1), (ii), (qq), (rr); subsection 20(9); section 20.01; subparagraphs 20(1)(e)(i), (ii), (iii), (iv), (v)

## IX-Taxation

	Tax Act Reference
<ul style="list-style-type: none"> <li>• Deductibility of interest expense</li> </ul>	Subparagraph 20(1)(c)(i); subsections 20(3), 20.1(1), (2), (6); 21(1), (3)
<ul style="list-style-type: none"> <li>• Split income</li> </ul>	Paragraph 20(1)(ww)
<ul style="list-style-type: none"> <li>• Reserves</li> </ul>	Subsection 20(6); paragraph 20(8)(b)
<ul style="list-style-type: none"> <li>• Convention expenses</li> </ul>	Subsections 20(10); 67.1(3)
<ul style="list-style-type: none"> <li>• Foreign taxes</li> </ul>	Subsections 20(11), (12)
<ul style="list-style-type: none"> <li>• Accrued bond interest</li> </ul>	Subsection 20(14)
<ul style="list-style-type: none"> <li>• Ceasing to carry on business</li> </ul>	Sections 22, 23, 24, 25
<ul style="list-style-type: none"> <li>• Professional business, work in progress, inventory</li> </ul>	Section 34, subsections 10(4), (5)
<ul style="list-style-type: none"> <li>• Scientific research and experimental development</li> </ul>	Section 37
<b>5. Capital cost allowance</b>	
<ul style="list-style-type: none"> <li>• General principles and definitions: <ul style="list-style-type: none"> <li>– Recaptured capital cost allowance</li> <li>– Terminal loss</li> </ul> </li> </ul>	Subsection 13(21) Subsections 13(1), (2), (3), (11) Subsections 20(16), (16.1), (16.3)
<ul style="list-style-type: none"> <li>• Special rules: <ul style="list-style-type: none"> <li>– Exchanges of property</li> <li>– Change in use, non-arm's length</li> <li>– Passenger vehicle</li> <li>– Deemed capital cost—inducement</li> <li>– Expenses of representation</li> <li>– Disposition of a building</li> <li>– Loss on certain transfers</li> <li>– Available for use</li> <li>– Consideration—FMV rules</li> <li>– Half-year rule and short taxation year</li> </ul> </li> </ul>	Subsections 13(4), (4.1) Paragraphs 13(7)(a), (b), (c), (d), (e), (f) Paragraphs 13(7)(g), (h) Subsection 13(7.4), paragraph 12(1)(x) Subsection 13(12) Subsection 13(21.1) Subsection 13(21.2) Subsections 13(26), (27), (28) Subsection 13(33) Regulations 1100(2), (3)
<ul style="list-style-type: none"> <li>• Capital cost allowances classes</li> </ul>	Schedules II and III, Class 1, 8, 10, 10.1, 12, 13, 14, 17, 43, 44, 45, 50
<b>6. Cumulative eligible capital</b>	
<ul style="list-style-type: none"> <li>• General rules</li> </ul>	Subsections 14(1), (2), (4), (5), (6), (7), (10)
<ul style="list-style-type: none"> <li>• Acquisition—non-arm's length</li> </ul>	Subsection 14(3)
<ul style="list-style-type: none"> <li>• Dispositions of eligible capital property</li> </ul>	Subsections 14 (1.01), (12), (13)
<b>7. Taxable capital gains and allowable capital losses</b>	
<ul style="list-style-type: none"> <li>• General rules, definitions &amp; computation</li> </ul>	Sections 38, 54; subsections 39(1), 40(1)
<ul style="list-style-type: none"> <li>• Proceeds of disposition—allocation</li> </ul>	Section 68
<ul style="list-style-type: none"> <li>• Inadequate consideration, gifting</li> </ul>	Subsections 69(1), (4)
<ul style="list-style-type: none"> <li>• Election—disposition of Canadian securities</li> </ul>	Subsections 39(4), (4.1), (5), (6)
<ul style="list-style-type: none"> <li>• Business investment loss</li> </ul>	Subsections 39(9), (12); 50(1), (1.1)
<ul style="list-style-type: none"> <li>• Limitations re: reserves</li> </ul>	Subparagraph 40(2)(a)(ii)

## Tax Act Reference

• Principal residence	Paragraph 40(2)(b); subsection 40(4); section 54.1
• Listed personal property	Section 41
• Small business share rollover	Subsections 44.1(1), (2), (11), (12)
• Personal use property	Subsections 46(1), (2), (3)
• Special rules	Paragraphs 40(2)(e), (g); subsections 40(3), (3.1), paragraph 44(7)(b), subsections 44(1), (2), (4), (5), 52(3); sections 43, 45, 47, 48.1
• Dispositions to affiliated persons	Subsections 40(3.3), (3.4), (3.5), (3.6)
• Options and convertible property	Subsections 49(1), (3), (3.1), (4); section 51
• Adjusted cost base—inclusions	Paragraphs 53(1)(a), (b), (f), (f.2), (h), (j), (n); subparagraphs 53(1)(e)(i), (ii), (iv), (vi), (x)
• Adjusted cost base—deductions	Subparagraphs 53(2)(a)(ii), (v), (c)(i), (ii), (iii), (iv), (v); paragraphs 53(2)(b.2), (d), (g), (k), (l), (s); subsection 53(2.1)
• Corporate dividend—transfer of property	Section 55

**8. Other sources of income inclusions and deductions**

• Inclusions	Subparagraphs 56(1)(a), (i), (ii), (iii), (iv); paragraphs 56(1) (a.2), (b), (c.2), (d), (d.2), (h), (i), (l), (l.1), (n), (n.1), (o), (q), (q.1), (t), (u), (v) subsections 56(3), (6)
• Indirect payments	Subsections 56(2), (4)
• Interest-free or low-interest loans	Subsections 56(4.1), (4.2)
• Maintenance	Section 56.1
• Deductions	Paragraphs 60(a), (b), (c), (c.2), (i), (j.1), (j.2), (l), (o), (o.1), (p), (q), (v.1), (w), (y), sections 60.03, 60.1, 62, 63, 64

**9. Estate planning and introduction to tax-planning**

• Death of a taxpayer-basic rules	Subsections 69(1.1), 70(2), (3), (3.1), (4), (5), (5.1), (6), (6.2); paragraph 70(1)(a)
• Reserves for year of death	Section 72
• Charitable donations	Subsections 118.1(1), 118.1(4), 118.1(5)
• Inter vivos transfers—spouse	Subsections 73(1), (2)
• Income splitting—Income attribution rules:	
– Transfers or loans to a spouse	Section 74.2; subsections 74.1(1), 82(2)
– Transfers or loans to a minor	Subsection 74.1(2)
– Repayment of existing indebtedness	Subsection 74.1(3)
– Transfers or loans to a trust or corp.	Section 74.3; subsections 74.4(1), (2), (3)
– Spouses living apart	Subsections 74.5(3), (4)
– Exceptions to attribution rules	Subsections 74.5(1), (2), (13); paragraph 74.5(12)(a)

## IX-Taxation

	Tax Act Reference
<ul style="list-style-type: none"> <li>• Tax on split income (“kiddie tax”)</li> <li>• Arm’s length and affiliated persons</li> <li>• Extended meanings—“child,” “parent,” “spouse,” “former spouse”</li> </ul>	Section 120.4 Subsections 251(1), (2), (3), (4), (6), Section 251.1 Section 252
<b>10. Financially troubled businesses</b>	
<ul style="list-style-type: none"> <li>• Unpaid amounts</li> <li>• General rules for debt forgiveness</li> </ul>	Subsections 78(1), (3), (4), (5) Section 80
<b>11. Business combinations and corporate reorganizations</b>	
<ul style="list-style-type: none"> <li>• Sale of a business—assets or shares</li> <li>• Non-arm’s-length sale of shares—deemed dividend</li> <li>• Transfer of property to corporation</li> <li>• Mergers, divestitures &amp; acquisitions—basic rules and planning opportunities:               <ul style="list-style-type: none"> <li>– Share-for-share exchange</li> <li>– Section 86 reorganization</li> <li>– Amalgamations</li> </ul> </li> <li>• Winding up a subsidiary</li> <li>• Winding up other companies</li> <li>• Planning opportunities—capital gains deduction</li> </ul>	Subsections 84.1(1), (2.2); subparagraph 84.1(2)(a.1)(ii), paragraph 84.1(2)(b) Paragraphs 85(1)(a), (b), (c), (c.1), (c.2), (d), (d.1), (e), (e.1), (e.2), (e.3), (f), (g), (h), (i); subsections 85(1.1), (2), (2.1), (5) Subsections 85.1(1), (2), (2.1) Subsections 86(1), (2), (2.1), (3) Subsections 87(1), (1.4), (2) Subsections 88(1), (1.1), (1.2) Paragraphs 88(2)(a), (b); subsection 69(5) Subsection 110.6(1)
<b>12. Partnerships and their members</b>	
<ul style="list-style-type: none"> <li>• Partnerships—general rules</li> <li>• Limited partnerships—at-risk rules</li> <li>• Contribution of property</li> <li>• Terminated partnership</li> <li>• Information returns</li> </ul>	Paragraphs 96(1)(a), (b), (c), (f); subparagraph 96(1)(g)(i) Subsections 96(2.1), (2.2) Section 97 Subsections 99(1), (2) Section 233.1
<b>13. Introduction to trusts</b>	
<ul style="list-style-type: none"> <li>• General definitions and liability</li> <li>• Types of trusts—testamentary, inter vivos</li> <li>• Income determination for trusts</li> </ul>	Subsections 104(1), (2) Subsections 108(1), 122(1.1) Subsections 104(12), (13.1), (13.2), (14), (18), (19), (21), (21.3), (23) and (24); paragraphs 104(6)(b), (13)(a)
<b>14. Computation of taxable income deductions</b>	
<ul style="list-style-type: none"> <li>• Employee stock options</li> <li>• Worker’s compensation, social assistance, etc.</li> <li>• Home relocation loan</li> </ul>	Paragraphs 110(1)(d), (d.1), (d.01), subsection 110(2.1) Paragraph 110(1)(f) Paragraph 110(1)(j); subsection 110(1.4)

## Tax Act Reference

• Lump sum payments	Sections 110.2, 120.31
• Charitable gifts	Paragraph 110.1(1)(a); subsections 110.1(1.1), (2)
• Gifts of capital property	Subsection 110.1(3)
• Gifts made by partnership	Subsection 110.1(4)
• Capital gains deduction	Subsections 110.6(1), (2.1), (4)
• Losses deductible	Paragraphs 111(1)(a), (b), (c), (d), (e); subsection 111(8); section 111.1
• Net capital losses	Subparagraph 111(1.1)(a)(i); paragraph 111(1.1)(b)
• Net capital losses in year of death	Subsection 111(2)
• Limitation on deductibility & change in control	Subsections 111(3), (4), (5), (5.1), (5.2), (5.3), (5.5); paragraphs 249(4)(a), (b), (d)
• Taxable dividend received by corporation resident in Canada	Paragraph 112(1)(a)

## 15. Rules applicable to individuals

• Tax payable under Part I	Sections 114, 117; subsection 115(1)
• Non-refundable tax credits:	
– Personal, age, pension and other credits:	Section 118
– Other tax credits	Sections 118.01, 118.02, 118.03; subsections 118.1(1), (2), (3), (5.1), (5.2), (5.3), (6), (7), (7.1), 118.2 (1), (2), (2.5); sections 118.3, 118.4; paragraphs 118.5(1)(a), (b); subsections 118.6(1), (2), (2.1); sections 118.61, 118.62, 118.7
– Transfer of unused credits	Sections 118.8, 118.81, 118.9
– Part year and non-resident	Sections 118.91, 118.94
– Ordering of credits	Section 118.92
– Credits in separate returns	Section 118.93
– Income for the year	Subsections 120(1), (3), (4)
– Minimum tax carry-over	Section 120.2
– Dividend tax credit	Section 121
– Overseas employment tax credit	Section 122.3
• Refundable tax credits:	
– Goods and services tax credit	Section 122.5
– Refundable medical expense supplement	Section 122.51
– Child tax benefit	Sections 122.6, 122.61
– Working income tax benefit	Subsections 122.7(1), (2), (3), (6)
• Minimum tax	Sections 127.5, 127.51, 127.52, 127.53, 127.54, 127.55
• Changes in residence	Subsections 128.1(1), (4)

## IX-Taxation

	Tax Act Reference
<b>16. Rules applicable to corporations</b>	
• Basic rate for corporations	Section 123
• Refundable tax on CCPC's investment income	Section 123.3
• Corporate tax reduction	Section 123.4
• Federal abatement	Subsections 124(1), (4)
• Small business deduction	Subparagraphs 125(1)(a)(i), (iii); paragraphs 125(1)(b), (c); subsections 125(1.1), (2), (3), (4); paragraph 125(5)(b); subsections 125(5.1), 125(7)
• Private corporations—dividend refund	Subsections 129(1), (2)
• Eligible dividends, general rate and low rate income pool	Subsection 89(1)
• Capital dividend—general rules	Subsections 83(2), 83(3), (3.1), (4), (5)
• Refundable dividend tax on hand	Paragraphs 129(3)(a), (b), (c)
• Definitions of Canadian and foreign investment income	Subsection 129(4)
• Investment income from associated corporation deemed to be active business income	Subsection 129(6)
• Associated corporations	Section 256
<b>17. Rules applicable to all taxpayers</b>	
• Foreign tax credit	Subsections 126(1), (2), (2.1), (2.3), (6), (7)
• Political contributions credit	Subsection 127(3)
• Investment tax credit—basic rules	Subsections 127(5), (9), (9.01), (9.02), (10.1), (10.2), 248(19)
• Refundable investment tax credit	Section 127.1
<b>18. Deferred Income Plans</b>	
• Definitions	Subsections 146(1), 146.01(1), 146.02(1), 146.1(1), 146.3(1), 147(1), 147.1(1)
• Registered Retirement Savings Plans	Subsections 146(2), (4), (5), (5.1), (8), (8.3), (8.8), (8.9), (8.91), (8.92), (8.93)
• Home Buyers Plan	Subsections 146.01 (2), (3), (4)
• Lifelong Learning Plan	Subsections 146.02(2), (3), (4)
• Registered Education Savings Plan	Subsections 146.1(5), (6), (7)
• Tax Free Savings Account (TFSA)	Subsections 146.2(1), (6), (7), (12)
• Registered Retirement Income Funds	Subsections 146.3(3), (5), (5.1), (5.4), (6.3), (6.4)
• Registered Disability Savings Plan	Subsections 146.4(1), (5), (6), (7)
• Transfers between plans	Paragraphs 146.3(2)(e),(e.1); subsections 146(16), 146.3(14), 147(19), (20), 147.3(1)
• Deferred Profit Sharing Plans	Subsections 147(5.1), (7), (8), (9), (10)
• Registered Pension Plans	Subsections 147.2(1), (2); paragraph 147.2(4)(a)

## Tax Act Reference

**19. Administration, returns, assessments, payment and appeals**

• Basic returns	Paragraphs 150(1)(a), (d); subsection 150(2)
• Other returns	Paragraphs 150(1)(b), (c); subsections 150(3), (4)
• Electronic filing of returns	Section 150.1
• Payment of tax:	
– Estimate of tax	Section 151
– Instalments for individuals	Subsections 156(1), (3); section 156.1
– Instalments for corporations	Subsections 157(1), (1.1), (1.2), (1.3), (1.4), (1.5),(2.1), (4), paragraphs 157(3) (a), (b)
– Payment of remainder	Section 158
• Assessment—important dates	Subsections 152(3.1), (4), (4.2), (5); paragraphs 152(6)(b), (c), (d), (f)
• Notice of assessment	Subsections 152(1), (1.1), (2), (3)
• Taxpayer's representative	Subsections 159(2), (3)
• Joint liability for tax-split income	Subsection 160(1.2), (1.3)
• Interest and penalties, failures and omissions	Subsections 161(1), (2), (2.2), (4.1), (9), 162(1), (2); section 163.1; subsections 163(1), (2)
• Misrepresentation by third party	Section 163.2
• Refunds and interest	Subsections 164(1), (1.5), (2), (3), (3.2)
• Objections to assessments and appeal process	Subsections 165(1), (2), (3)

**20. Other taxes**

• Tax on old age security benefits	Subsections 180.2(1), (2)
• Tax on certain taxable dividends	Subsections 186(1), (2), (4)
• Non-resident—Tax on income from Canada: interest, rents or royalties, alimony, dividends	Paragraphs 212(1)(a), (b), (d), (h), (j.1), (l), (q); subsections 212(2), (3), (4)

**IX-Taxation****Goods and Services Taxation****Excise Tax Act  
Reference<sup>2</sup>  
Part IX, Division I-VIII****1. General rules**

• Definitions—taxable supply, zero-rated supply, exempt supply, person, property, recipient, service, registrant	Subsection 123(1)
• Small suppliers	Section 148
• Consideration	Section 152
• Imposition of tax	Subsections 165(1), (3); section 166 subsection 167(1)
• When tax payable	Subsection 168(1)
• Input tax credits	Subsections 169(1), 170 (1), (2); paragraph 169(4)(a)
• Taxable benefits	Subsections 173(1), (2)
• Passenger vehicles	Section 201; subsections 235(1), 253(1)
• Importation of goods and services	Sections 212, 213, 215

**2. Collections and remittances**

• Collection of tax	Subsections 221(1), 222(1), (2), section 223
• Remittance of tax	Subsections 225(1), (2),(3), (4) subsections 228(1), (2),(3); subsections 229(1), (2),(3), 231(1),(3), 232(1),(3), 237(1)
• Meals and entertainment	Subsections 236(1), (1.1)

**3. Returns, administration and reporting requirements**

• Returns	Subsections 238(1), 239(1)
• Registration	Subsection 240(1)
• Fiscal and reporting periods	Subsections 243(1), (2), 244(1); 245(2); 247(1), 248(1)
• Administration and enforcement	
– Books and records	Subsection 286(1)
– Assessments	Subsection 296(1)
– Objections and appeals	Subsection 301(1.1); section 302

<sup>2</sup> 2010 UFE candidates are responsible for applicable *Excise Tax Act* legislative changes to March 31, 2011.

### Example of the expectations at each proficiency level

#### Scenario:

The owner-manager of a newly incorporated Canadian-controlled private corporation in the food packaging business currently has active business income of \$380,000. The owner's 18-year-old son works 16 hours a week in the business making deliveries using the company van. The owner asks the CA candidate for specific tax-planning opportunities and advice on alternative remuneration packages for himself and his son.

The CA candidate is being asked to demonstrate competency *IX-3.2: Identifies, analyzes, and advises on specific tax-planning opportunities for shareholders of closely-held corporations.*

The CA candidate is expected to demonstrate *Level B* proficiency for this competency.

This example provides expectations at *Level B* proficiency. To assist candidates in differentiating among the three proficiency levels, it also provides expectations for proficiency at *Level C* and *Level A*.

#### Level C

In normal circumstances, the CA candidate at *Level C* of proficiency is able to describe or explain:

- applicable federal personal and corporate income tax legislation\*;
- the principles of integrating personal and corporate income tax; and
- the benefits of tax-planning.

The CA candidate at *Level C* would be able to identify alternative remuneration strategies but would not be able to provide analysis or advice on the strategies.

#### Level B

In normal circumstances, the CA candidate at *Level B* proficiency would, in addition to the skills noted above at *Level C*, be able to conduct quantitative and qualitative analysis and advise on alternate remuneration packages for the owner and his son on a preliminary basis by:

- explaining or demonstrating through a preliminary analysis of the situation an understanding of the principles of the integration of corporate and personal income taxation (Underlying knowledge includes the principle of integration and knowing how the taxation of an individual differs from that of a corporation.);
- calculating and explaining the tax impact of fringe benefits such as a company-provided automobile (Underlying knowledge includes knowing what the taxable benefits are and in which situations they apply to individuals and corporations.);
- identifying and analyzing some alternative forms of compensation for the owner-manager such as salary or bonuses vs. dividends (Underlying knowledge includes knowing the alternative forms of compensation that can be used in dealing with a small corporation and with individuals.);

\* Provincial / territorial legislation is not examinable on the UFE

**IX-Taxation**

- explaining in general terms the income tax implications of dividends, salaries, bonuses, and future stock options as forms of remuneration (Underlying knowledge includes knowing the benefits and costs associated with the various forms of compensation.); and
- identifying and explaining income-splitting opportunities (Underlying knowledge includes the income-splitting rules and how/when they apply.).

The CA candidate would properly seek approval / review / corroboration of the preliminary advice by senior personnel or a subject-matter expert.

**Level A**

In normal circumstances, the CA candidate at *Level A* proficiency would, in addition to all the tasks noted at *Level C* and *B* above, be able to suggest alternative remuneration strategies by:

- preparing a detailed analysis of the alternative forms of compensation (Underlying knowledge includes calculating the tax cost of the various forms of compensation to both the corporation and the individual. The CA candidate may be expected to be aware of more complicated forms of compensation.);
- evaluating which might be the better alternative (No specific additional knowledge is required.); and
- recommending an optimal compensation package to the owner and the son (No specific additional knowledge is required.).

At both *Level B* and *Level C*, in addition to a having a general understanding of owner-manager tax-planning principles, the CA candidate could access the *Income Tax Act*, Sections 5, 6, 7, 15, 60, 67, 74.1, 82, 83, 89 and 125, 146.

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## Appendix A

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### Summary of the Significant Changes Made in the 2010 Version

Following is a summary of significant changes to *The UFE Candidates' Competency Map* issued in 2010 for the 2011 UFE.

#### Weighting of the Competencies

New section added.

#### Pervasive Qualities

##### Section I: Ethical Behaviour and Professionalism

No significant changes.

##### Section II: Personal Attributes

No significant changes.

##### Section III: Professional Skills

Under III-2.2, Performs computations, updated to specifically address valuations.

#### The Information and Information Technology related Knowledge found throughout the *UFE Candidates' Competency Map*

The CMC solicited comments from members of the profession working in the area of Information and information technology. As a result changes were made to some competencies in the specific competency areas. The reporting of these changes occurs in each of the individual sections below.

On the IT *Knowledge Reference List*, the ordering of 1. and 2. was flipped, so that governance comes first. The details in IT governance section were also expanded upon. Under 14, XBRL was added as a new item.

#### Specific Competencies

##### IV – Governance, Strategy and Risk Management

The CMC solicited a review of the entire section by members of the profession working in the area. No significant changes resulted from the review. Minor changes only were made to the entry-level competencies in Governance, Strategy and Risk Management.

Minor wording and reordering resulted to competencies IV-1.3, 1.4, 2.5 and 4.2.

## V—Performance Measurement and Reporting

Competency *V-2.5 Discusses the accounting for the entity's complex matters* was added at *Level C*. Most, but not all, of the items included in the competency were previously listed as “exceptions” in the Knowledge Reference list. The competencies that follow 2.5 within V-2 were renumbered accordingly.

The following competencies were modified:

*V-2.10 (old V-2.9) Maintains awareness of proposed financial reporting standards changes*, was renamed *Maintains awareness of pending financial reporting standards changes*, to reflect the addition of “issued but not yet effective” IFRSs from Part I, which are grouped and shown separately in the *CICA Handbook-Accounting*, Part I. All of the changes to Part I go through the Canadian exposure draft stage before becoming standards. Some changes are only effective at a later date though. For IFRS, these cases are captured in “issued but not yet effective”. A *Level C* expectation has been set for these standards. The competency was reworded to better reflect the expectation of the level of awareness required to be demonstrated at *Level C*. (It should be noted that changes of a similar nature i.e. with a later effective date could also occur in other parts of the *CICA Handbook - Accounting or Assurance*. These changes would also be testable at a *Level C*.)

Minor wording changes were made to competencies 1.3, 1.4 and 4.3.

The *Knowledge Reference List* was restructured to match the layout of the *CICA Standards and Guidance Collection*. Each part of the *CICA Handbook-Accounting* is described. In addition, the levels of expectations and exclusions are noted. All exception lists were updated to reflect the new standards in place for 2011. Some modifications to the lists result, when compared to pre-changeover GAAP, for example, the elimination of EIC's. Of note is hedging, which used to be at *Level C*, except for certain types of transactions which were considered *Level A*. All hedging transactions are now considered *Level C* for both ASPE and IFRS. In addition, Consolidation of variable interest entities (Section 1590 and AcG-15), Business combinations—reciprocal shareholdings (section 1601), Comprehensive revaluation of assets and liabilities (section 1625, and Income taxes related to compound financial instruments and business combinations (section 3465), previously at *Level C*, are now considered exclusions for ASPE.

The examples were updated to reflect the adoption of IFRS and ASPE. The Property, Plant and Equipment example shown under IFRS was replaced with a financial instruments example. The examples now show the Level of expectation for financial instruments under each of ASPE and IFRS.

## VI—Assurance

The introductory paragraph was modified slightly to better communicate the fact that Assurance, as defined for the purposes of the *Map* is broader than assurance engagements, and includes services related to controls that may or may not be included in the *CICA-Handbook Assurance*.

The order of competencies 2.2 and 2.3 was flipped. Minor wording changes were made to the following competencies: 2.2, 2.4, 2.5, 2.8, 3.2, 3.3, and 3.4. Many of the wording changes were to better reflect the IT elements of the competencies.

*VI-5 Maintains awareness of standards changes* was reworded to be consistent with the new wording used in V-2.10 in Performance Measurement and Reporting.

The *Knowledge Reference List* was updated to reflect the structure of the *CICA-Handbook Assurance* and the two parts that now exist. Minor changes were made to reflect the full adoption of CASs in 2011.

## VII—Finance

Competency VII-2.5 was merged with VII-2.6. The intent of old VII-2.5 was to have candidates apply a basic knowledge of financial instruments in a specific case on the UFE. However, with a “B” level, calculations could have been assumed to be part of the expectation. The CMC does not expect candidates to perform calculations relative to the value of financial instruments. VII-2.5 was therefore deleted and the relevant information incorporated into VII-2.6. It should be noted though that the discussion elements can still be captured at a *Level B* in both VII-2.6, and in Governance, through the risk management competencies. The change made to the Finance competencies should therefore not be interpreted as a reduction in expectations.

Minor wording changes were made to VII-1 (title only) and VII-2.4.

On the *Knowledge Reference List*, items 8 and 9, both related to valuations, were combined into one section. The remainder of the sections were renumbered accordingly.

## VIII—Management Decision-Making

Minor wording changes made to competencies: VIII-1.2, 2.1, 2.2, 2.3 and 2.5.

On the *Knowledge Reference List*, under item 6. “Budget to Actual Analysis” was deleted as it was already captured under “Variance Analysis”, the item listed just below it.

## IX—Taxation

The CMC solicited a review of the entire section by members of the profession working in the taxation area. No competencies were added or removed. Changes were made competency IX-1.1 and IX-2.4 to reflect an adjustment to entry-level requirements related to trusts. Minor wording changes were also made to IX-1.3, 3.3 and 4.

The following changes were made to the *Knowledge Reference List* as a result of the review:

### Removed:

1. **General concepts and principles of taxation**
  - Tax evasion  
(Was listed in two places, left in item 19.)      Section 163
2. **Computation of income**
  - Professional business, work in progress, inventory      Section 34.2
4. **Income or loss from a business or property**
  - Limitation on other items      Subsection 18(9.01)
  - Deductions permitted      Paragraph 20(1)(v)
5. **Capital cost allowance**
  - Capital cost allowances classes      Classes 9, 39
7. **Taxable capital gains and allowable capital losses**
  - Options and convertible property      Subsections 49 (3.2), 51(2),(4)
8. **Other sources of income inclusions and deductions**
  - Indirect payments      Subsection 56(3)
9. **Estate planning and introduction to tax-planning**
  - Inter vivos transfers — spouse      Subsection 73(6)
19. **Administration, returns, assessments, payment and appeals**
  - Interest and penalties, failures and omissions      Subsection 161(5)

**Added:**

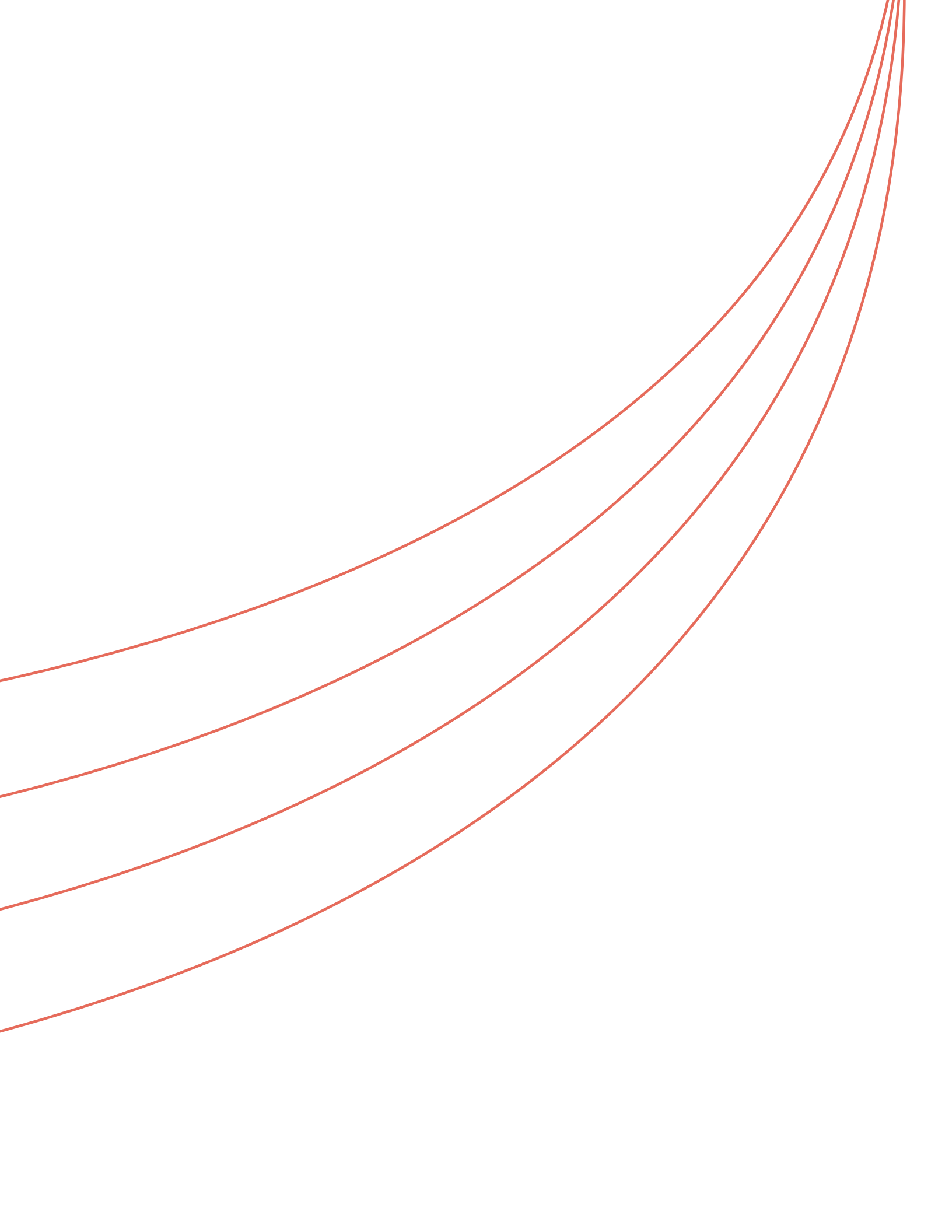
1. **General concepts and principles of taxation**
  - Currency used for tax information Subsection 261(2)
  - Exempt entities Paragraphs 149 (1) (u.1), (u.2)
  - Withholding requirements and information returns Paragraph 153(1) (h)  
(also moved from item 3. to 1.)
2. **Computation of income**
  - Taxation year, fiscal period Subsection 249(3.1); Section 34.1  
(section 34.1 moved from item 4. to 2.)
5. **Capital cost allowances classes** Class 50
7. **Taxable capital gains and allowable capital losses**
  - Dispositions to affiliated persons Subsection 40 (3.6)
8. **Other sources of income inclusions and deductions**
  - Inclusions Paragraph 56(1) (q.1), subsection 56(3)
11. **Business combinations and corporate reorganization**
  - Mergers, divestitures & acquisitions  
—basic rules and planning opportunities:  
Section 86 reorganization Subsection 86 (3)
15. **Rules applicable to individuals**
  - Non-refundable tax credits:  
—Other tax credits Subsection 118.2(2.1)
18. **Deferred Income Plans**
  - Registered Education Savings Plan Subsections 146.1(5), (6), (7)

**Appendix A**

Appendix A was removed since all the necessary information is presented in the individual sections of the *Map*. Appendix B, Summary of Significant Changes in the 2010 Version, becomes Appendix A.









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