

CA  Prequalification Education

The UFE Candidates' Competency Map:

Understanding the Professional Competencies Evaluated on the UFE

2011 — Effective for the 2012 UFE




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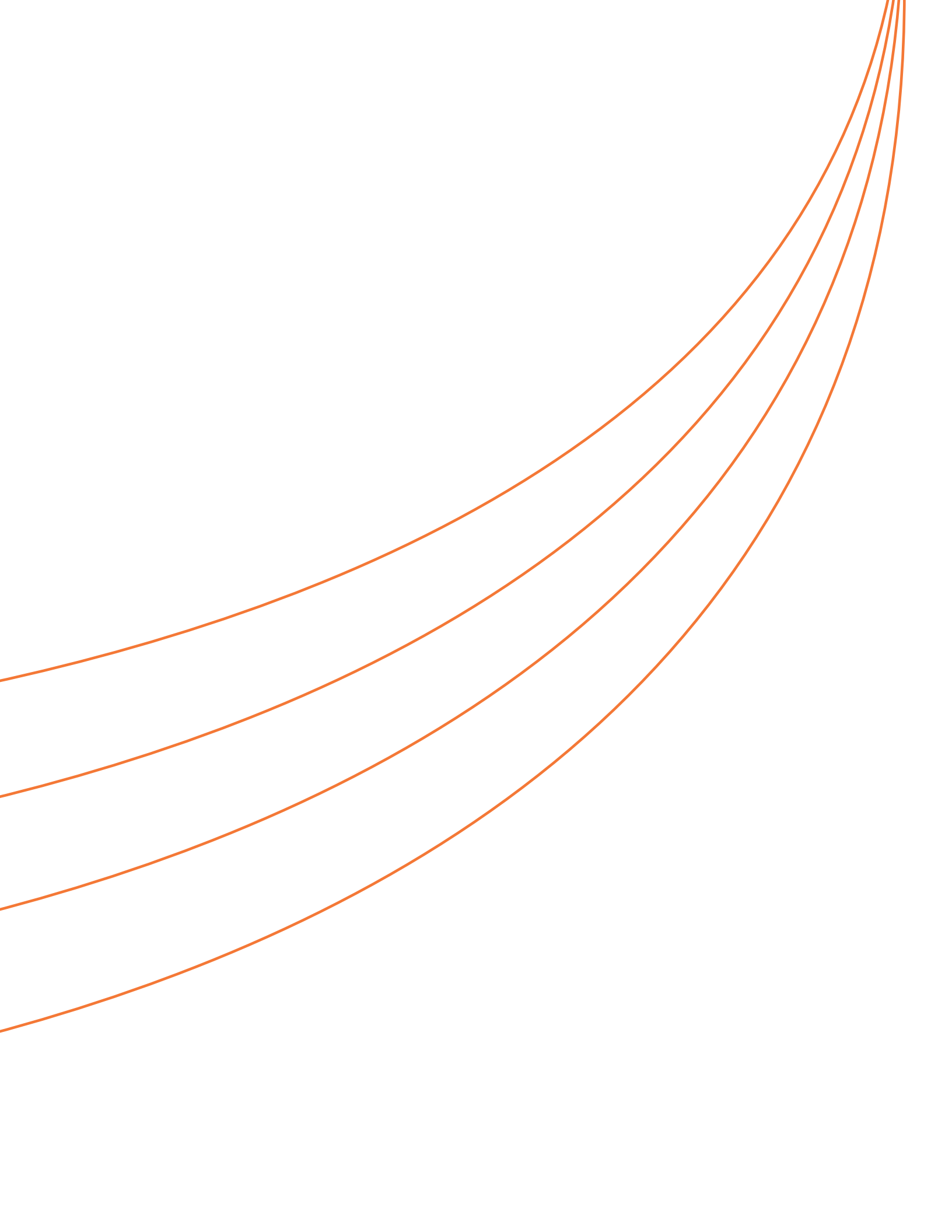


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The UFE Candidates' Competency Map: Understanding the Professional Competencies Evaluated on the UFE is one of a series of publications published by the CICA for candidates and potential candidates to the profession. Contact your Provincial Institute/Ordre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

Introduction

Becoming a CA

“CA” is Canada’s best known and most highly respected professional accounting designation. The designation is nationally recognized and internationally respected, offering opportunities throughout Canada and Bermuda and, through our agreements with international accounting bodies, in many other countries. Chartered Accountants receive professional education that 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. Qualifying as a CA provides a solid foundation for a successful career, whether it be in public practice, industry, the public sector or education.

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.

CA candidates must complete all components successfully to earn their CA designation. *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 website at 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.catrainingoffice.ca.

The Purpose and Scope of *The UFE Candidates’ Competency Map*

The UFE Candidates’ Competency Map (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 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, or through the experience components of CA education, such as making oral presentations, interviewing stakeholders, etc.

The *Map* is used:

- by the profession's Board of Evaluators to develop the UFE;
- by accounting academics in the profession's professional education programs;
- in universities to ensure that their programs cover the required competencies; and
- by employers 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 also 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. At the time of writing the UFE, the CA candidate will have been exposed to all the competencies identified in the Map through simulated business cases, role-playing, and interaction with educators. The CA candidate is expected to demonstrate the required competencies on the UFE to the level of proficiency defined in the Map.

International Education Standards for Professional Accountants

The mission of the International Accounting Education Standards Board (IAESB) is to serve the public interest by strengthening the worldwide accountancy profession through the development and enhancement of education. It achieves its mission primarily by developing and publishing International Education Standards. The Canadian CA profession commits to meeting the standards as set out in the IAESB's *Handbook of International Education Pronouncements*. The standards focus on the professional knowledge, skills and professional values, ethics and attitudes which a professional accountant must demonstrate. As part of its periodic review of the *Map*, the Competency Map Committee ensures that the *Map's* entry-level requirements at the point of writing the UFE meet or exceed the relevant IAESB education standards.

Recent Changes to Canadian Standards

Summary of Changes

The *CICA Handbook–Accounting* and *CICA Handbook – Assurance* have undergone significant restructuring over the last few years as a result of Canada’s adoption of international accounting and assurance standards. The most recent changes, which are reflected in this version of the *Map*, include:

- Accounting standards for not-for-profit organizations have been added to Part III of the *CICA Handbook – Accounting*, completing the population of all Parts of that *Handbook*. Not-for-profit organizations are required to adopt either Part III or Part I for fiscal years beginning on or after January 1, 2012. Earlier adoption was permitted.
- The *CICA Public Sector Accounting Handbook* (PSA Handbook) has changed, and government not-for-profit organizations are now required to follow the *PSA Handbook* as of January 1, 2012, although they could early adopt the new standards. These organizations have the option of following either the *PSA Handbook*, including the new not-for-profit section (PS 4200 series) or, alternatively, the *PSA Handbook* without the PS 4200 series.

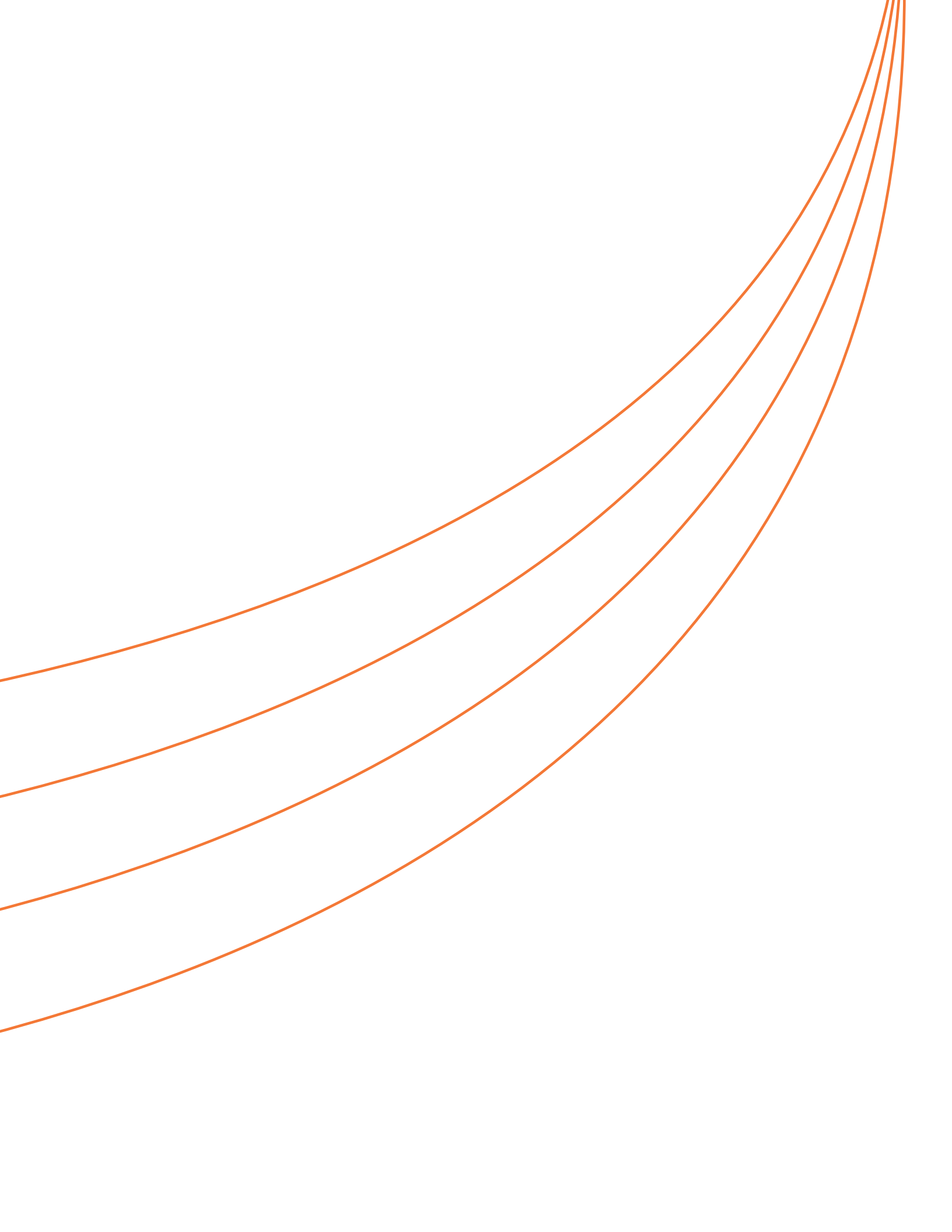
Expectations of UFE Candidates

For the 2012 UFE, CA candidates are responsible for the full body of Parts I (2011 edition) and Part II of the *CICA Handbook – Accounting*, with the exception of certain specific exclusions which are outlined in the Performance Measurement and Reporting Knowledge Reference List. For not-for-profit organizations, CA candidates have the option of applying either Part III, where applicable, or Part I. Note that a not-for-profit organization applying Part III of the *Handbook–Accounting* also applies the standards for private enterprises in Part II of the *Handbook–Accounting* to the extent that the Part II standards address topics not addressed in Part III. Candidates are not responsible for Part IV because this material is outside normal circumstances, nor are they responsible in any way for Part V of the *CICA Handbook–Accounting*.

CA candidates are responsible for the full body of *CICA Handbook–Assurance* with the exception of certain specific exclusions which are outlined in the Assurance Knowledge Reference List.

CA candidates are responsible for the full body of the *PSA Handbook* with the exception of certain specific exclusions which are outlined in the Performance Measurement and Reporting Knowledge Reference List. Candidates may apply the PS 4200 series to government not-for-profit organizations, where applicable. Those applying the PS 4200 series would do so with the rest of the *PSA Handbook* serving as the base standards.

Candidates will be informed of any significant changes in expectations in the March 31, 2012 Technical Update.



Integration Leads to Competence

The UFE Candidate's Competency Map consists of three main parts: the Pervasive Qualities and Skills, the Specific Competencies, and the underlying Knowledge Reference Lists.

Pervasive Qualities and Skills: The key attributes that differentiate CAs are set out in the Pervasive Qualities and Skills section of the *Map*. CAs serve in many roles and follow many different career paths. Regardless of the career path chosen, CAs are known for their technical competence. They are also known for having certain other skills, such as strong process and analytical skills, and broad business knowledge. At entry-level these abilities are not yet fully developed. However, the base is already well established as a result of a CA's education program having been built around the development of the pervasive qualities and skills. Pervasive Qualities and Skills enable CAs to adapt to new information, new rules, regulations, etc. with ease. The CA education model focuses on the development of skills because the knowledge component of professional accounting constantly changes and could become obsolete later in a career, and because operating environments are ever-changing, requiring CAs to adapt quickly.

The Pervasive Qualities and Skills 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 following diagram illustrates how the development of the pervasive qualities and skills, the skills that make a CA unique, is done, at entry-level, through the development of the specific competencies required to be demonstrated on the UFE. The pervasive qualities and skills augment the technical knowledge, resulting in the demonstration of competence on the UFE.



Figure 1- The Importance of Pervasive Qualities and Skills

Specific Competencies: Each specific competency area identifies the competencies relevant to the UFE candidate. Below the name of each competency, the *Map* supplies details intended as guidelines as to what is expected from candidates when demonstrating the competency. The pervasive qualities and skills are an integral part of each competency.

The specific 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.

The competencies related to the role that technology and information plays in strategy, decision-making, processing and reporting of information are an integral part of virtually all the tasks undertaken by CAs. These competencies are built into the specific competencies. They are also listed in table format on page 31 for ease of reference.

The categorization of the specific competencies into six sections is due to the limitation of the *Map* being a linear print document. The competencies are in fact highly integrative and should be thought of in this way, rather than considered in isolation.

In an effort to limit the size of the *Map*, a competency is described only once, in the section of “best fit”. However, many of the individual competencies could have been shown in several sections.

The specific competencies form a body of competencies that are categorized into the following six sections. Although categorized for presentation purposes, the competencies are highly integrated.

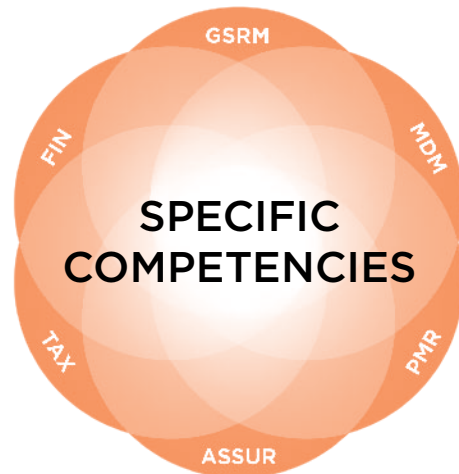


Figure 2- Integration of the Specific Competencies

The Knowledge Reference Lists: Underlying the specific competencies is the CA knowledge base. CAs acquire, as part of their learning, knowledge that encompasses technical knowledge such as generally accepted accounting principles and current tax regulations, directly related to one or more competencies. They also acquire an understanding of the economic, legal, and business environment in which businesses and other organizations operate. The same integration concept described above applies to the underlying knowledge found in the Knowledge Reference Lists. In reality, the knowledge could be listed in multiple places. When looking at the competencies in one section, it is important to consider the interrelationships with the other competencies and their integral nature.

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.

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

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 detailed IT Knowledge Reference List is found in the Integration of Information and Information Technology section on page 31.

An Illustration of the Integration of the Pervasive Qualities and Skills

While knowledge forms the base of the competency, the Pervasive Qualities and Skills are integral to the demonstration of the specific competencies. The following example, using V-2.7 in the Performance Measurement and Reporting section, illustrates the vital relationship that exists between the Specific Competencies and the Pervasive Qualities and Skills.

V-2.7 Prepares or evaluates financial statement note disclosure

Level A

Prepares or evaluates 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

On the premise that the CA candidate possesses the underlying technical knowledge, the following outlines some of the pervasive qualities and skills that would be drawn upon to demonstrate this specific competency.

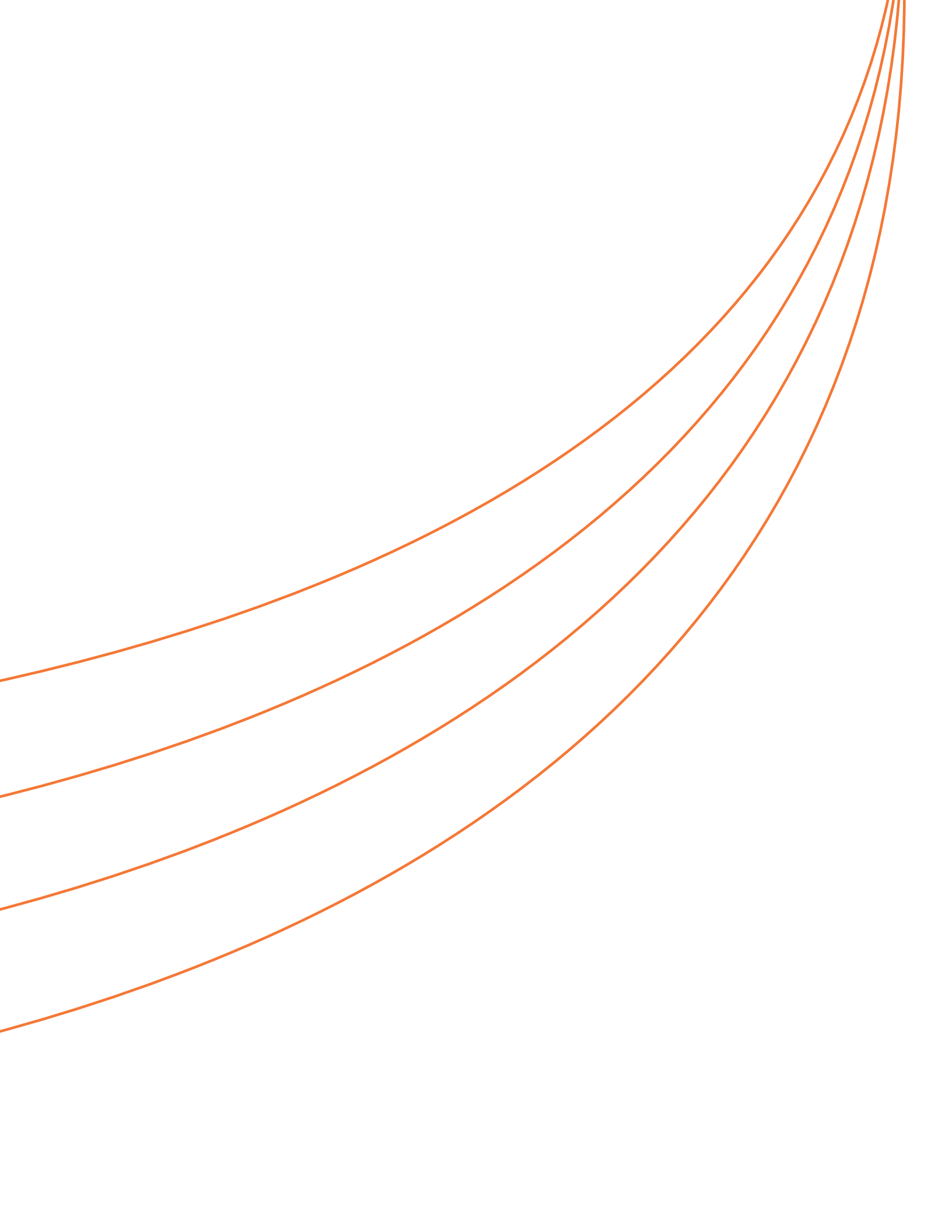
Whether preparing or evaluating, the CA candidate would draw upon their technical expertise and knowledge of accounting and auditing standards to verify and validate whether the correct information is contained in each note (III-2.3). As part of the assessment of whether the information is complete, appropriate, and useful, the CA candidate would need to ensure they have an understanding of the operating environment (III-1.2) and of the basic legal concepts that could impact the need for disclosure (III-7). The CA candidate would analyze the information available and formulate ideas of their own as to whether the body of notes as a whole are complete or if any note disclosure is missing (III-2.1) by integrating all the information they know about the entity with the information presented and collected from various sources (III-2.5). Should the CA candidate conclude, based on their assessment, that the information is incomplete (III-2.6), they would have identified an issue that would then have to be followed up with the client (III-3.1).

The CA candidate would use communication skills to ensure the notes clearly state the information deemed necessary to achieve a fair presentation, and to ensure that the information is useful and understandable to those using it (III-4.3). The CA candidate would need to gather and develop the necessary information to define and explain what was identified earlier on as missing (III-1.1) and present a suggested solution to the client (III-3.2). The CA candidate would likely discuss their views on the matter with management and obtain information and, seek management's agreement to make the change. If management agrees (III-5.3), the CA candidate would obtain the necessary facts from management to complete the notes presented (III-4.1).

Professional judgment is required to decide whether certain information would be material to the users of the financial statements and whether the client should be advised to include it in the disclosures, even if the accounting or auditing standards do not mandatorily require it (III-3.3).

The CA candidate would do all of the above, while demonstrating the highest ethical and professional behavior (I) and the personal attributes of a CA (II). For example, the CA candidate would demonstrate leadership and initiative (II-2) by proactively following up on any findings with the client rather than leave it to the senior or manager to do. The CA candidate would treat other staff members and the client's staff in a professional manner, and ensure that all communications are done professionally (II-6), always maintaining confidentiality with respect to the information obtained while doing the work. At all times, the CA candidate would, even if there are time pressures, exercise due care (I-3) in completing the work.

As evidenced above, the CA candidate draws heavily upon the Pervasive Qualities and Skills in demonstrating the specific competency. This is the case with all the specific competencies outlined in the *Map*.



Terminology

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.

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 evalu-

ated, 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, or suggestion, 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.

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

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.

Weighting of the Competencies

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

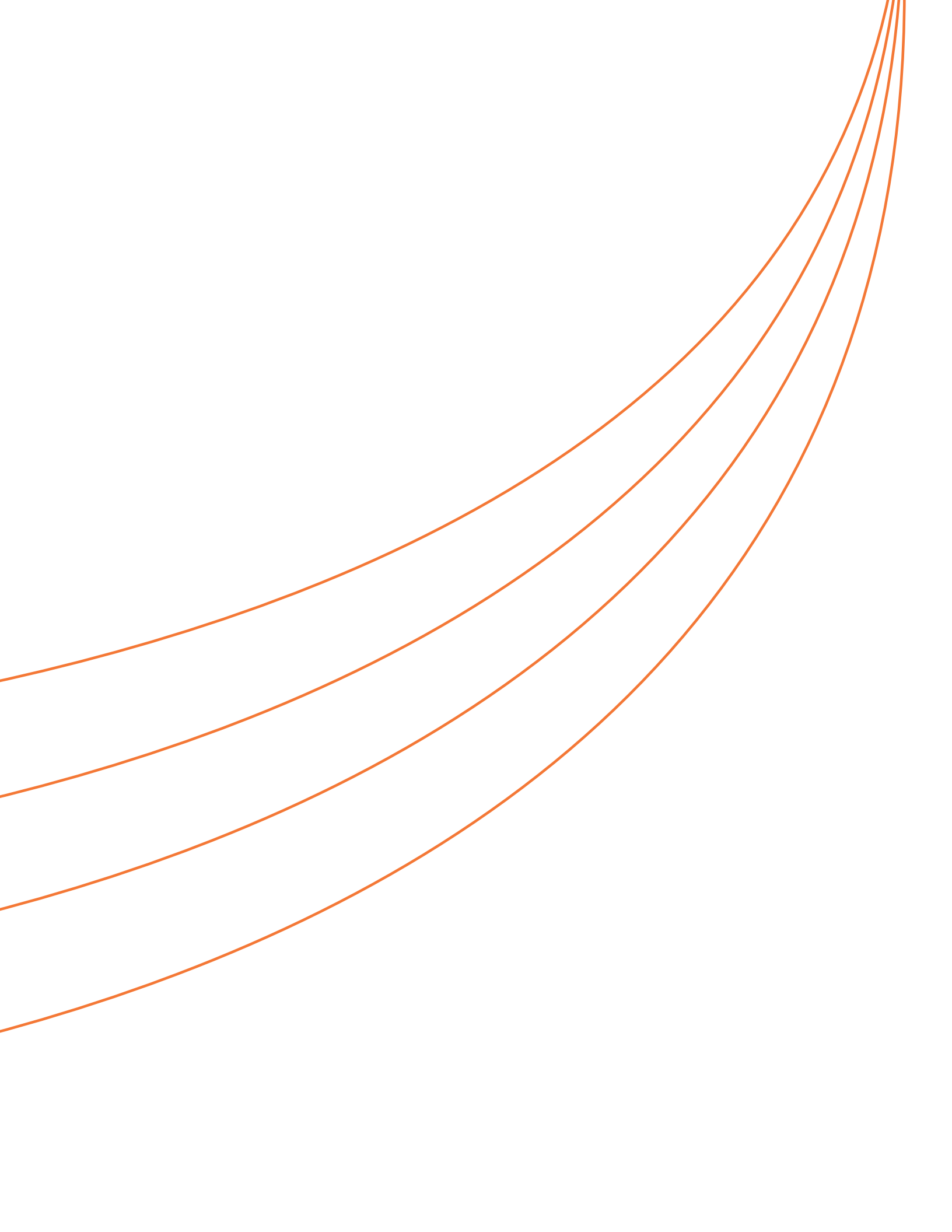
There is no prescribed weighting of the pervasive qualities and skills; CA candidates demonstrate them through the specific competencies. All simulations will require candidates to demonstrate proficiency in these qualities and skills.

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).

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.

The Uniform Evaluation Reports, for each of 2003 to 2010, are available for purchase at www.castore.ca/Catalogue/Catalogue.aspx?categoryID=20.



List of CA Competencies

The Pervasive Qualities and Skills	Level of Proficiency	Details on Page
I-Ethical Behaviour and Professionalism		21
I-1 Protects the public interest	A	22
I-2 Acts competently with honesty and integrity	A	22
I-3 Carries out work with a desire to exercise due care	A	22
I-4 Maintains objectivity and independence	A	23
I-5 Avoids conflict of interest	A	23
I-6 Protects the confidentiality of information	A	23
I-7 Maintains and enhances the profession's reputation	A	23
I-8 Adheres to the rules of professional conduct	A	23
II-Personal Attributes		24
II-1 Self-manages	A	24
II-2 Demonstrates leadership and initiative	A	24
II-3 Maintains and demonstrates competence and recognizes limits	A	24
II-4 Strives to add value in an innovative manner	A	25
II-5 Manages change	A	25
II-6 Treats others in a professional manner	A	25
III-Professional Skills		26
III-1 Obtains information		26
III-1.1 Gathers or develops information and ideas	A	26
III-1.2 Develops an understanding of the operating environment	A	26
III-1.3 Identifies the needs of stakeholders and develops a plan to meet those needs	A	26
III-2 Examines and interprets information and ideas critically		27
III-2.1 Analyzes information or ideas	A	27
III-2.2 Performs computations	A	27
III-2.3 Verifies and validates information	A	27
III-2.4 Evaluates information and ideas	A	27
III-2.5 Integrates ideas and information from various sources	A	27
III-2.6 Draws conclusions/forms opinions	A	28
III-3 Resolves problems and makes decisions		28
III-3.1 Identifies and diagnoses problems and/or issues	A	28
III-3.2 Develops solutions	A	28
III-3.3 Decides/recommends/provides advice	A	28
III-4 Communicates effectively and efficiently		29
III-4.1 Seeks and shares information, facts, and opinions through written discussion	A	29
III-4.2 Documents in written and graphic form	A	29
III-4.3 Presents information effectively	A	29

The Pervasive Qualities and Skills	Level of Proficiency	Details on Page
III-5 Manages and supervises		30
III-5.1 Plans projects	A	30
III-5.2 Identifies need for internal and external expertise	A	30
III-5.3 Facilitates decision-making	A	30
III-6 Understands how IT impacts a CA's daily functions and routines	A	30
III-7 Considers basic legal concepts	A	30

The Specific Competencies	Level of Proficiency	Details on Page
IV-Governance, Strategy and Risk Management		37
IV-1 Evaluates an entity's governance model		37
IV-1.1 Evaluates the entity's governance structure	B	37
IV-1.2 Understands the leadership processes of the board or other governing body	C	38
IV-1.3 Identifies and evaluates the audit committee's role in governance	A	38
IV-1.4 Identifies the importance of governance activities	B	38
IV-2 Evaluates an entity's strategies		38
IV-2.1 Understands the entity's strategic plan and planning processes	B	38
IV-2.2 Gains an understanding of the entity's mission, vision and strategies	B	39
IV-2.3 Identifies and evaluates opportunities and risks	A	39
IV-2.4 Identifies key elements of the entity's value system	B	39
IV-2.5 Evaluates the adequacy of the entity's IT strategy	B	39
IV-2.6 Identifies the factors that impact the entity's financial strategies	B	40
IV-2.7 Evaluates the entity's performance measurement and reporting strategy	A	40
IV-3 Evaluates an entity's plans for risk management		40
IV-3.1 Understands the entity's risk management processes	B	40
IV-3.2 Evaluates the entity's risk management program	B	40
IV-3.3 Assesses the IT risks and how they are managed	B	41
IV-3.4 Identifies courses of action to help manage risks	B	41
IV-4 Evaluates an entity's ability to manage organizational performance		41
IV-4.1 Evaluates decision-making and accountability processes	B	41
IV-4.2 Understands the need for access to information	B	41
V-Performance Measurement and Reporting		47
V-1 Analyzes financial reporting needs and establishes the necessary processes		47
V-1.1 Analyzes financial reporting needs	A	47
V-1.2 Develops or evaluates reporting processes to support financial reporting	A	47
V-1.3 Develops reliable financial information	A	48
V-1.4 Establishes or enhances financial reporting using IT	B	48

The Specific Competencies	Level of Proficiency	Details on Page
V-2 Conducts external financial reporting		48
V-2.1 Identifies the appropriate basis of accounting	A	48
V-2.2 Develops or evaluates accounting policies in accordance with GAAP	A	48
V-2.3 Accounts for the entity's routine transactions	A	49
V-2.4 Accounts for the entity's non-routine transactions	B	49
V-2.5 Describes the accounting for the entity's complex matters	C	49
V-2.6 Prepares financial statements using the identified basis of accounting	A	49
V-2.7 Prepares or evaluates financial statement note disclosure	A	49
V-2.8 Prepares or evaluates financial components of the Management Discussion and Analysis (MD&A) or Financial Statement Discussion and Analysis (FSD&A)	B	50
V-2.9 Explains the financial statement results and balances to stakeholders	A	50
V-2.10 Maintains awareness of pending financial reporting standards changes	C	50
V-2.11 Describes the need to apply other accounting principles or the need for special presentation of information	C	50
V-3 Conducts internal financial reporting		51
V-3.1 Develops or evaluates internal financial reports	A	51
V-3.2 Recommends improvements to internal financial reporting systems	B	51
V-4 Conducts specialized reporting		52
V-4.1 Identifies and analyzes specific reporting obligations	A	52
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VII-Finance		71
VII-1 Evaluates overall financial strategy		71
VII-1.1 Establishes or evaluates financial objectives	B	71
VII-1.2 Evaluates the legal form and structure of the entity	B	71
VII-1.3 Identifies ways in which ownership can change	B	71
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VII-2.1 Monitors cash flow	A	72
VII-2.2 Analyzes the entity's working capital	A	72
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VII-2.5 Understands and explains types of financial instruments	C	73
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VIII-3.2 Considers implications of variances on the entity's strategies	A	83
VIII-4 Develops and suggests improvements to the IT infrastructure needed to generate the necessary information		83
VIII-4.1 Analyzes, selects and suggests IT solutions to support processes and management's information needs	B	83
VIII-4.2 Evaluates alternative IT solutions	B	84
VIII-4.3 Identifies and evaluates acquisition or sourcing decision factors	B	84
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VIII-4.5 Suggests improvements to the entity's IT systems implementation	B	84
IX-Taxation		89
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IX-1.2 Identifies and advises on compliance and filing requirements	A	89
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IX-2.1 Calculates income taxes payable for an individual in routine situations	A	90
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The Specific Competencies		Level of Proficiency	Details on Page
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The Pervasive Qualities and Skills

Pervasive Qualities – A Vital Relationship

The Pervasive Qualities and Skills form the essence of being a CA. The pervasive qualities and skills in *The UFE Candidates' Competency Map* are the building blocks, those qualities that a CA brings to any task, that underlie the specific competencies, which results in creating the traits 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.

Pervasive Qualities and Skills enable a CA to function as competent professional in an increasingly complex and demanding environment. The pervasive qualities and skills allow CAs to develop competence that can be transferred across different operating environments, different issues, and different roles. Possession of these underlying pervasive qualities and skills enables a CA to make successful use of the knowledge gained through their education, to become broad-minded professionals who think logically, undertake critical analysis, exercise good judgment and communicate effectively. The acquisition of these skills early in the CA's training begins the process of professional growth and forms a strong foundation for life-long learning.

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”. Whether recently qualified or highly experienced, all CAs are required to uphold ethical principles and conduct themselves professionally. CAs play a role in decision-making, whether they work in public practice, industry, the public sector or education. They need to have a thorough appreciation of the ethical implications of their and others' decisions.

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-Ethical Behaviour and Professionalism**I-1 Protects the public interest**

For all assignments, adheres to the related standards

Understands and adheres to the profession's standards of competence and integrity and understands 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-2 Acts competently with honesty and integrity

Adheres to 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

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

Adheres 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”. 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. CAs 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, within budget and to expectations

Communicates with appropriate stakeholders to assure them that milestones are being met and objectives are being achieved

Identifies opportunities, issues, and possible improvements and makes recommendations

Challenges assumptions and understands their implications

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

Provides a realistic analysis of adjustments and challenges likely to be encountered for anticipated changes and suggests steps to deal with them

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

The professional skills that are essential to being a CA 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 as they enable CAs to quickly assess a situation, ask the right questions, predict outcomes and make reasoned decisions, solve unstructured problems, all in a variety of situations.

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 stakeholders’ 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

Examines 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-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

Examines 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-Professional Skills**III-2 Examines and interprets information and ideas critically****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 Resolves 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

Understands, identifies and analyzes the nature and context of a problem or issue, and understands the factors contributing to the problem, before drawing conclusions or considering potential solutions or courses of action

III-3.2 Develops solutions

Develops potential solutions to address root causes of problems in collaboration with affected stakeholders

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:

- contributes 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 appropriate criteria, e.g., degree of urgency, materiality

Suggests an approach to manage an apparently insoluble problem

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-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-Professional Skills**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

Analyzes risks and benefits 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-7 Considers basic legal concepts

Becomes familiar with the legal environment 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

Recognizes the need for guidance on the applicability of general legal concepts in analyzing a transaction

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.

CAs not only use information systems, they understand IT-based controls, and play an important role as part of a team in the evaluation, design and management of such systems.

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
IT competencies found in III-PROFESSIONAL SKILLS		
III-6 Understands how IT impacts a CA's daily functions and routines	A	30
IT competencies found in IV-GOVERNANCE, STRATEGY AND RISK MANAGEMENT		
IV-1.4 Identifies the importance of governance activities	B	38
IV-2.1 Understands the entity's strategic plan and planning processes	B	38
IV-2.5 Evaluates the adequacy of the entity's IT strategy	B	39
IV-3.3 Assesses the IT risks and how they are managed	B	41
IV-4.2 Understands the need for access to information	B	41
IT competencies found in V-PERFORMANCE MEASUREMENT AND REPORTING		
V-1.2 Develops or evaluates reporting processes to support financial reporting	A	47
V-1.4 Establishes or enhances financial reporting using IT	B	48
V-3.2 Recommends improvements to internal financial reporting systems	B	51
V-4.3 Identifies and analyzes non-financial reporting needs	B	52
IT competencies found in VI-ASSURANCE		
VI-2.5 Designs appropriate procedures based on the assignment's scope, risk and materiality guidelines	A	64
VI-3.2 Identifies the role IT plays in an entity's key operational controls	A	65
VI-3.4 Evaluates IT-related elements of internal control	B	66

Competency	Level of Proficiency	Page
IT competencies found in VIII-MANAGEMENT DECISION-MAKING		
VIII-4.1 Analyzes, selects and suggests IT solutions to support processes and management's information needs	B	83
VIII-4.2 Evaluates alternative IT solutions	B	84
VIII-4.3 Identifies and evaluates acquisition or sourcing decision factors	B	84
VIII-4.4 Performs an analysis of the IT options	B	84
VIII-4.5 Suggests improvements to the entity's IT systems implementation	B	84

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:

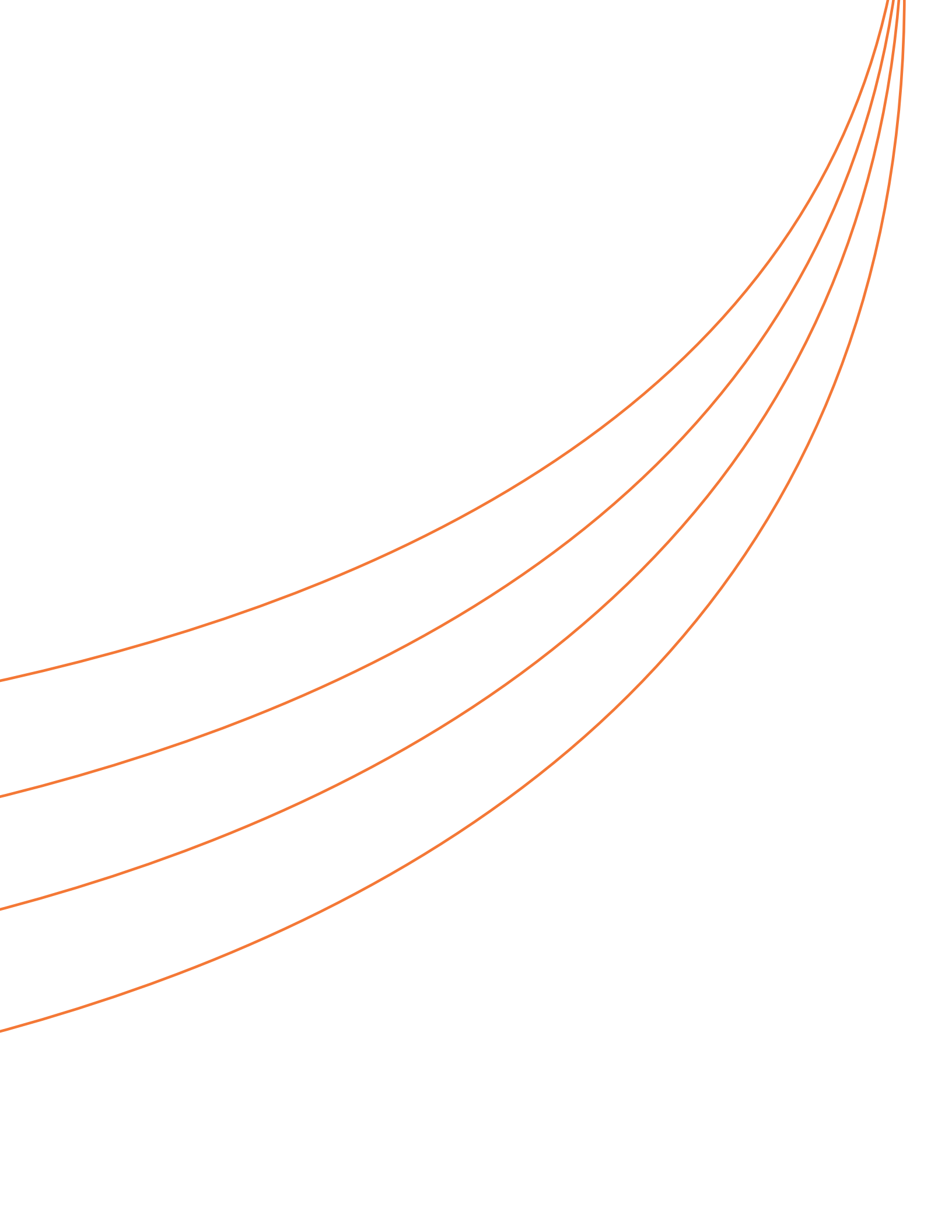
- Real-time access
- Remote access to information
- Dash-board, spreadsheet, report generator
- XBRL (eXtensible Business Reporting Language)

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, management

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
- evaluates the impact of the internal and external audit findings

IV-1.4 Identifies the importance of governance activities*Level B*

Understands the importance of having governance activities, including:

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

Identifies weaknesses in the activities and communicates findings

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 and evaluates risks related to business process modifications

Identify the need for change management

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, corporate social responsibility

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, sustainability

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

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*

Assists in the design of governance processes that address short-term and long-term management information needs, decisions and control frameworks

Identifies roles, responsibilities, expectations, policies and procedures to be followed for decision-making and accountability

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
 - Corporate social responsibility

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
 - Technological

- 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
 - Sustainable business practices
- 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 of a publicly-traded company (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), analyzes 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

Analyzes 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 developing 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
<i>Level A</i>
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
<i>Level B</i>
Analyzes and calculates, or evaluates, on a preliminary basis, the accounting for non-routine transactions, such as:
<ul style="list-style-type: none"> • mergers and acquisitions • divestitures, discontinued operations, and wind-ups
V-2.5 Describes the accounting for the entity's complex matters
<i>Level C</i>
Describes the accounting for complex matters, such as:
<ul style="list-style-type: none"> • first-time adoption of a reporting framework • measurement of share-based payment • diluted earnings-per-share • hedge accounting • embedded derivatives • securitization of assets • revaluation of property, plant and equipment and intangible assets
V-2.6 Prepares financial statements using the identified basis of accounting
<i>Level A</i>
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
<i>Level A</i>
Prepares or evaluates 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) or Financial Statement Discussion and Analysis (FSD&A)***Level B*

Understands and describes the main financial components of the MD&A (or FSD&A in the public sector)

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

Ensures, on a preliminary basis, financial information in the MD&A or FSD&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 financial reporting standards changes*Level C*

Describes the key differences between the exposure draft (or, in the case of entities following IFRS, the IFRS issued but not yet effective in Canada) when compared to the current 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 U.S. GAAP

Describes and explains the need for special presentation of information, e.g., reporting reconciliations to U.S. 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 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 Understands 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 provides 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 or FSD&A enhances the fair presentation of the entity's performance

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

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
- Qualitative characteristics of useful financial information
- Recognition criteria and measurement
- Disclosure
- Management Discussion and Analysis or Financial Statement 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
- The role of International Financial Reporting Standards (IFRS) in Canada
- Regulatory process in Canada

V-Performance Measurement and Reporting

2. The CICA Handbook – Accounting

The *CICA Handbook—Accounting* is the primary source of Canadian generally accepted accounting principles (GAAP) for all entities except those in the public sector that apply PSA. It contains the following parts:

- Part I—International Financial Reporting Standards
- Part II—Accounting Standards for Private Enterprises
- 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—International Financial Reporting Standards (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
- IFRIC 18- Transfer of assets from customers
- SIC 7- Introduction of the Euro
- SIC 12- Consolidation of Special Purpose Entities

2.2 Part II—Accounting Standards for Private Enterprises (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. The 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)
- Comprehensive Revaluation of Assets and Liabilities (Section 1625)
- Income taxes related to compound financial instruments, business combinations and investments in subsidiaries and joint ventures (within Section 3465)
- Oil and Gas Accounting- Full Cost (AcG-16)
- Disclosures by Entities Subject to Rate Regulation (AcG-19)

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. A not-for-profit organization applying Part III also applies the standards for private enterprises in Part II to the extent that the Part II standards address topics not addressed in Part III.

Candidates should also be able to apply Part I to not-for-profit entities as organizations have this option.

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 (PSA)

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 Handbook* describes which standards apply to which public sector organizations.

The CICA Public Sector Accounting Handbook has also changed in respect of not-for-profit organizations. As of January 1, 2012, government not-for-profit organizations are required to follow the *PSA Handbook*. As well, these organizations have the option to follow the *PSA Handbook*, including the new not-for-profit section (PS 4200 series) or, alternatively, the *PSA Handbook* without the PS 4200 series.

Many of the 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, B or C* as described in the Performance Measurement and Reporting competencies. The application of Public Sector Accounting standards is to be demonstrated at *Level C* proficiency only.

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 U.S. Dollars — A forward contract to purchase \$100,000 U.S. 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 U.S. 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 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; (IFRS 9 would classify as “fair value through profit and loss” or “fair value through other comprehensive income (OCI)”);
- explaining that the shares must be measured at fair value when they are purchased and at each balance sheet date (e.g., 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; (IFRS 9 would classify as “fair value through profit and loss” or “fair value through other comprehensive income (OCI)”);

V-Performance Measurement and Reporting

- explaining that the long-term debt would be measured initially at fair value, and subsequently at amortized cost, using the effective interest rate method;
- explaining that the contract to purchase the U.S. dollars and the interest rate swap are derivative financial instruments;
- explaining that the contract to purchase the U.S. 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 as either held for trading (HFT) or available for sale (AFS) depending on the facts surrounding their purchase; (IFRS 9 would classify as "fair value through profit and loss" or "fair value through other comprehensive income (OCI)");
- 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.); (IFRS 9 would classify as "fair value through profit and loss" or "fair value through other comprehensive income (OCI)");
- measuring the long-term debt using the effective interest 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 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 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, 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.

V-Performance Measurement and Reporting

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*. IFRS 9 *Financial Instruments* is issued but not yet effective which would make it *Level C* unless the candidate opts to apply it at *Level A*.

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 U.S. Dollars — A forward contract to purchase \$100,000 U.S. 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 U.S. 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 year-end 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;

V-Performance Measurement and Reporting

- explaining that the contract to purchase the U.S. dollars and the interest rate swap are derivative financial instruments;
- explaining that the contract to purchase the U.S. 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, unless they are designated in a qualifying hedging relationship or are linked to, and must be settled by, delivery of equity instruments of another entity whose fair value cannot be readily determinable.

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 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 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*.

V-Performance Measurement and Reporting**Example 3, under the CICA PSA Handbook****Scenario:**

ABC Commission (ABC) is a small government organization that applies PSA. They prepare and issue four financial statements:

Statement of financial position

	20X2	20X1
	\$	\$
Financial assets	10,912	10,348
Liabilities	18,262	19,171
Net Debt	(7,350)	(8,823)
Non-financial assets	7,360	7,457
Accumulated surplus/(deficit)	10	(1,366)

Statement of Operations

	20X2 Budget	20X2 Actual	20X1 Actual
	\$	\$	\$
Revenues	14,277	16,322	16,854
Expenses	14,249	14,946	14,303
Annual surplus	28	1,376	2,551
Opening accumulated surplus/(deficit)	(1,366)	(1,366)	(3,917)
Closing accumulated surplus/(deficit)	(1,338)	10	(1,366)

Statement of Change in Net Debt

	20X2 Budget	20X2 Actual	20X1 Actual
	\$	\$	\$
Annual surplus	28	1,376	2,551
Acquisition of tangible capital assets	(294)	(294)	(250)
Amortization of tangible capital assets	226	226	230
Other adjustments	-	165	(145)
(Increase)/decrease in net debt	(40)	1,473	2,386
Opening net debt	(8,823)	(8,823)	(11,209)
Closing net debt	(8,863)	(7,350)	(8,823)

Statement of Cash Flow

	20X2	20X1
	\$	\$
Net cash from operations	1,119	3,146
Cash applied to capital transactions	(248)	(178)
Cash provided by (applied to) investing transactions	129	(258)
Cash applied to financing transactions	(789)	(2,481)
Increase in cash and cash equivalents	211	229
Opening cash and cash equivalents	1,366	1,137
Closing cash and cash equivalents	1,577	1,366

The CA candidate is being asked to explain to a new member of ABC's board how to read the financial statements, highlighting the unique aspects of the financial statements that result from them being prepared using the *Public Sector Accounting (PSA) Handbook*.

The CA candidate is being asked to demonstrate competency V-2.9: *Explains the financial statement results and balances to stakeholders.*

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

V-Performance Measurement and Reporting

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:

- which financial statements that are a requirement of GAAP in this circumstance;
- the purpose of each financial statement e.g. the **statement of change in net debt** reports the extent to which spending of the accounting period are offset by revenue raised during the period. This represents changes in future revenue requirements;
- the uniqueness of the financial statement users and their needs;
- the financial statement objectives that apply in the public sector;
- the reporting framework for a public sector entity;
- the nature of financial statements elements in a public sector context e.g. the non-financial assets that are normally held for service provision such as tangible capital assets;
- the unique nomenclature used in a PSA financial statement e.g. not retained earnings but accumulated surplus or deficit instead;

Level B

In normal circumstances, the CA candidate at a *Level B* proficiency would, in addition to the tasks noted above at *Level C*, be able to apply those concepts in order to interpret and describe ABC's financial results, on a preliminary basis by:

- Explaining to the new board member how to interpret the various results in a public sector entity e.g. accumulated surplus in 20X2 compared to an accumulated deficit in 20X1;

Level A

In normal circumstances, the CA candidate at *Level A* proficiency is able to fully explain the financial statement results and balances. In addition to the tasks noted in *Level C* and *B* above, the CA candidate at *Level A* would be expected to do the following:

- analyze the financial statements using ratio and trend analysis; understand and interpret the results correctly;
- explain how the results in one financial statement are linked to the other financial statement results;
- accurately describe to the new board member the changes from 20X1 to 20X2 and present logical reasons for the changes;

The CA candidate at both *Level B* and *Level A* would have an understanding of the reporting needs of the entity and the financial reporting framework in the public sector. In addition, the CA candidate could access the CICA *PSA Handbook* standards: PS1000-*Financial Statement Concepts*; PS1100-*Financial Statement Objectives*; and PS1201-*Financial Statement Presentation*.

VI-Assurance

Assurance expertise is broadly defined at entry-level, and therefore the competencies defined in this section go beyond assurance services as defined in the *CICA Handbook-Assurance*. The terminology used is not defined or restricted to the way it is used in the *CICA Handbook-Assurance*. It is intended to capture the broader underlying concepts that would apply in the different assurance roles described below. Readers should therefore not restrict their application of the terms to that contained in the *Handbook-Assurance*. Assurance expertise involves enhancing the reliability of a wide variety of information, for example reporting on the compliance with certain standards or suitable criteria. The financial statement audit is perhaps the best known assurance activity of the CA 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 internally as part of the entity’s operations, some externally as a third party service provider. Although some of these activities do not result in a third party external 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 agreements, 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 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 on the controls over the 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

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

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

Recommends assurance services appropriate to meeting the entity’s needs

VI-2 Provides assurance services (external or internal)
VI-2.1 Considers issues related to accepting an assignment
<i>Level A</i>
Examines issues of independence, competence and objectivity to assess whether or not there are barriers to the acceptance of, or working on the assignment
Uses the understanding gained of the elements of risk and the decision factors when evaluating the overall risk associated with accepting the assignment
VI-2.2 Assesses which financial reporting framework to apply to the subject matter being evaluated
<i>Level A</i>
Assesses the acceptability of the financial reporting framework:
<ul style="list-style-type: none"> • for general-purpose financial statements, the framework could be Generally Accepted Accounting Principles, which in Canada will differ by type of entity, e.g., IFRS, ASPE, etc. • for special-purpose financial statements and other subject matters being evaluated, identifies what financial reporting framework, criteria, set of acceptable rules or policies best apply
VI-2.3 Evaluates the implications of risks for the assignment
<i>Level A</i>
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 business and fraud risk factors
Assesses the risk at the appropriate levels, e.g., financial statement level, transaction level, etc.
Evaluates the impact of the risk assessment on the nature, timing and extent of assurance work to be performed
VI-2.4 Develops guidelines to set the extent of assurance work, based on the scope and expectations of the assignment
<i>Level A</i>
Develops an understanding of the concept of materiality
Determines if Generally Accepted Auditing Standards (GAAS) apply and if so how they apply to the decision-making needs of the users of the information
Identifies the factors that affect materiality
Determines materiality

VI-Assurance**VI-2 Provides assurance services (external or internal)****VI-2.5 Designs appropriate procedures based on the assignment's scope, risk and materiality guidelines***Level A*

For a given set of circumstances, decides on:

- the sufficiency and appropriateness of evidence required to support the report
- 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
- 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
- the nature, timing and extent of the use of specialists

Communicate the plan to appropriate key stakeholders

Is alert to changes in circumstances not considered in the design of the assignment procedures and adjusts the procedures or overall plan appropriately

VI-2.6 Performs the work plan*Level A*

Performs the procedures specified in the program, e.g., analytical review of expenses

Applies an appropriate level of skepticism, remaining alert to the possibility of fraud

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 describes the results of the procedures

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 standards, criteria, rules 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 Provides assurance services (external or internal)**VI-2.9 Draws conclusions and communicates results***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 need to gather additional evidence or to extend the scope of procedures

Assesses the need for corrections or remediation

Considers whether indicators of fraud exist and assesses the implication to the assignment, including the impact on the communication

Evaluates the reasonableness of the subject matter as a whole considering the objectives of the assignment

Evaluates the appropriateness of the conclusions being communicated in accordance with applicable criteria

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

VI-2.10 Prepares information for meetings with stakeholders*Level A*

Considering confidentiality and statutory requirements, prepares information for timely discussion with management, those with oversight responsibility for financial reporting, 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 or suspected 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 the control objectives and identifies the risks

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-Assurance**VI-3 Provides control-related 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 entity's 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-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

Verifies and validates the functioning of the IT controls, e.g., using generalized audit software, walk-throughs, 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*

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

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. Association — a public accountant’s involvement with an entity or information issued by that entity

C. 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
- Reporting on controls at a service organization
- Non-financial information
- Compliance with legislative and related authorities in the public sector

D. Review engagements

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

E. Other engagements

- Compilation engagements
- Auditor Review of interim financial statements
- Compilation of a financial forecast or projection
- 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’s consent to the use of the auditor’s report in connection with designated documents

F. 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

VI-Assurance

- Optimizing the use of resources
- Preventing and detecting error
- Preventing and detecting fraud
- Safeguarding assets
- Maintaining reliable control systems
- Role of internal audit

G. Canadian assurance standard setting process

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

EXCEPTIONS

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 (AuG-30)
- Examination of a financial forecast or projection included in a prospectus or other offering document (AuG-6)
- Audit of financial statements affected by environmental matters (AuG-19)
- Services on matters relating to solvency (AuG-4)
- Legislative requirements to report on the consistent application of accounting principles in the applicable financial reporting framework (AuG-48)

2. The CA candidate is expected to demonstrate proficiency at Level C in the following non-routine engagements:

- 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:

- Special reports on regulated financial institutions (AuG-13)
- Transactions or conditions reportable under the “well-being reporting requirement” in federal financial institutions legislation (AuG-17)
- Criteria for non-derivative reports issued under subsection 295(5) of “an Act respecting trust companies and savings companies” in Québec (AuG-18)

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:

The financial statements of Block Company, a small manufacturer of electrical parts, have been audited by Fuller and Fuller, Chartered Accountants since its inception many years ago. The general purpose 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 exists for determining materiality.); and
- propose a preliminary level of materiality, for the financial statements as a whole and performance 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 determining materiality and performance materiality in planning the audit 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 Monitors an entity's treasury management****VII-2.1 Monitors cash flow***Level A*

Monitors periodic 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*

Considering 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 suggests alternatives

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 and financial position, including:

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

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

VII-2 Monitors an entity's treasury management**VII-2.5 Understands and explains 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-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-Finance**VII-4 Analyzes the value of a business****VII-4.2 Estimates the value of the business***Level B*

Using different valuation methods, analyzes, calculates or 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, opportunities 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 and non-financial performance indicators (KPIs) that are in line with the entity's strategies, including industry or sector-specific tracking needs

Describes and provides examples of leading and lagging KPIs that might be suitable in evaluating the entity's effectiveness, such as:

- net income
- 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 different measurement and tracking methods, e.g., activity-based costing, balanced score card, benchmarking

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 Prepares information for planning and decision-making****VIII-2.1 Prepares, analyzes and monitors financial budgets, forecasts or projections***Level A*

Using the information supplied, prepares:

- operating budgets (sales and marketing, production, procurement, and general and administrative) over an appropriate period of time
- financial budgets (capital expenditures, working capital) over an appropriate period of time
- short-term cash flow projections
- long-term cash flow forecasts
- financing and investing needs
- special project budgets to be included in business plans
- other forecasts

Prepares sensitivity analysis, varying key assumptions

Critically reviews the information prepared in light of the entity's strategies

VIII-2.2 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.

Considers market sensitivity to price, competitive structure of the industry, short versus long term horizon, and relevant costs

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

VIII-2.3 Determines and evaluates the entity's cost-volume-profit relationships*Level A*

Uses 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-2.4 Evaluates sourcing decision factors*Level A*

Calculates the costs of different sourcing alternatives, including manufacturing and outsourcing

- identifies and analyzes various cost classifications and flows
- for manufacturing alternatives, 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

Identifies the qualitative factors that impact the sourcing decision

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

VIII-2 Prepares information for planning and decision-making**VIII-2.5 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 Monitors and evaluates variances**VIII-3.1 Computes and analyzes variances***Level A*

Analyzes the actual performance against budget, or another other relevant benchmark, including:

- variances between budgeted revenues and realized revenues
- variances between standard and actual costs
- variances between KPI targets and realized outcomes

VIII-3.2 Considers implications of variances on the entity's strategies*Level A*

Provides results of variance analysis to appropriate levels of management

Where applicable, provides business insights based on findings and recommends courses of action

VIII-4 Develops and suggests improvements to the IT infrastructure needed to generate the necessary information**VIII-4.1 Analyzes, selects and suggests IT solutions to support processes and management's information needs***Level B*

Analyzes, on a preliminary basis, 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
- new management techniques

Suggests possible IT solutions in an IT improvement project

VIII-Management Decision-Making**VIII-4 Develops and suggests improvements to the IT infrastructure needed to generate the necessary information****VIII-4.2 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-4.3 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-4.4 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 the alternatives

Documents the analysis and provides a preliminary recommendation

VIII-4.5 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

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

VIII-Management Decision-Making

- Divisional performance measurement
 - Return on investment
 - Residual income
 - Segment margin analysis
- 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

7. Pricing

- Market versus cost-based pricing
- Demand curves
- Price elasticity
- Industry structure (monopoly, oligopoly, perfect competition)
- Product differentiation and marketing strategies

8. Key Performance Indicators

- Financial versus non-financial indicators
- Leading versus lagging indicators

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

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 Billing Inc.

The CA candidate is being asked to demonstrate competency *VIII-2.4: Evaluates sourcing 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 sourcing analysis; and
- describes or explains the general decision variables that must be taken into account when considering a make-or-buy sourcing 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.

VIII-Management Decision-Making

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 Billing 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 Billing 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 Billing 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; and
- 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

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 response to 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-Taxation**IX-2 Prepares and files necessary returns in accordance with legal requirements****IX-2.1 Calculates income taxes payable for an individual in routine situations***Level A*

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 net 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 income taxes payable for an individual in non-routine situations*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 taxes payable for a corporation in routine situations*Level A*

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 taxes payable for a corporation in non-routine situations*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-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 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

IX-3.4 Identifies and explains tax consequences for non-residents*Level B*

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

IX-Taxation**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 Describes the 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 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

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 ¹

1. General concepts and principles of taxation

• 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)

2. Computation of income

• 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

¹ 2012 UFE candidates are responsible for applicable *Income Tax Act* legislative changes to March 31, 2012. 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.

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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), (l.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), (l), (n), (o.3), (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), (l), (m); 82(1)(a), (a.1), (b); subsections 84(1), (2), (3), (4), (4.1), 84(5), (6), (7), (9); section 90

Tax Act Reference

• Deductions permitted	Paragraphs 20(1)(a), (b), (e.1), (e.2), (f), (g), (j), (l), (m), (m.2), (n), (p), (q), (s), (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)
• Deductibility of interest expense	Subparagraph 20(1)(c)(i); subsections 20(3), 20.1(1), (2), (6); 21(1), (3)
• Split income	Paragraph 20(1)(ww)
• Reserves	Subsection 20(6); paragraph 20(8)(b)
• Convention expenses	Subsections 20(10); 67.1(3)
• Foreign taxes	Subsections 20(11), (12)
• Accrued bond interest	Subsection 20(14)
• Ceasing to carry on business	Sections 22, 23, 24, 25
• Professional business, work in progress, inventory	Section 34, subsections 10(4), (5)
• Scientific research and experimental development	Section 37

5. Capital cost allowance

• General principles and definitions:	Subsection 13(21)
– Recaptured capital cost allowance	Subsections 13(1), (2), (3), (11)
– Terminal loss	Subsections 20(16), (16.1), (16.3)
• Special rules:	
– Exchanges of property	Subsections 13(4), (4.1)
– Change in use, non-arm's length	Paragraphs 13(7)(a), (b), (c), (d), (e), (f)
– Passenger vehicle	Paragraphs 13(7)(g), (h)
– Deemed capital cost—inducement	Subsection 13(7.4), paragraph 12(1)(x)
– Expenses of representation	Subsection 13(12)
– Disposition of a building	Subsection 13(21.1)
– Loss on certain transfers	Subsection 13(21.2)
– Available for use	Subsections 13(26), (27), (28)
– Consideration—FMV rules	Subsection 13(33)
– Half-year rule and short taxation year	Regulations 1100(2), (3)
• Capital cost allowances classes	Schedules II and III, Class 1, 8, 10, 10.1, 12, 13, 14, 17, 29, 43, 44, 45, 50

6. Cumulative eligible capital

• General rules	Subsections 14(1), (2), (4), (5), (6), (7), (10)
• Acquisition—non-arm's length	Subsection 14(3)
• Dispositions of eligible capital property	Subsections 14 (1.01), (12), (13)

7. Taxable capital gains and allowable capital losses

• General rules, definitions & computation	Sections 38, 54; subsections 39(1), 40(1)
• Proceeds of disposition—allocation	Section 68
• Inadequate consideration, gifting	Subsections 69(1), (4)

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	Tax Act Reference
• Election—disposition of Canadian securities	Subsections 39(4), (4.1), (5), (6)
• Business investment loss	Subsections 39(9), (12); 50(1), (1.1)
• Limitations re: reserves	Subparagraph 40(2)(a)(ii)
• 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), (z.2); subsections 56(3), (6), (6.1)
• Indirect payments	Subsections 56(2), (4)
• Interest-free or low-interest loans	Subsections 56(4.1), (4.2)
• Maintenance	Section 56.1
• Deductions	Subsections 60(a), (b), (c), (c.2), (i), (j.1), (j.2), (l), (m), (o), (o.1), (p), (q), (v.1), (w), (y); 60.02(1), (2); 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)

	Tax Act Reference
– 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)
• Tax on split income (“kiddie tax”)	Section 120.4
• Arm’s length and affiliated persons	Subsections 251(1), (2), (3), (4), (6), Section 251.1
• Extended meanings — “child,” “parent,” “spouse,” “former spouse”	Section 252
10. Financially troubled businesses	
• Unpaid amounts	Subsections 78(1), (3), (4), (5)
• General rules for debt forgiveness	Section 80
11. Business combinations and corporate reorganizations	
• Sale of a business — assets or shares	
• Non-arm’s-length sale of shares — deemed dividend	Subsections 84.1(1), (2.2); subparagraph 84.1(2)(a.1)(ii), paragraph 84.1(2)(b)
• Transfer of property to corporation	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)
• Mergers, divestitures & acquisitions — basic rules and planning opportunities:	
– Share-for-share exchange	Subsections 85.1(1), (2), (2.1)
– Section 86 reorganization	Subsections 86(1), (2), (2.1), (3)
– Amalgamations	Subsections 87(1), (1.4), (2)
• Winding up a subsidiary	Subsections 88(1), (1.1), (1.2)
• Winding up other companies	Paragraphs 88(2)(a), (b); subsection 69(5)
• Planning opportunities — capital gains deduction	Subsection 110.6(1)
12. Partnerships and their members	
• Partnerships — general rules	Paragraphs 96(1)(a), (b), (c), (f); subparagraph 96(1)(g)(i)
• Limited partnerships — at-risk rules	Subsections 96(2.1), (2.2)
• Contribution of property	Section 97
• Terminated partnership	Subsections 99(1), (2)
• Information returns	Section 233.1
13. Introduction to trusts	
• General definitions and liability	Subsections 104(1), (2)
• Types of trusts — testamentary, inter vivos	Subsections 108(1), 122(1.1)
• Income determination for trusts	Subsections 104(12), (13.1), (13.2), (14), (18), (19), (21), (21.3), (23) and (24); paragraphs 104(6)(b), (13)(a)

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14. Computation of taxable income deductions

• Employee stock options	Paragraphs 110(1)(d), (d.1), (d.01), subsection 110(2.1)
• Worker's compensation, social assistance, etc.	Paragraph 110(1)(f)
• Home relocation loan	Paragraph 110(1)(j); subsection 110(1.4)
• 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), (2.1); 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)

	Tax Act Reference
• Minimum tax	Sections 127.5, 127.51, 127.52, 127.53, 127.54, 127.55
• Changes in residence	Subsections 128.1(1), (4)
16. Rules applicable to corporations	
• 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
17. Rules applicable to all taxpayers	
• 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
18. Deferred Income Plans	
• 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)

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	Tax Act Reference
<ul style="list-style-type: none"> • Deferred Profit Sharing Plans • Registered Pension Plans 	Subsections 147(5.1), (7), (8), (9), (10) Subsections 147.2(1), (2); paragraph 147.2(4)(a)
19. Administration, returns, assessments, payment and appeals	
<ul style="list-style-type: none"> • Basic returns • Other returns • Electronic filing of returns • Payment of tax: <ul style="list-style-type: none"> – Estimate of tax – Instalments for individuals – Instalments for corporations – Payment of remainder • Assessment—important dates • Notice of assessment • Taxpayer's representative • Joint liability for tax-split income • Interest and penalties, failures and omissions • Misrepresentation by third party • Refunds and interest • Objections to assessments and appeal process 	Paragraphs 150(1)(a), (d); subsection 150(2) Paragraphs 150(1)(b), (c); subsections 150(3), (4) Section 150.1 Section 151 Subsections 156(1), (3); section 156.1 Subsections 157(1), (1.1), (1.2), (1.3), (1.4), (1.5), (2.1), (4), paragraphs 157(3)(a), (b) Section 158 Subsections 152(3.1), (4), (4.2), (5); paragraphs 152(6)(b), (c), (d), (f) Subsections 152(1), (1.1), (2), (3) Subsections 159(2), (3) Subsections 160(1.2), (1.3) Subsections 161(1), (2), (2.2), (4.1), (9), 162(1), (2); section 163.1; subsections 163(1), (2) Section 163.2 Subsections 164(1), (1.5), (2), (3), (3.2) Subsections 165(1), (2), (3)
20. Other taxes	
<ul style="list-style-type: none"> • Tax on old age security benefits • Tax on certain taxable dividends • Non-resident—Tax on income from Canada: interest, rents or royalties, alimony, dividends 	Subsections 180.2(1), (2) Subsections 186(1), (2), (4) Paragraphs 212(1)(a), (b), (d), (h), (j.1), (l), (q); subsections 212(2), (3), (4)

Goods and Services Taxation**Excise Tax Act
Reference²
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); para- graph 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

² 2012 UFE candidates are responsible for applicable *Excise Tax Act* legislative changes to March 31, 2012.

IX-Taxation**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

- 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.).

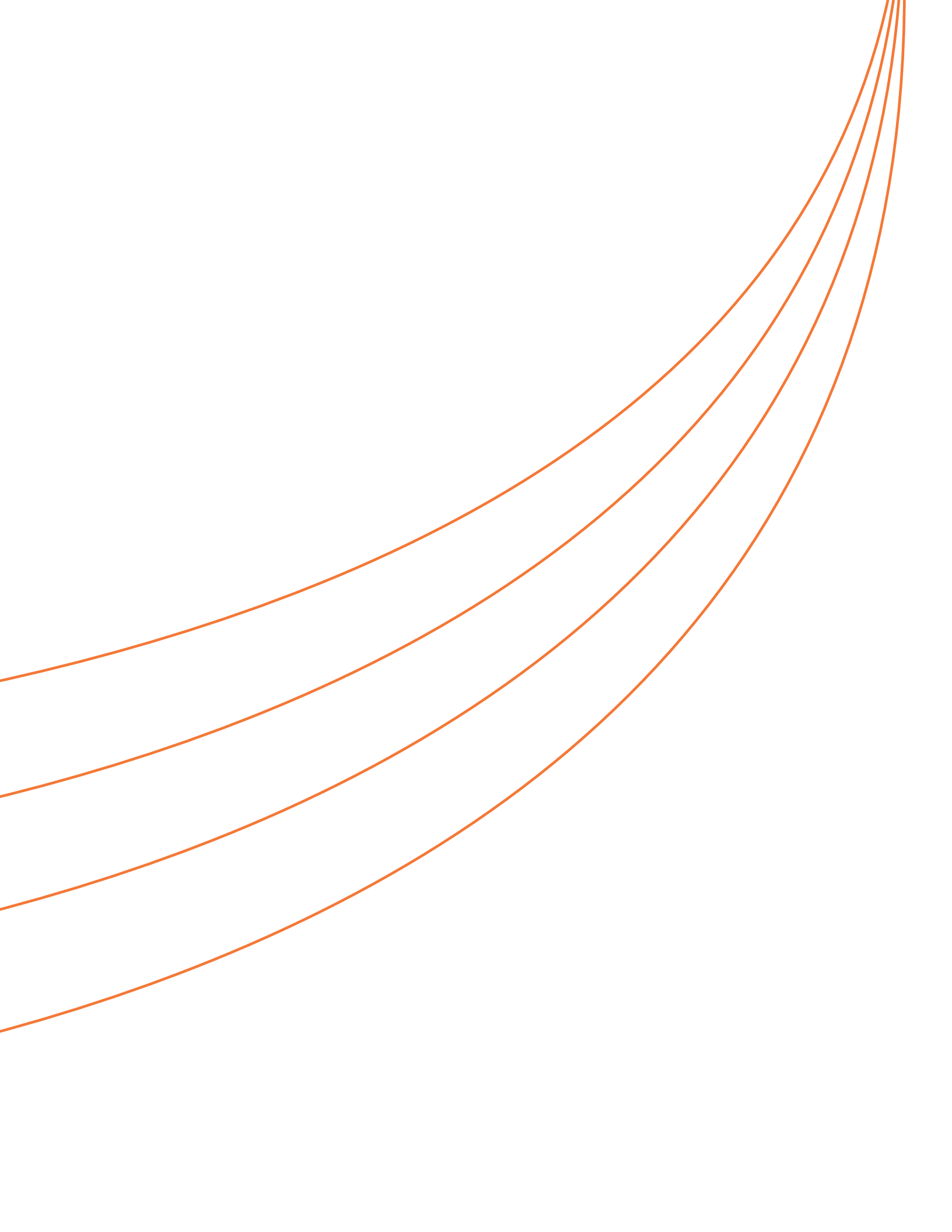
The CA candidate would properly seek approval/review/corroboration of the preliminary advice by senior personnel or a subject-matter expert.

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.



Appendix A

Summary of the Significant Changes Made in the 2011 Version

Following is a summary of significant changes to *The UFE Candidates' Competency Map* issued in 2011 for the 2012 UFE.

The Competency Map Committee was tasked with implementing recommendations that were made by the CMC Task Force in their report dated March 2010. Many of the changes described below, particularly those made to the Introduction and to the terminology are the direct result of implementing these recommendations, which focused on: 1) the need to highlight the professional skills that result in the uniqueness of the CA designation, 2) the need to better reflect the CA brand and the decision-making role played by CAs in the Management Decision-Making competencies, 3) ensuring the language used in the competencies reflects the fact that CA candidates train in multiple roles and venues, and 4) developing a more consistent taxonomy of verbs where possible to better illustrate the link to the pervasive skills and the flow of the document.

Review of Terminology Used

The Competency Map Committee reviewed the verbs used within the titles and competency descriptions in an attempt to reduce the number of different verbs used. Those verbs that were used only once or twice in the document were replaced with more commonly used verbs. In addition, all *Level C* competencies were reviewed to ensure the verbs used were consistent with the definition of *Level C*. The review of *Level C* for consistency is the first step of what is planned to be a larger project.

The wording of the specific competency details was reviewed to ensure it allows for the different roles played by entry-level CAs, e.g., using “stakeholder” instead of “client” where appropriate.

Introduction

The Competency Map Committee restructured the Introduction and added a section called “Integration Leads to Competence” to highlight and further illustrate the role of the Pervasive Skills and Qualities in the specific competencies. The CMC did so to ensure that the message is clear—CA candidates must develop the pervasive qualities, and do so through the development of the specific competencies.

The Introduction also has a new paragraph indicating compliance with IAESB’s standards with respect to the competencies at the point of writing the UFE.

Pervasive Qualities and Skills

Introduction to the Pervasive Qualities and Skills

The introductory paragraph was expanded to further highlight the importance of the Pervasive Qualities and Skills to becoming a competent CA.

Section I: Ethical Behaviour and Professionalism

No significant changes. Minor changes were made to I-2 and I-5 to remove redundancies.

Section II: Personal Attributes

No significant changes. Minor changes were made to II-2 and II-5 for clarification.

Section III: Professional Skills

No significant changes. All changes related to terminology review.

The Information and Information Technology Related Knowledge Found Throughout the UFE Candidates' Competency Map

No significant changes.

Specific Competencies

IV – Governance, Strategy and Risk Management

IV-1.4 *Identifies the importance of governance activities* was moved to *Level B* from *Level C*, to reflect that this competency is considered to be similar, although not quite the same as, doing an assessment of internal controls in the *Assurance* section. The concept of corporate social responsibility, while arguably already included in IV-2.4 *Identifies key elements of the entity's value system* is now explicitly stated. Similarly, the concept of sustainability was explicitly stated in IV-2.6 *Identifies the factors that impact the entity's financial strategies*. Minor wording changes were made to some competencies as part of the revision of terminology. IV-4.1 reworded, but there was no substantive change.

Corporate social responsibility and sustainable business practices were added to the *Knowledge Reference List*. These items were moved from the Management Decision-Making section.

V – Performance Measurement and Reporting

Securitization of assets was added to competency V-2.5 *Describes the accounting for the entity's complex matters (Level C)*. The change results from a review of Section 3856 (Part II of Handbook-Accounting) and SIC-12, and IAS 39 (IFRS) and ensures that the treatment of complex transfers of assets (i.e. securitizations) is consistent in both ASPE and IFRS. As a result of the change to V-2.5, the reference to Section 3856 was removed from the exclusion list for ASPE in *The Knowledge Reference List*. Removing Section 3856 from the exclusions allows for simple transfers of assets e.g. the factoring of receivables, to remain testable, while excluding the more complex transfers of receivables.

V-2.8 and V-4.4 were clarified to reflect the equivalent to MD&A in the public sector i.e. FSD&A. The same change was made in the *Knowledge Reference List*.

The *Knowledge Reference List* was updated to reflect recent changes to the *PSA Handbook*, i.e., the inclusion of public sector not-for-profit organizations. A change was also made to *Item 1. Performance Measurement and Financial Reporting Concepts and Frameworks* to eliminate the detailed listing of qualitative characteristics. This change was made to reflect the existence of multiple frameworks and the different terminology that is used within those frameworks. IFRIC-18 *Transfer of Assets from customers* was added to the list of exceptions for Part I (IFRS). Minor wording changes were made and verbs were revised as part of overall review of terminology.

The IFRS example was updated to reflect the possible application of IFRS 9 (*recently announced as now being effective in 2015, not 2013*). In light of the recent restructuring of the *CICA Handbook*, a third example was added to remind candidates that there are three *CICA Handbooks* in the collection: the *Accounting Handbook*, the *Assurance Handbook* and the *Public Sector Handbook*, all of which fall within normal circumstances. The CMC's intention in providing a PSA example is to clarify the level of expectation intended at entry-level since there have been a number of changes in types of entities that must report under PSA. The wording of *Knowledge Reference List* item 3. **CICA Public Sector Accounting Handbook (PSA)** was also modified to clarify that the detailed standards are only testable at a *Level C*, whereas the principles and concepts related to the public sector are testable at the Level indicated for the competency. Essentially, competencies V-2.2 to V.2.8 would have a reduced expectation level of C for a public sector entity since they require the application of standards.

VI – Assurance

The introductory paragraphs were revised to clarify that the terminology used in this section is not defined by or restricted to the way it is used in the *CICA Handbook-Assurance*. It is intended to capture the broader underlying concepts that would apply in the different assurance roles. VI-2.7 *Documents the results of procedures performed* was modified to remove points that were redundant. Wording changes were made to some competencies and some verbs were revised as part of overall review of terminology. All references to Part I have been removed to reflect the restructuring of the *Handbook-Assurance*.

In the *Knowledge Reference List*, added *Association- a public accountant's involvement with an entity or information issued by that entity*. Non-financial was added to both **C. Audit engagements** and **D. Review engagements**, to reflect the fact that the *Handbook-Assurance* now includes all engagements as long as the framework is deemed to be acceptable. The list of exceptions was updated to reflect the fact that many of the guidelines no longer exist in the *Handbook-Assurance*. The list is now annotated with the guideline numbers. *Auditor's consent to the use of the auditor's report in connection with designated documents* was added to **E. Other engagements** and *The auditor's consent and comfort in connection with securities offering documents* was removed from the exception list, thereby making it *Level A*. This change was made because the revised section applies to more broadly.

The example was updated to add the concept of performance materiality.

VII – Finance

Minor wording changes were made and some verbs were revised as part of overall review of terminology.

VIII – Management Decision-Making

In direct response to the CMC Task Force report, the CMC reordered and combined several competencies. The intention of the CMC was to add more emphasis to the management decision making processes, rather than the ability to apply the management accounting technique itself, which the wording of some of the competencies implied.

The following changes were made:

VIII-1.2-*Identifies the entity's key performance indicators*- clarified that the identification of key performance indicators applies to both financial and non-financial. Section VIII-4 renumbered to become VIII-2 and renamed "*Prepares information for planning and decision-making*". VIII-4.1 and 4.2 were combined to form new VIII-2.1. Old VIII-4.3 split into new VIII-3.1 and 3.2. Section VIII-3 was renamed "*Monitors and evaluates variances*". VIII-3.2 was moved to become new VIII-2.2, and a new bullet was added "Considers market sensitivity to price, competitive structure of the industry, short versus long term horizon, and relevant costs". VIII-3.1 merged with VIII-3.4 to form new VIII-2.4 and renamed "*Evaluates sourcing decision factors*", to reflect that this competency reflects broader decisions than just "make or buy" decisions. VIII-3.3 is now VIII-2.3. VIII-3.6 is now part of VIII-3.1. Section VIII-2 is now VIII-4 and all subsections have been renumbered. VIII-5 has been deleted. The need to maintain awareness of new techniques is now a bullet under VIII-4.1.

Additions to the *Knowledge Reference List* include **7. Pricing** and **8. Key Performance Indicators**. Key performance indicators were always part of the competencies, but the item was inadvertently left off the *Knowledge Reference List*. Sustainability and corporate social responsibility were moved to the Governance section.

IX – Taxation

Additions to the Knowledge Reference List for Taxation:

- | | |
|--|--------------------------|
| 4. Income or loss from a business or property | |
| • Deductions-limitations | Paragraph 18(1) (o.3) |
| • Deductions permitted | Paragraph 20(1)(s) |
| 8. Other sources of income inclusions and deductions | |
| • Designation for splitting of Universal Child Care Benefit if no cohabiting or common-law partner | Subsection 56(1)(z.2) |
| 8. Rollover to RDSP on death of amounts from RRSP, RRIF or RPP | Subsection 56(6.1) |
| • Deduction of amounts rolled over | Subsection 60(m) |
| • Amounts eligible to rollover | Subsections 60.02(1),(2) |
| 15. Rules applicable to individuals-Other tax credits | |
| • Medical fees for cosmetic purposes | Subsection 118.2(2.1) |

Deletion from the Knowledge Reference List for Taxation:

Stock options benefits- Deferral repealed

3. Income or loss from an office or employment Subsections 7(8) to (16)

Minor wording changes were made and some verbs were revised as part of the overall review of terminology.







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