

The Future of Accounting – A Canadian Perspective



Prince Phillip once said that change is a challenge and an opportunity, not a threat. That's the view Canada's chartered accountants have taken as they work through a period of unprecedented change in the profession. It's a change that offers tremendous opportunities for Canadian CAs and for internationally trained accountants seeking to become Canadian CAs. In early 2011, CICA took an important step to help increase access to the CA profession in Canada, signing a Memorandum of Understanding (MoU) with the Institute of Chartered Accountants of India (ICAI). The MoU recognises the similarity of accounting education for CAs in both Canada and India and will reduce the admission requirements for qualified CAs from India by making them eligible to become Canadian CAs upon passing the Canadian Uniform Evaluation (UFE) and meeting the profession's experience requirements. Read on ...



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Global Business Environment

Two major forces are driving change.

First, the rapidly evolving nature of the global business environment itself: This includes trade policies that support greater economic integration, the accelerating rise of multi-national businesses, and converging auditing and accounting standards established by international bodies. All are redefining the accounting profession and driving a need for multi-country recognition and greater mobility for accounting professionals.

In addition, financial events around the globe have clearly demonstrated that the world's countries and their capital markets are increasingly interdependent.

Regulators, policy makers, and standard setters in Europe, the United States and elsewhere are

considering changes to improve confidence in the financial system. One focus is audit quality.

To ensure Canada has a voice in the discussions, the Canadian Public Accountability Board and the Canadian Institute of Chartered Accountants (CICA) have launched the *Enhancing Audit Quality* initiative. Perspectives gained through consultation will provide a clearer picture of Canadian stakeholder views on international audit reform proposals that will be shared with standards setters, regulators and policy makers in Canada and abroad.

Yes, globalisation imposes vast new challenges on the accounting industry. But, it also presents tremendous new opportunities for those in the industry who embrace the continuous, accelerating forces of globalisation.

International Standards

While Canada is highly regarded for the quality of its accounting standards and the independent, objective and transparent structure we use to develop standards and guidance, we have moved to International Financial Reporting Standards (IFRSs) for publicly accountable enterprises.

This is a reflection of the fact that Canada's public companies compete in global capital markets. Adopting a single set of international accounting standards improves the comparability of financial reporting for investors and improves access to capital for Canadian businesses.

Beyond IFRS, all across the accounting landscape, globalisation is a driving force.

For example, Canada has also joined more than 100 countries worldwide that have adopted International Standards on Auditing (ISAs) for the audits of financial statements. These new standards are clear, understandable and capable of consistent application in conducting high-quality audits.

Maintaining an Influential Voice

Canadians have been actively involved in the development of international standards since discussions were first initiated in 1963. Canadians continue to hold positions of international prominence -- and Canada intends to continue to play an active role in influencing the international standard-setting agenda.

The challenge going forward is to remain pro-active. Ours is a respected voice and there is a long list of opportunities for participation. This includes including providing assistance with the technical agenda,

advancing the research agenda, getting involved in issue identification and priority setting, and responding to requests for comment on new and changing standards. It is important that these international standards be appropriate for Canadian market needs.

But managing the changes brought on by globalisation -- and capitalising on their opportunities -- requires that Canada's accountants speak with a strong, unified voice, particularly as more and more countries adopt international standards and demand a seat at the decision-making table.

To facilitate this, the Canadian Institute of Chartered Accountants (CICA) has joined with Certified Management Accountants and the certified general accounting bodies in the provinces of Quebec and Alberta, in a commitment to explore the merits and feasibility of uniting their national and provincial organisations across Canada under a new designation -- Chartered Professional Accountant (CPA).

Accounting in Canada has been operating within a structure that has remained largely the same for decades. And despite the forces for change buffeting the profession from all sides both domestically and internationally -- and the examples of emerging global strategic alliances among accounting organisations -- these structures remain largely intact.

While there has been some convergence across a number of practice areas, the accounting profession in Canada today continues to be largely fragmented. Multiple designations operate within a complex and costly system of numerous legislative and regulatory frameworks. In total, across Canada there are 40 different accounting entities responsible for regulating members, students and accounting firms. The reality is that shared provincial-federal jurisdiction in Canada adds complexity to professional regulation and oversight.

Uniting the Canadian accounting profession under the Chartered Professional Accountant designation

The Canadian Institute of Chartered Accountants (CICA) has joined with Certified Management Accountants and the certified general accounting bodies in the provinces of Quebec and Alberta, in a commitment to explore the merits and feasibility of uniting their national and provincial organisations across Canada under a new designation -- Chartered Professional Accountant (CPA).

The second major force driving change in Canada's accounting profession is demographics. As with the Canadian population generally, the average age of the CA profession is rising and many of our "boomer" members are at or nearing retirement age. The profession's talent pool is on the verge of losing its most experienced members.

(CPA) would establish a strong voice both at home and abroad – one that is independent, influential and respected, effectively representing the profession, businesses and the public interest in Canada through a coherent, single voice.

We firmly believe the designation will evolve into an internationally recognised business credential. It's clearly time for a change. Globalisation has merely increased the need.

Changing Demographics

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This situation is not isolated to the accounting profession in Canada.

The generations behind the "baby boomers" are much smaller and this, combined with a below-replacement birth rate, leaves Canada facing a shortage of skilled workers.

The Canadian Chamber of Commerce says Canada's overall skilled labour shortage is becoming desperate and threatens the country's global economic competitiveness. In a February 2012 report, the Chamber said that as Canada's population ages, the demand for specialised skills will increase, exacerbating the growing shortage of highly skilled labour and threatening Canada's ability to keep up in a global, knowledge-based economy. In fact, the Chamber said, the skilled labour shortage is the top of 10 barriers to increasing Canada's international competitiveness.

The Conference Board in Canada, estimates that there will be a shortfall of 3 million skilled workers in Canada by the year 2020 and a survey by Canada's Federation of Independent Business says that one out

of 20 jobs remains unfilled because of an inability to find suitably skilled labour across the workforce.

These sobering statistics led the Canadian Chamber of Commerce to call for professional associations, business and government to work together more closely to meet this challenge by attracting potential workers from a range of sources including, significantly, immigrants.

Canada's Chartered Accountants had already been playing a leading role in helping internationally trained accountants become Canadian CAs. In 2011, CICA launched a website for the profession to help internationally trained accountants understand the process of becoming a Canadian chartered accountant. The website was created with the input of qualification experts from provincial institutes across the country and was funded by the foreign credential review program of Human Resources and Skills Development Canada.

The site, www.BecomeaCAinCanada.ca, clarifies the requirements for internationally trained applicants, provides a harmonised online application process and answers many questions faced by internationally trained professionals in Canada and abroad. It includes a growing collection of materials for internationally trained professionals, links to government websites and a downloadable application form that can be submitted to the provincial institute/ordre where an applicant wishes to become a member.

Canada's Chartered Accountants now are into the second wave of initiatives aimed at helping internationally trained accountants become CAs by making the process clearer and easier. The federal government is contributing \$1.4 million over the next three years to the Canadian Institute of Chartered Accountants (CICA) to assist with this phase.

The basis for these initiatives was a series of focus groups that CICA conducted across Canada with internationally trained accountants who had become Canadian CAs. The goal was to better understand their information needs. The resulting website also provides valuable information for employers of internationally trained accountants, as well as to individuals wishing to know more about becoming a Canadian CA.

Since activation, the site has received more than 25,000 visits – almost 10% of them from India and the remainder from accountants all over the world.

This initial work represents an important step forward but things are not yet where they need to be. Initiatives currently being worked on in conjunction with the provincial institutes will help the profession get to the right outcome.

The planned initiatives include an online assessment of credentials of an internationally trained accountant against the CA Profession's qualification requirements, and several new bridging programs.

MOU with ICAI

In early 2011, CICA took an important step to help increase access to the CA profession in Canada, signing a Memorandum of Understanding (MOU) with the Institute of Chartered Accountants of India (ICAI). The MOU was signed by the CICA on behalf of the provincial institutes/Ordre of chartered accountants and the Institute of Chartered Accountants of Bermuda, which has long been affiliated with the CICA.

The MOU recognises the similarity of accounting education for CAs in both Canada and India and will reduce the admission requirements for qualified CAs from India by making them eligible to become Canadian CAs upon passing the Canadian Uniform Evaluation (UFE) and meeting the profession's experience requirements.

The three-day UFE consists of three papers and set by the profession's Board of Evaluators. Candidates have one day to write each individual paper. These papers challenge candidates to demonstrate their competence by responding to simulations and business scenarios representing the kinds of challenges they have faced during their work experience. To write the UFE, candidates must register with the appropriate provincial institute/Ordre. There is an optional -- but strongly recommended -- preparatory course offered by the CICA to help candidates prepare to write the UFE.

An ICAI member's international experience also is considered.

Financial Literacy

According to Visa's 2012 Global Financial Literacy Barometer, many people in India have set aside savings to weather a financial rainy day but the lack of money management discussions in the family may set the stage for their children to struggle with finances.

The Barometer assessed and ranked the financial literacy levels of people in 28 markets. The survey found that the average savings set aside for an emergency among Indian respondents is 1.9 months, close to the average of two months. Respondents from China were the best at 3.9 months, followed by Taiwan (3.7 months), Hong Kong (3.5 months), Japan (3.3 months) and Canada (3.2 months).

The CICA is an active participant in the effort to improve financial literacy in Canada. We firmly believe

that helping Canadians develop financial knowledge is critical to Canada's ongoing economic strength and prosperity. The CICA issued the findings to two separate studies focusing on financial literacy in 2011.

The first survey found that Canadians clearly want financial literacy for our youth but rising debt and insufficient retirement savings highlight a need for help at all ages – childhood to retirement.

The second survey focused on Canadian youth and found that parents who are most successful at teaching money management skills familiarise their children with the family's financial situation.

A Parent's Guide to Raising Money-Smart Kids, recently published by the CICA, is designed to put parents at ease when preparing their children for life's important financial decisions.

The convenient format of the CICA guide allows parents to quickly zero in on the information they need. Each chapter describes how to approach money management with a specific age group and discusses the essentials of financial literacy – earning, saving, spending, sharing and investing. Age groups covered are: children aged five to eight, pre-teens, teenagers and young adults.

Beyond the Parent's Guide, the CICA is looking to help CAs get involved in their respective communities and one avenue being explored involves lunch 'n learn financial literacy seminars. These sessions would be led by volunteer CAs and cover a variety of financial topics. We also have a website dedicated to financial literacy (www.financialdecisionsmatter.com) featuring numerous resources.

Final Thoughts

In today's global marketplace, it is essential that organisations and associations make the best and most effective use of talent. In Canada, we are doing just that.

Canadian CAs have embarked on a journey of unification in an effort to best protect the public interest by creating a common set of high ethical and practice standards and to strengthen the profession's influence and value both at home and internationally. To effectively represent the profession, business and public interest in Canada, we must have Canadians speaking for Canadians through a coherent single voice.

At the same time, the profession is opening its doors to candidates from countries around the world through a series of initiatives that will enable internationally trained accounting professionals to become an integral part of the exciting future of accounting in Canada. ■