Let's Talk

SPRING 2011

LIPTON LLP Chartered Accountants

Accounting Standards For Private Enterprises

January 1, 2011 ushered in a new world of financial reporting in Canada, as the new Accounting Standards for Private Enterprises (ASPE) came into effect. As a result, private company financial statements will no longer look the same.

Even though the conversion to ASPE is not mandatory until the 2011 year end, their potential effects should be considered now.

"It takes time to understand these new standards and how they will affect your company's reporting," explains Assurance Partner Paul Roberts. "Clients will require a working knowledge of these standards so that they not only understand them, but also are in a position themselves to report their financial position clearly."

These new standards, which primarily affect review engagements and audits, represent a "made in Canada" solution and present another alternative to adopting International Financial Reporting Standards (IFRS). Private enterprises must decide which set of standards to adopt for years beginning on or after January 1, 2011.

While IFRS is mandatory for public companies and ensure one consistent approach to financial reporting globally, they do not suit the needs of many Canadian family-owned enterprises, which would face an onerous learning curve and prohibitive compliance costs.

"If you are a Canadian-controlled private enterprise," explains Paul, "IFRS may be too complex and costly to implement for your needs."

Soheil Talebi, Director of Professional Standards, emphasizes that users, including financial institutions, must also be aware of the changes and what the new financial statements will look like.

While financial statements will be more user friendly, he says, they will have a different presentation and additional disclosures in the year of adoption.

"Lipton has been very proactive in informing clients and staff about the changes ahead. External seminars have also been given to various financial institutions, to assist them in understanding the changes."

To date, a number of Lipton clients have adopted these new standards.

If you have any questions or would like to discuss converting to the ASPE standards, please contact us.

Inside

Canada Pension Plan Changes

Canadians are working and living longer, and the Canada Pension Plan (CPP) is evolving to reflect this.

Changes to the CPP were first introduced in January 2011 and will gradually be phased in over the next five years.

"Owner-managers should be aware of these changing rules and determine how, or if, they may affect their retirement plans and any required employer/employee CPP contributions," advises Senior Tax Partner Jeff Nightingale.

"Your age at retirement and your timeline for retirement are two key factors to consider in determining how the new CPP rules will affect you. While you can still take CPP at age 60, the amount will be different because it will decrease at a larger percentage than before. Now, if you retire before 65, your pension will be cut by 7.2 per cent for each early year, instead of 6 per cent under the old rules."

Here are some other key highlights:

- From 2011 to 2013, if CPP is taken after 65 the monthly amount will gradually increase from 0.5% per month (6% per year) to 0.7% per month (8.4% per year).
- Starting in 2012 – if you are under age 65, are working in Canada, and receiving your CPP, employees and employers must still both make CPP contributions.
- Between ages 65 and 70, employees can choose to continue to make contributions (in which case employers must also contribute) or opt out.
- If you began receiving CPP before December 31, 2010 and do not re-enter the workforce, you will not be affected by these changes. If you need further information, please contact your Lipton adviser.

RRSP Home Buyers' Plan

Purchasing your first home is an exciting milestone, but finding the necessary financing can be a challenge. Did you know that you can provide some of your own financing if you own an RRSP?

The RRSP Home Buyers' Plan is a federal program that permits first-time home buyers to withdraw up to $25,000 tax-free from their RRSP to use as a down payment to buy or build a qualifying principal residence for themselves or a related disabled person. If you are buying the home with your spouse, you can withdraw $25,000 each.

Although this is a loan to yourself, the repayment requirements are favourable. You have 15 years to pay back the amount you borrow from your RRSP, beginning in the second year after the year of withdrawal.

One-fifteenth of the amount must be paid back each year. If the minimum annual repayment is not made as scheduled, that amount is included as taxable income for that year.

"You must meet the government's requirements as a first-time home buyer to make use of this program," notes Tax Partner Sunita Arora. "The primary requirement is that you or your spouse has not owned a home in the last five years."

You can make withdrawals from more than one RRSP as long as you are the plan owner. Typically, you will not be allowed to withdraw funds from a locked-in RRSP. For example, an RRSP from a pension plan that is inaccessible until age 55 would not qualify.

Your Lipton adviser can provide you with more details about the requirements and benefits of the RRSP Home Buyers' Plan.

E-mail Tips and Traps

Everybody uses and needs e-mail – but do you understand its impact and the need to take care in managing it?

Not everybody does, says Bryan Walderman, who as Systems Administrator helps Lipton professionals to make best use of e-mail and other technologies.

Bryan has read of situations where e-mails with personal information or critical comments were inadvertently sent to the wrong addressees or "all staff" because the senders did not take time to watch carefully what they were doing.

"All it takes is one misplaced e-mail to jeopardize a relationship or an account," Bryan warns. "Caution is what I preach above everything else. E-mail is a very dangerous tool when used improperly."

Here are some other points that Lipton professionals consider valuable for themselves and their clients:

- Review your e-mails for the quality of writing. People who receive e-mails with inappropriate salutations and informalities, or poor grammar or sentence structure, think less of the senders. Don't rely on auto-correct functions; read your draft e-mails carefully with the recipient's perceptions in mind.
- Know what to save and what not to save. E-mails in many cases should be classified as corporate documents, stored and made easily accessible. An organization's document-management standards and practices should always encompass e-mail. In particular, all e-mails pertaining to financial activities and controls should be kept. Bryan notes that Lipton professionals do not use instant messaging for business because such correspondence cannot be saved or traced.
- Manage e-mail, don't let it manage you. Apply the capabilities within your e-mail program to control the flow. "Think of it as an organizational task, like cleaning a messy office," Bryan advises. "It is definitely worthwhile to sit down and think about how to improve your personal e-mail system."

Professional Profile — Wendy Papernick, CA

Treating employees with respect and consideration helps a business to attract high-quality people. That was the case with Wendy Papernick when she was searching for a new position in March 2007 and realized that Lipton was the firm she wanted to join.

Wendy "jumped at the chance" to accept Lipton's offer to become a Tax Manager, moving from a "Big Four" firm of Chartered Accountants. Lipton, she says, has an exceptional working environment.

"I liked the feeling I got when I walked in. The firm is very family centric. The health and well-being of employees is extremely important."

A Toronto native who obtained her CA in 1998, Wendy has a wide-ranging knowledge of taxation issues. She advises clients on corporate compliance, estate planning, international tax reporting and a variety of other matters, some of which can be of an urgent nature.

It's fast-paced work that requires keeping up with changes in legislation and technology, but Wendy says, "You don't mind working hard when you are appreciated and valued."

Wendy also has an active family life filled with skiing, boating and wilderness camping with her husband Michael and their sons Sam, 14, and Gregory, 10. Sam is a provincially ranked downhill skier and Wendy is grateful for the flexible work hours that enable her to attend his events.

Befitting Lipton's culture of community involvement, Wendy is also a board member of Habyit Shelanu, a non-profit housing organization for seniors.

NewsBrief: Firm News

Congratulations to Lipton's four staff accountants, who successfully passed their Uniform Examinations (UFEs) and confirmed that they are qualified as CAs: **Brandon Burtnik**, **Miranda Chen**, **Meghan Killeen** and **Nini Yang**.

Managing Partner **Mel Leiderman** recently presented at a Canadian Institute of Chartered Accountants seminar on the new Accounting Standards for Private Enterprises.

Continuing the Lipton tradition of community involvement and service, Assurance Partner **Paul Roberts** has been appointed as a member of the Board of Directors of Southlake Regional Health Centre.

Lipton is pleased to welcome **Bram Nightingale** as a staff accountant. We also welcome new co-op students **Nima Afshani** and **Sumair Khan** and new administrative staff member **Hedy Valler**. Co-op student **Tobin Shields** also returns to the firm.

Congratulations to three staff members on their longstanding service: **Fazie Hamid** on her 25th anniversary, **Ina Lim** on her 20th anniversary and **Hanson So** on his 10th anniversary with Lipton.

Senior Tax Partner **Jeff Nightingale** was recently honoured by the City of Vaughan Hockey Association (CVHA) for his long-term position as a Head Coach. Jeff has also served on the executive of the CVHA.

Congratulations to the 2010-2011 Vaughan Rangers – Tier 1 Senior Midget Champions of the North York Hockey League. They will add this achievement to their recent City of Vaughan Hockey Association (CVHA) Marshall Drewnowsky Memorial Tournament Championship. The team is coached by Senior Tax Partner Jeff Nightingale (1st on the right).

Feedback

Referrals from friends, colleagues and existing clients are the nicest way to be introduced to new clients. Thank you for recommending us.

Any comments on the articles in this issue? Please give us a call at 416-496-2900 or e-mail us at lipton@liptonllp.com

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