



PUBLIC ACCOUNTING POLICY

CRITERIA (Revised 01/09)

I. Entrance Requirements

A. All Applicants

1. The applicant seeking to become eligible to practice must be a Certified Member in good standing in CMABC.
2. The applicant shall complete the CMA Public Accounting Practice Requirements through CMABC.
3. *Point rescinded at the February 25, 2008 Board meeting.*
4. The applicant must have no fees or assessments in arrears.
5. The applicant must be in compliance with CMABC's Continuous Professional Learning and Development requirements.
6. The applicant must have no outstanding matters of misconduct.

B. Grandfathered Members

1. BC CMAs currently registered as public accountants at the date of the approval of the BC Standard will be grandfathered provided they meet the grandfathering requirements.
2. Grandfathered members will be initially designated to a specific tier (Appendix D) and notified of this specific tier designation based on practice review reports as of the date of approval of the BC Standard.
3. Grandfathered members who have not had a practice inspection and wish to continue in public practice will be designated to tier 1.
4. All grandfathered members may submit a written appeal within 120 days of the notification by CMABC if they wish to challenge their tier designation (refer to Appendix D). The Licensing Committee will review and act on all appeals lodged.

5. The minimum hours of verified public practice experience must be current within the relevant tier (refer to Appendix B).
6. Successful practice reviews at the designation tier level will suffice for grandfathered members in lieu of chargeable hour requirements in Appendix B during a three-year transition period.
7. A three year transitional period for grandfathered members will allow them to adjust the make-up of their practice to their tier designation for ongoing practice requirements. The 3 year transitional period commences January 1, 2008.
8. Grandfathered members seeking to upgrade to Tier 2, 3 or 4 services may be required to acquire appropriate incremental education and practice experience requirements as prescribed by the Licensing Committee.
9. Transferring-in public practicing CMAs will be considered grandfathered members for the purpose of these standards.

C. New Applicants

1. BC CMAs seeking to become licensed for public practice after May 17, 2007 are considered new applicants and must complete the public accounting education and practice experience requirements.

II. Education Requirement (see Appendix E for further details)

1. Exams may be challenged.
2. The full program will have defined start and finish times.
3. Registrants write a final national public accounting (Licensure) examination marked centrally by CMA Canada.
4. The required measure of success in the CMA Public Accounting Examination will be 60%.
5. Registrants must pass both parts of the examination to be successful. Registrants who fail one part of the examination will be expected to retry that part within a given timeframe.
6. Registrants will normally be permitted a maximum of four attempts at the CMA Public Accounting Examination. Additional attempts may be granted at the discretion of the Licensing Committee.

III. Practical Experience Requirement

A. New Applicants

1. Practical experience will be comprised of chargeable hours in approved categories (refer to Appendix B).
2. Practical experience may be acquired prior to, concurrent with, or subsequent to the public accounting education requirements.
3. The experience noted is specific to public accounting. To the extent that public accounting experience meets the criteria to qualify as a CMA, the above experience will apply to both requirements.
4. This practical experience requirement can be satisfied through licensing with a mentor, sub-contracting, or employee status with an approved training organization.
5. No more than 75% of the required (verifiable) chargeable hours for Tier 2, 3 & 4 licensing may be acquired prior to undertaking the CMA public accounting education requirements.
6. Upon entrance and completion of the requirements, a new registrant shall provide a written report on the nature and duration of the practical experience they have completed which shall be confirmed by the approved training organization or individual.
7. Practical experience will be evaluated by the Licensing Committee upon entrance into the CMA Public Accountant educational process and at the completion of the Practical Experience Requirement.
8. The Licensing Committee will meet when necessary with the approved training organization's representatives or the approved training individual to confirm the duration and quality of the work experience.
9. Registrants seeking to practice public accounting are allowed five years from the date of passing the CMA Public Accounting Examination to satisfy the Practical Experience Requirements.
10. Registrants seeking to provide compilation services only are allowed three years from the date of completing the public accounting course of study to satisfy the Practical Experience Requirements.
11. Upon successful completion of the public accounting education and practical experience requirements, the registrant may apply to be licensed in public accounting at a tier level consistent with the practical experience acquired (Appendix B).

B. Tier Upgrades

1. A licensee seeking to upgrade to Tier 2, 3 or 4 services may be required to meet appropriate incremental education and practice experience requirements (See Appendix B). This education and practical experience requirement can be satisfied through licensing with a mentor, sub-contracting, or employee status with an approved training organization.
2. A licensee seeking to upgrade to a higher tier level shall provide a written report on the nature and duration of the practical experience completed which shall be agreed to by the approved training organization or individual.
3. Practical experience submitted by a licensee seeking to upgrade their tier level will be evaluated by the Licensing Committee.
4. The Licensing Committee will meet when necessary with the approved training organization's representatives or the approved training individual to confirm the duration and quality of the work experience.

C. Approved Training Organizations/Individuals

1. Licensees must be registered as an approved training organization if they wish to hire CMA public accounting applicants and have them earn qualified practical experience.
2. To become an approved training organization or individual for tier 2, 3 and 4 registrants, an organization or individual must have a minimum of five (5) years of public accounting experience and must have a minimum of a B+ rating on the two (2) most recent practice inspections at an equivalent or greater tier level.
3. To become an approved training organization or individual for Tier 1 registrants, an organization or individual must have a minimum of three (3) years of public accounting experience and at a minimum be compliant on the most recent practice inspection.
4. Any grandfathered member (practice) at the date of the approval of the BC Standard who has a CMA student/candidate employee will be grandfathered as an approved training organization/individual for that employee only.
5. Other professional public accounting firms (CA or CGA) may qualify as Approved Training Organizations but require prior Society approval.

IV. Continuing Compliance

1. Key elements considered will include financial statement presentation, quality control for licensees and assurance engagements, performance of audits, performance of reviews, other reporting options including differential reporting and financial statements prepared using accounting other than GAAP, and

performance of compilations, and practice management parameters including adherence to legislative requirements.

2. Within a registered tier activity level, it is critical to confirm that the licensee is practicing in compliance with GAAP, GAAS auditing standards, review standards, the CICA Handbook, and the CMABC Bylaws and Rules of Professional Conduct.
3. The licensee shall be subject to practice inspections performed by qualified public accountants under the direction of CMABC.
4. The first inspection of a new licensee will be conducted within a one-year period of licensing.
5. On an ongoing basis, each practice will be inspected on a 3-to-4-year cycle contingent upon unqualified findings on the previous practice inspection.
6. The Practice Review Committee shall review the findings of the practice inspections.
7. To be eligible to continue practice as a licensee, the practitioner shall satisfactorily address on a timely basis any deficiencies noted in the practice inspection.
8. A licensee shall complete continuous professional learning and development in order to support their ongoing professional competency in the practice of public accounting.
9. A licensee providing review and audit services for public entities (tier 4) must be registered with the Canadian Public Accounting Board (CPAB).
10. A licensee shall carry professional liability insurance as prescribed from time-to-time by CMABC.
11. A licensee shall practice on a continuous basis sufficient to maintain competency in their chosen scope of practice. The determination of continuity of practice will consider the critical dimensions of public accounting activity including: number and types of clients served, nature of role in engagements, number of hours devoted to public accounting activity, dollar value of services provided, and the results of prior practice inspections.
12. The minimum level of activity to maintain continuity of practice will be 500 chargeable hours per year in public accounting with a 25% minimum at the highest tier level of their license. The minimum level of activity refers to the firm or practice for chargeable hour requirements.
13. Below this level, the Licensing Committee will interview the licensee to determine if they continue to qualify as a licensee. The Licensing Committee will grant permission to continue to practice on an exception basis where extenuating circumstances warrant (i.e. licensees exiting public practice for health, retirement etc. will be given consideration on a case by case basis).

14. Disciplinary and discovery hearings for BC CMA Public Accountants shall include one BC CMA Public Accountant, at a minimum, on each hearing panel.
15. A firm license is not automatically transferred if the ownership make-up of the licensed firm changes. Re-application is required.

BC CMA Definition of “Practice of Public Accounting”

means providing or offering to provide one or more of the following services to the public:

- i. performing an assurance engagement as defined in the CICA Handbook;
- ii. performing a specified auditing procedures engagement as defined in the CICA Handbook;
- iii. performing a compilation engagement as defined in the CICA Handbook;
- iv. providing an accounting service insofar as it involves summarization, analysis, advice, counsel or interpretation, but excluding an accounting service which is part of by incidental to the provider’s primary occupation which is not accounting;
- v. providing forensic accounting, financial investigation or financial litigation support service;
- vi. providing advice, counsel or interpretation with respect to taxation matters; and
- vii. preparing a tax return or other statutory information filing when such preparation is in connection with a practice offering or providing a service described in paragraph (i), (ii), (iii), (iv), (v), or (vi).

for greater certainty, the practice of public accounting does not include:

- viii. management consulting, including investigating and identifying management and business problems related to policy, technical, organizational, operational, financial systems, procedures or administration aspects of organizations and recommending appropriate solutions;
- ix. insolvency, including receivership, trusteeship in bankruptcy, liquidation and administration of bankrupt or insolvent companies and estates;
- x. data processing, including manual record keeping;
- xi. administratorship, insofar as it involves the management of affairs on behalf of others;
- xii. computer systems consulting;
- xiii. business brokerage, negotiating and advising on the sale, financing, merger or acquisition of business organizations;
- xiv. executorships and estate administration;
- xv. personal financial planning;
- xvi. investment counseling;
- xvii. insurance counseling; and
- xviii. valuation

**APPENDIX B
(New Applicants)**

Practical Experience Hour Requirements	Chargeable Hours
A. Tax work related to third party engagements	125
B. Compilations	125
C. Financial statement reviews	625*
D. Financial statement audits	625

**Audit hours in excess of required minimum (625 hours) can be used to qualify toward review hours; however, actual review hours (exclusive of audit hours) cannot be less than 200 hours.*

Practical experience for Compilation Services only will require 250 chargeable hours of compilation and tax work related to compilations. A minimum of 125 hours must be in compilation experience.

Compilations = A & B

Reviews = A, B, & C.

Audits = A, B, C, & D.

****APPENDIX C** was removed as Policy Point I.A.3 was rescinded at the February 25, 2008 Board meeting

Tier Levels and Training Organization Requirements

Nature of Practice ⁱ (Tier)	Min. yrs. of Verified Practice Experience ⁱⁱ	Compliant Practice Inspections
0. Other (Forensic Accounting)		
1. Compilations	2	1
2. Review of Non-Public Entities	3	1
3. Audit of Non-Public Entities	5	2
4. Review and Audit of Public Entities	5	2

- i. Transition provisions will apply at the current tier of practice and apply downward as depicted above. Moving upward within the tiers will entail meeting the criteria defined in the new standard.
- ii. Minimum years of verified practical experience represent consecutive years in a tier where the practitioner has a minimum average of 500 chargeable hours of experience per year. Below this threshold, the Licensing Committee will interview the practitioner to determine eligibility on an exception basis.

Education Program Details

1. There are to be five courses in the program of studies (Taxation I, II & III; Audit I & II)
2. Each course will include a mid-term and final exam.
3. Applicants enroll online with the University of Waterloo. The University will contact the partner to ensure that applicants are members in good standing and the University is to return a portion of the registration fee to the applicable partner.
4. It is anticipated that registration will begin in September 2008.
5. The program is online with the University of Waterloo and students will have email contact with professors for assistance.
6. Course pricing is \$850 + GST per course (subject to change).
7. A lesson plan will be provided but students must purchase text books and the CICA Handbook separately.
8. The examination will be a two-hour examination with Part A testing Financial Accounting and Taxation syllabus topics and Part B testing Assurance syllabus topics.
9. Part A of the examination will be a two hour examination comprised of approximately 50-60 objective questions.
10. Part B of the examination should be a three-hour examination comprised of approximately 25-30 objective questions and 3 mini-case questions.
11. The National Standard "Compilation Services Only" option is not an acceptable standard for practicing in BC.

Public Accounting Policies (Additional)

1. Guideline for Retention of Client Records

In a situation where a client demands the return of his/her records prior to full payment for services rendered to-date, it is the opinion of the Public Practice Review Committee that the retention of the client's records is inappropriate action and that the member release all records originally supplied by the client.

By adopting this guideline the member will have satisfied Rules of Professional Conduct 304.1 and 304.2 which read:

304.1 A Public Practicing Certified Member shall, upon written request of the client supply, on a timely basis, reasonable information to the Public Practicing Certified Member's successor about the work done or being assumed.

304.2 A Public Practicing Certified Member who is a predecessor on an engagement shall co-operate with the successor, recognizing the client's interests are paramount, and shall transfer promptly to the client or, on the client's instructions, to the successor, all books, documents, and other property belonging to the client which are in the Registered Member's possession.

Should the member seek guidance on means of obtaining payment for the work done to-date, Pre-Judgment Garnishees through Small Claims Court, referral to a lawyer, and assignment to a collection agency are suggestions for their consideration.

2. Professional Liability (E&O) Insurance Coverage Requirements

That in conjunction with Bylaw 2.22, the minimum level of professional liability insurance required to be carried by a CMA with an ownership interest in a Practice of Accounting be (per occurrence, per aggregate), \$1,000,000 for firms with less than or equal to 1.5 full time equivalent (FTE) CMAs; \$1,500,000 for firms with more than 1.5 and less than or equal to 3.5 FTE CMAs; and \$2,000,000 for firms with greater than to 3.5 CMAs.

And that in the case where the CMA practice is incorporated; the practice must be named as an additional insured on the policy.

And that FTE is to include all CMAs working in any capacity in the firm.

MOTION 4/2004-05

On motion duly moved and seconded, be it resolved that members are required to ensure prior acts are covered by adequate professional liability insurance either through riders to an ongoing insurance policy or a separate discovery policy, for a minimum of six years after ceasing to be in public practice.

MOTION 3992 4/2003-04

3. Voluntary Public Accounting Services

The appropriate tier license is required in order to provide any public accounting audit and/or review services, even those services provided without reward.

Compilation services without reward may be performed without a public accounting license provided that the prescribed notice and Notice to Reader are used.

4. Public Accounting and FOFI

FOFI (definition)

Future-oriented financial information is forward-looking information about prospective results of operations, financial position and cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement and cash flow statement.

Terms of a FOFI Engagement

Factors that should be discussed and agreed with management include the following:

- a) Is this an assurance or compilation engagement?
- b) Is the engagement a forecast or a projection?
- c) Is the engagement for general purpose FOFI or special purpose?

Forecast (definition)

Future-oriented financial information prepared using assumptions all of which reflect the entity's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions.

Projection (definition)

Future-oriented financial information prepared using assumptions that reflect the entity's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions, together with one or more hypotheses.

General Purpose FOFI (definition)

Future-oriented financial information prepared for external users with whom the entity is not negotiating or dealing directly.

Special Purpose FOFI (definition)

Future-oriented financial information prepared for external users with whom the entity is negotiating or dealing directly.

Note: Simply providing advice concerning the determination of certain aspects of the forecast or projection or offering a service to reproduce the forecast or projection on the client's stationery or on plain paper does not constitute a compilation engagement.

The presentation and disclosure requirements in Section 4250 of the *CICA Handbook - Accounting* are to be followed. This includes the cautionary note that emphasizes that actual results achieved for the period covered will vary from the information presented and the variations may be material.

Audit

The Assurance and Related Services Guideline, “Examination of a financial forecast or projection included in a prospectus or other offering document”, was issued September 1989 (revised 1992). The guideline provides specific guidance to public accountants who are engaged to provide an opinion on Future-oriented financial information included in a prospectus or other offering document.

Compilation

A second Assurance and Related Services Guideline AuG-16, “Compilation of a financial forecast or projection”, was issued February 1993 to deal with services provided by public accountants for clients who require assistance in compiling a financial forecast or projection, but how do not require that the accountant provide assurance concerning such Future-oriented financial information.

5. Grandfathered Public Accounting Technologists (AAT)

Bearing in mind that Bylaw 201.4 restricts non-grandfathered AATs from having an ownership interest in a practice of public accounting.

201.4 No person registered as a Technologist or Student shall be engaged on his/her own or in association with others in the Practice of Public Accounting provided that this rule shall not prohibit a Technologist or Student from engaging in the Practice of Public Accounting as an employee of an approved Practicing Office.

“No member in public practice, other than a Certified or Technologist member, shall direct attention to his or her membership in the Society on his or her letterhead, name plates, professional cards or announcements”

MOTION 3634 3/1995-96

“Technologist members in Public Practice may only direct attention to their membership in the Society when it is done in conjunction with the use of the words “Associate Accounting Technologist” or “AAT”.

MOTION 3635 3/1995-96

Since these motions would only affect those Technologist and student members who have been “grandfathered” into public practice by the Board’s motion of September 21, 1995 and because over a relatively short period of time this group should dwindle in numbers, a change to the Rules of Professional Conduct is not felt to be necessary.