

## Scratching Below the Glitter of Unification

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Unification of Canada's accounting profession has been a lively topic since the CA and CMA announced their intentions to merge last spring. The underlying premise of their proposal is based on evolving to a new designation, Chartered Professional Accountant (CPA), and tagging it to CA and CMA members' current designation. As well, the proposal contemplates developing a new certification program they say will encompass the best of what the CMA and CA currently offer, culminating with a uniform final evaluation. More detailed information can be found at [www.cpacanada.ca](http://www.cpacanada.ca).

The merger has generated considerable discussion in online forums, town hall meetings, and around the office coolers while largely ignoring many of the complexities, risks, and uncertainties. Let's address some of the more contentious ones:

### Use of "CPA"

What hasn't been addressed publicly is how and if the CA and CMA hope to gain the right to use the "CPA" designation across Canada. The information provided leads most to assume this right is a "fait accompli". In fact, the use of "CPA" is currently restricted by legislation in a number of provinces. Consider some examples. Manitoba has a separate *The Certified Public Accountants Act* that restricts the use of "CPA" to members of the Certified Public Accountants Association. In British Columbia, the use of CPA is specifically outlined in both the CGABC and ICABC Acts. In Alberta, "CPA" is protected under the government's *Regulated Accounting Profession Act*. In light of these legislations, the CAs and CMAs have been asked to cease and desist from promoting use of the CPA label in their merger communications. Complicating this matter further, many Canadian accountants already hold CPA designations from one of the numerous CPA bodies that reside outside of Canada.

### 10 Year Tagging

Consider the practicality of requiring a member to use a tagged designation. Depending upon the message you believe, tagging is either being required to protect members' right to use their legacy designation or as a means to distinguish and potentially discriminate between classes of members. If the intent is really the former, it seems odd that members would not simply be allowed the choice of using either or both. Regardless, for a merged body to enforce the use of a tagged designation, legal opinions indicate provincial governments would have to legislate authorization for the new body to confer "CPA" and as well, the tagged versions "CPA-CA" and "CPA-CMA" (but, for only 10 years). In light of the opposition that such a request is likely to attract and the oddity and complexity of it, is it reasonable to believe provincial governments across Canada would be motivated to enact such legislation? Consider further that provincial political systems typically act very slowly to approve any legislation that revises or creates provincial Acts. Elections and changes of government greatly increase the uncertainty of such legislation ever being passed. Even in the unlikely scenario of support amongst all provincial governments, a time frame of 2-10 years to have the legislations changed seems optimistic. In consideration, would the 10-year time tagging period commence with the first accommodating legislation or the last one? In a more likely scenario, one or more provinces will refuse to change its legislation to allow the tagging or even to use the CPA. The threat of legal action by those members who do not support forced tagging could further stall legislation indefinitely. With legacy CAs expected to

possess majority control of the merged Boards, is it unreasonable to wonder whether tagging could become permanent in the future?

### **A New Final Evaluation**

The CMA and CA each develop and assess a very different syllabus of certification competencies. The CA Uniform Final Examination (UFE) predominantly focuses on assessing competencies related to public accounting while the CMA's Strategic Leadership Program (SLP) emphasizes management and management accounting competencies. The merger proposes that it combines the best of what the two programs currently offer and assesses certification competency with a single uniform evaluation. Let's consider the reality of building such an evaluation. One approach would be to simply integrate all the UFE and SLP competencies into a new evaluation. Assuming these competencies would be developed and assessed to today's standards, such an evaluation might require a formidable 17-20 hour examination and a significantly longer study program to prepare students. For competitive reasons, an alternative option would be for the merged body to remove competencies or reduce performance expectations for certification. With this option, it might be presumed the new body would require mandatory PD courses and exams for members wanting to be licensed for public accounting or to advance into controllership or CFO roles.

### **Merger Decision**

What will constitute a go forward decision? Will the decision process be democratic? Ideally, a merger would be decided by a consensus of all 27 regional Institutes and Societies. Considering the competitive and emotional complexities, a more likely scenario is that the proposal receives mixed support. Therefore, setting up the dilemma of determining who and what moves the merger forward. Most of the world's accounting merger initiatives in the past have required a clear majority vote of members or approval of all the respective jurisdictions of the merging bodies. However, it seems more likely a Canadian merger will not be decided by members or even a consensus of all affiliate Boards. We might speculate that provinces with the largest memberships will try to force a decision in their favour. Though, such a decision could be complicated by the possibility that accounting bodies within a larger province are not aligned. To reduce the risk of an unfavourable result, the Boards of provincial Institutes/Societies are being encouraged to forego a member vote and instead, move the merger forward by Board decision. Such a process would effectively bypass the opportunity for members to impact what would be a monumental change to their respective professional bodies and designations. This question of democracy should be especially concerning considering the small number of CAs and CMAs that typically vote in their respective Board elections.

### **Serving Members and Public Interest**

The CA/CMA position paper explains that the membership will receive "... enhanced support to help them better manage their careers, businesses and practices." The public interest will be better served "... by establishing consistent codes of professional conduct, disciplinary systems, and licensing regimes. In addition, a common designation is a step towards eliminating confusion in the marketplace." These outcomes would seem to be obvious, logical and positive benefits of a successful merger. However, there are no certainties. The costs of merging organizations and developing a new certification program can be expected to more than offset any efficiencies realized from combining resources for at least a decade. In the meantime, with CA member dues in Manitoba currently over 50% higher than those of

the CMA, it seems reasonable to believe that CMAs would experience a significant rise in member dues over the nearer term. Consider further that most research indicates mergers do not often add value. Instead, they have been proven to be more often defensive initiatives driven by self-preservation from intensified competitive pressures and lead to complacency and substandard performance.

Some note that if a monopoly works for the US CPAs and other professions, such as doctors and lawyers, then why not Canada's accountants. Part of the answer is explained by understanding that all the aforementioned professions are required to operate under separate regulatory and service regimes. The legal profession operates under the Bar Association and Law Society while US CPAs are served by the AICPA and regulated by NASBA. In contrast, today's Canadian accounting bodies enjoy the benefits and responsibility of being self-regulating bodies that also serve their members. This is a privilege and efficiency that would likely end should the three bodies merge.

To better understand what the long-term future of a Canadian merger may offer, consider the experience of the world's largest professional accounting body – US CPAs. While the US CPAs have enjoyed tremendous growth, their track record of advancing standards and member services is underwhelming. Despite the CPAs' monopoly position and the influence that the AICPA and NASBA exert over business in the U.S., they have not successfully established ownership of the CFO and controllership roles - as CGAs, CAs, and CMAs have achieved in Canada. Further, the AICPA are often criticized for not sufficiently supporting segments of its membership, such as those who operate small to medium sized public accounting firms. As a result, paraprofessional bodies such as the National Society of Accountants flourish and serve CPA members. From a standards perspective, while most of the world's prominent accounting bodies have now moved to support the *International Financial Reporting Standard* (IFRS), the CPAs have continued to drag their heels. Further, consider the CPAs' national *Uniform Accountancy Act* (UAA) which was created to establish minimum national certification standards for US CPAs. The UAA remains a voluntary standard for state Societies and does not meet IFAC certification and public accounting licensing standards. In several respects, the UAA falls well below what is required by the Canadian accounting profession.

Canada's business community should also be concerned with the prospect of a merger. In recent years the CICA finally acknowledged that corporate and government employers can provide excellent training for individuals pursuing professional accounting certification. However, the provincial Institutes have moved very slowly to add employers from these sectors to their list of Approved Training Offices (ATO). If a merger moves forward, it would seem reasonable to believe the merged body would retain some form of the ATO model. If so, even with a greatly expanded ATO employer list, it is unlikely the new body would be positioned to sufficiently supply the business community's current demand for new accountants.

Consider also the generous support that accounting bodies have provided post-secondary business education – investing in student scholarships, learning facilities, and accounting research. With less competition, post-secondary institutions are likely to receive considerably less funding from the accounting profession. The impact of this could significantly deteriorate the quality and accessibility of accounting education across Canada.

While discussing the CA/CMA merger proposal, Karim Jamal, FCA, PhD, Chair, Department of Accounting at University of Alberta provided some sage advice in *The Bottom Line*, “The public interest is best served by having competing bodies.”

**In Summary**

For a merger of the Canadian accounting profession to ever be realized and offer significant value to its members and the public, it must overcome a conundrum of complex challenges. This assessment does not necessarily mean the merger proposal is doomed for failure. In fact, the Boards and management of the Institutes and Societies are highly motivated to make the merger work this time. Further, it is not beyond the realm of possibility that under the right circumstances a merger might make sense. However, the profession should not expect CGA to endorse a merger strategy until such time the Association is offered the opportunity to fully explore solutions to the challenges as an equal partner and is confident a merger can add value to its members, the profession, and the public.

Prepared by:

Grant B. Christensen, FCGA

CEO, CGA Manitoba