

PROFESSIONAL ACCOUNTANT

September 2020



© Registered
Professional
Accountant

RPA's

**Annual
General
Meeting**

Saturday, October 17th, 2020

PRESIDENT'S NOTE

Dear Members and Students,

As we say goodbye to the warm and pleasant summer, we welcome the colorful fall season which is upon us. The world is still going through the second wave of the ongoing COVID 19 pandemic and all indications are that this threat is going to stay with us well into the year 2021. I am happy to see that we as Canadians are fully cooperating and working together by following the social distancing guidelines, adopting the public health safety advice, washing hands and wearing masks. We must share our responsibility in reducing the threat brought by the second wave.



RPA Canada is taking actions by enacting strong measures to minimize the spread of COVID 19. This year's **Annual General Meeting (AGM) and Small Business Week** celebrations has been scheduled for **Saturday October 17, 2020**. We will be holding the AGM portion of this meeting starting from 9:00 am to noon EST. Due to the COVID 19 social distancing policies in effect, this AGM will be held virtually via Zoom and will be broadcasted live on YouTube and Facebook. The previously scheduled Women Entrepreneurship Award Ceremony and Income Tax Webinar have been postponed indefinitely for now. A new date for these activities will be announced when it is determined to be safe to continue with these celebrations. I will urge all RPA members who are in good standing to register for the AGM. I will be available to answer all the questions that RPA members may have and update the members on the progress and new initiatives of the Society.

I am excited to announce that RPA Canada has just approved the Mutual Recognition Agreement between CGA Pakistan and RPA Canada and full details of this mutual recognition will be posted on our website and social media once finalized.

The RPA Education Committee is making progress and very soon McMaster University Continued Education and Durham College will be onboard to offer RPA prerequisite courses. The RPA Mandatory Professional Review Session and Mandatory Professional Exam (MPE) are being finalized as we speak and will be implemented by end of October 2020. Developing the MPE was a large undertaking for the Education Committee as we wanted to make sure that new RPA members are able to demonstrate the required competencies to be recognized as a Professional Accountant. I would like to personally thank the education committee which is working tirelessly under the leadership of Bernie DiVona and especially Mike Saniga, Director of Engagement and Learning Innovation. Their hard work and dedication is a testament to the commitment they have to our vision of developing professional accountants. RPA Canada is also gaining traction as each day more and more accounting students are inquiring and registering for the RPA program. Post-secondary institutions are taking RPA seriously and it is becoming the best choice for accounting students to pursue an accounting designation.

RPA Continued Professional Development (CPD) is a vital part of the RPA designation and RPA members are taking this seriously by taking courses to update their knowledge and getting training in use of technology. I insist that Bylaws of the Society require a minimum 20 hours of CPD credits annually. Members must do more to shine rather than achieving the minimum 20 hours.

RPA Canada is also making it a top priority for 2021 to develop a comprehensive practice guideline manual, training, examination and accreditation of professional practice to maintain proper practice standards. It will become mandatory for each practicing RPA to follow this path to promote the trust and confidence among business and the public at large.

As we are a national accounting organization, RPA Canada is planning to launch a bilingual website and have all the publications and study material translated and available in both French and English languages. RPA Canada will offer the RPA pathway and prerequisite courses and MPE in French Canada in an effort to promote inclusivity.

We are always looking for volunteers to assist the Society in its committees, administration, marketing and research and development. If you can help the Society in any way please come forward and contact the office or email me.

Wishing you all a healthy and happy fall!

Zubair Choudhry, RPA, APA
President/CEO

TAX TIP

Signed a Leaseback Agreement for your condo? Congratulations!

According To The CRA You Are Now A Builder!



Joseph Mohanthas , RPA

If you are or your client is one of the many thousands of people who have purchased a new condo unit for the purpose of renting it out and if you or they have signed a leaseback agreement with a builder or another company, you should be aware of the potential pitfalls. All over the country developers are selling condominium units to purchasers and offering a "guaranteed rental" incentive. While a condo that comes with a two-, five- or even 10-year guaranteed rental sounds like a wise investment, it may also come with **hidden costs**.

The way these guaranteed rentals work is that the purchaser of the newly built condominium enters into an agreement with the builder or some other company, whereby that company rents the unit from the condo buyer for a specified period of time. That company in turn rents the units out to people who are going to occupy and live in the condo and it earns a profit from doing so. Thus the owner has "guaranteed" rental income from the company.

How do I calculate the GST/HST New Housing Rebate in Ontario?

First, we'll say that the Condo you Purchased Price (PP) was valued at \$320,000 signed in Jan 2015. Closing date in Jan 1, 2020 Fair Market Value (FMV) \$620,000. Now in some cases, the builder of your home will have already included the HST in the purchase price. The only difference here is that you'll be able to automatically include the purchase price plus HST amount in your mortgage. However, in all other cases, you'll pay whatever HST rate is applicable in your province or territory (13% in Ontario) on top of the \$620,000 pre-tax price:

PP \$320,000 x 13% = \$41,600 (\$16,000 GST portion of HST and \$25,600 provincial portion of HST)

FMV 620,000 x 13%= \$80,600(\$31,000GST portion of HST and\$49,600 provincial portion of HST)

Next, we'll calculate the value of the rebate that can be claimed. In this case, it's 36% x \$31,000 (\$11,160) for the GST portion of the HST and 75% x \$49,600 (\$37,200) for the provincial portion of the HST. That adds up to \$48,360. It's important to note that for new homes in Ontario, the maximum rebate amount for the provincial portion of the HST is capped at \$24,000. It's the maximum amount available on any new home valued at \$400,000 or more.

Price	HST
PP \$320,000	\$41,600 (paid already)
FMV \$620,000	\$80,600 (FMV Comes into play)
Additional HST	\$39,000 (Due to FMV)
HST Rebate	\$24,000 (Max. for Ontario)
Buyer Owes CRA	\$15,000(Buyer could potentially lose/apply the rebate and may owes depends of FMV)
Net Loss to the Buyer	\$39,000

Paragraph 123(1) of the Excise Tax (the Act) provides a lengthy definition of a builder. Included in this definition is language that captures those purchasers who have acquired a condo for the primary purpose of renting it to another party who will not be living there but who instead has the goal of earning income from renting the condominium to others. The Act notes that the "builder of a residential complex includes a person who acquires an interest in the complex before it has been occupied by an individual as a place of residence or lodging, for the primary purpose of making one or more supplies of the complex or parts thereof by way of lease, license or similar arrangement to persons other than to individuals who are acquiring the complex or parts otherwise than in the course of a business an adventure or concern in the nature of trade."

CRA's Position - Individual / Corporation

Individual - If an individual purchases property for the purpose of supplying it (lease, license or similar arrangement) to a person as a place of residence, the individual will not be builder of the property for GST purposes.

Corporation - If an individual purchases property for the purpose of supplying under a head lease to corporation who in return leases the property to an individual as a place of residence, the purchaser will be considered a builder for GST/HST purposes and different rules apply.

Because of this provision, thousands of people across the country have started to receive letters indicating that for GST/HST purposes they meet the definition of a "builder." Also, because they meet the definition of a builder, the Canada Revenue Agency (CRA) requires that they self-assess under s. 191(1) of the Act. Being classified as a builder means that at the time of self-supply, the owner of the unit is deemed to have sold the property to themselves and GST/HST would be payable upon that sale, resulting in tens of thousands of dollars in GST/HST for many unwitting buyers.

The CRA has been sending these letters with a position that appears to be bulletproof, using wording such as "for GST/HST purposes you meet the definition of a builder as defined in Paragraph 123(1) (d) of the Excise Tax Act," rather than "we believe that you may meet the definition." In addition, although their position appears to be irrefutable under the definition of builder in the Act, part of the definition being relied upon by the CRA and being referenced above includes the language "primary purpose," which actually provides an excellent opportunity for a challenge and makes the CRA's position appear to be less ironclad.

In order to defeat the CRA and challenge their position that the taxpayer is a builder, it becomes the job of the taxpayer or their representative to demonstrate what the actual primary purpose of the condo unit is and to challenge the CRA's underlying assumptions with respect to the acquisition of it. Since the CRA doesn't typically have any evidence against the taxpayer other

than a leaseback agreement, they don't really have any knowledge about the taxpayer's "primary purpose."

Downside to CRA Challenges

Time – Outcomes of Court decisions remain uncertain and take years to be finalized.

Cost – Amount not justified by the savings of winning. But don't always count on being able to win this argument without having to go to court.

Remember that within the four walls of the CRA, when you're dealing with auditors, appeals officers or, in the case of these leaseback agreements, clerks in the

GST/HST Refund Integrity section, employees can use their own judgment and ignore external evidence, facts and the law. Thankfully the lawyers at the Department of Justice who represent the CRA and the judges who sit on the bench of the Tax Court of Canada,

however, will be a lot more careful to look at all the evidence and won't be as likely to be persuaded by a theory or assumption.

Sources: *Expert Edge, CRA Website*

Disclaimer

The information provided on this page is intended to provide general information. The information does not take into account your personal situation. I will not be held liable for any problems that arise from the usage of the information provided on this page

Joseph Mohanths, RPA, CIM. C. Mgr. CM (USA), ICIA

Program/Publication Committee Member – Guild of Industrial, Commercial and Institutional Accountants

Marketing Committee Chair, Canadian Institute of Management – Toronto Chapter

Accredited Member – The Society of Professional Accountants of Canada

PINs Leader at TRIEC (Toronto Region Immigrant Employment Council)

Steward Member at CSSA (Canadian Stewardship Services Alliance)

Controller at Cintex International (Canada) Limited

Internal Auditor - Sri Lankan Accountants Association of Canada - CPA Approved NPO

TECH TIP

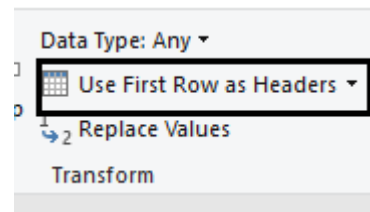
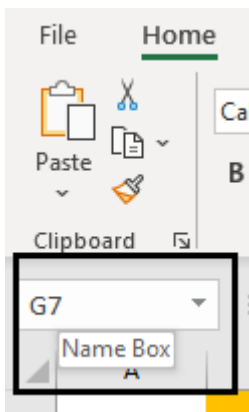
Unpivot Data in Microsoft Excel

Everyone around us in offices is a super hero of Pivot Tables. Sometimes we feel helpless when we need to create a report using pivoted information shared by someone. With the help of advanced features of Microsoft Excel, you can make your life easy. See the following screen short:

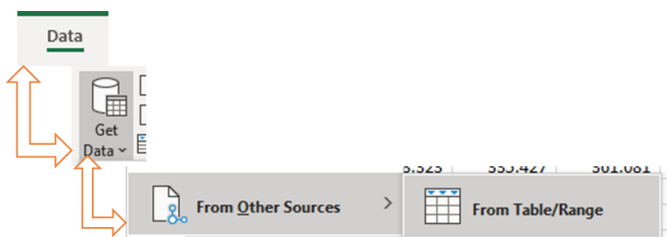
	A	B	C	D	E	F	G	H	I	J	K	L
1		Sales per Product										
2	Date	Bedding	Blankets	Towels	Carpets	Hosiery	Curtains	Rugs	Zipppers	Bags	Canopies	Total
3	01/01/2018	150,051	397,159	127,904	295,461	127,575	380,178	264,084	444,024	487,801	228,058	2,902,295
4	02/01/2018	434,141	376,877	217,775	233,546	122,675	245,249	339,629	486,091	194,996	393,712	3,044,691
5	03/01/2018	287,396	138,323	335,427	361,081	260,378	323,810	113,856	127,931		233,113	2,181,315
6	04/01/2018	294,467		311,834	185,861	325,256	266,208	245,109	415,741	436,543	299,527	2,780,546
7	05/01/2018	154,286	316,482	325,624	402,662	154,669	256,038	261,727	469,503	284,613	198,703	2,824,307
8	06/01/2018	158,502	389,935	181,178	220,783	465,720	234,903	414,271	171,883	223,857	344,443	2,805,475
9	07/01/2018	332,078	410,750	331,220	440,997	306,869	299,158	194,790	142,968	153,502	174,991	2,787,323
10	08/01/2018	257,432	448,956	336,501	177,239	168,108	250,652	319,400	436,403	414,809	317,665	3,127,165
11	09/01/2018	247,024	211,326	393,620	150,157	120,080	147,773	232,789	161,774	135,249	121,273	1,921,065
12	10/01/2018	129,030	254,949	223,757	310,249	275,504	177,225	281,284	143,052	318,587	391,185	2,504,822

The data in the above report is in pivoted form and to use it for another report, it must be unpivoted. Here are few simple steps to unpivot the above information into three columns:

1. Open Excel file that is provided with this newsletter.
2. Select range A1..L34
3. Go to **name box** and type a name for selected cells to convert it into a **named range**.
4. Go to **Data** menu and Click **Get Data**.
5. Click **From Table/Range** in **From Other Sources**.
6. Data will be loaded to Power Query environment.
7. To promote first row as Column headers, under the **Home** menu click **Use first row as Header**.
8. Select the last column "Total", right click and click **"Remove"**.
9. To remove column totals, click the dropdown of the first column, scroll down until the end and uncheck **"Total"**
10. Select the first column, right click and click **"Unpivot Other columns"**.
11. Double click titles of Column 2 & 3 and type desired column names.
12. Under the **"Home"** menu, click **"Close and Load"**.
13. A new sheet will be added to your file with a nicely formatted unpivoted data in an Excel Table.



5. Go to **"Data"** menu and Click **Get Data**.
6. Click **From Table/Range** in **From Other Sources**.



9. Select the last column "Total", right click and click **"Remove"**.
10. To remove column totals, click the dropdown of the first column, scroll down until the end and uncheck **"Total"**
11. Select the first column, right click and click **"Unpivot Other columns"**.
12. Double click titles of Column 2 & 3 and type desired column names.
13. Under the **"Home"** menu, click **"Close and Load"**.
14. A new sheet will be added to your file with a nicely formatted unpivoted data in an Excel Table.

Continuing Professional Development policy

The Society of Professional Accountants of Canada has implemented the policy of Continued Professional Development for its members and will be in effect starting January 01, 2020. The objective is to maintain the professional competence and to enhance RPAs ability to perform job related requirements.

1. All members with RPA designation are required to undertake Continuing Professional Development (CPD) and submit a minimum of 20 hours of continued professional education each and every year. **Two credit hours** must be of **Ethics**. All members must fulfill this requirement on or before December 31 every year. Failure to comply with this requirement will result in the suspension of membership and use of RPA designation.
2. If a member failed to comply with CPD requirement, The SPAC will inform the member about suspension of membership. Such member must complete and submit continuing professional education of 30 credit hours within a grace period.
3. Grace period is 60 days from the date of suspension of membership.

If a member failed to comply with point 2 & 3 above, membership will be cancelled immediately. Such member will be required to rewrite exam and pass all papers of MPE to use RPA and APA designations.

The SPAC's Handbook of Code of Ethics is an excellent framework for determining the ethics topics that are acceptable. The focus of ethics topics should include ethical considerations in the area of decision support, planning & control for accounting. The SPAC encourages members to use education sources that address specific scenarios such as manipulation of corporate resources for personal benefits, frauds in financial reporting and disclosure of confidential financial information. Credits for hours of study will be given for programs sponsored by the SPAC, its affiliates, businesses, employers, recognized third party content providers, educational institutions and other accounting organizations. Credits will also be given for home study courses, speeches, publication of technical articles and

by examination.

Reporting period

CPD reporting period for all RPAs is Calendar Year (January 01 – December 31). If the required CPD hours are not completed, the RPA becomes delinquent and inactive. His membership may also be suspended.

First reporting period for new RPAs

Reporting period for a new RPA will begin on January 01 following the date of earning RPA title. However, if the new member has passed MPE and still need to submit accounting related work experience, reporting period begins on January 01 following successful completion of MPE. No CPD is required between the period of

successful completion and following January 01. Any CPD credits earned during this period can be counted as being earned in the first reporting period subject to CPD credits carry forward limits.

CPD credits carry forward

When a certified member completes more than 20 credit hours in a given year, up to five credit hours may be carried forward to the next year, i.e., if 24 hours are completed, 4 may be carried forward; if 28 hours are completed, 5 may be carried forward; if 30 hours are completed, 5 may be carried forward.

Subject Area

The Society of Professional Accountants of Canada will recognize and accept CPD related to following fields of study:

- Accounting
- Auditing
- Business Law
- Taxation
- Economics
- Management
- Information Technology
- Ethics
- Finance
- Data Analytics
- Marketing



Mandatory Professional Exam

Sales Mix and Sales Quantity Variances

Where a company sells several different products that have different profit margins, the sales volume margin variance can be divided into a sales quantity and sales mix variance. For example, multinational telecom companies are interested in the impact of the sales mix on profits arising from international calls where different tariffs apply for calls made between different countries. The quantity variance measures the effect of changes in physical volume on total profits, and the mix variance measures the impact arising from the actual sales mix being different from the budgeted sales mix. The variances can be measured either in terms of contribution margins or profit margins. However, contribution margins are recommended because changes in sales volume affect profits by the contribution per unit sold and not the profit per unit sold.

How to calculate

Sales Mix Variance (where standard costing is used):

$$(Actual\ Unit\ Sold - Unit\ Sales\ at\ Standard\ Mix) \times Standard\ Profit\ Per\ Unit$$

Sales Mix Variance (where marginal costing is used):

$$(Actual\ Unit\ Sold - Unit\ Sales\ at\ Standard\ Mix) \times Standard\ Contribution\ Per\ Unit$$

Sales Quantity Variance Where marginal costing is used:

$$(Budgeted\ sales - Unit\ Sales\ at\ Standard\ Mix) \times Standard\ Contribution$$

Sales Quantity Variance Where absorption costing is used:

$$(Budgeted\ sales - Unit\ Sales\ at\ Standard\ Mix) \times Standard\ Profit$$

Sales Mix variance measures the change in profit or contribution that is attributable to the changes in the proportion of different products from the standard mix. It measures the difference in unit volumes in the actual sales mix from the budgeted sales mix. In reality, there are always some differences between budgeted and actual sales. Hence, the sales mix variance very useful technique to gain knowledge as to where actual sales varied from expectations.

A difference between the number of units used/sold and the number of units that were anticipated to be used/sold is known as a quantity variance. Hence, the sales quantity variance assesses the increase or decrease in budgeted profit occurring due to a variation between the actual and budgeted number of units sold. A "variance" in cost accounting is defined as the difference between the budgeted or standard cost/revenue and actual cost/revenue. Its ultimate objective is to help the company analyze how costs can be minimized or reduced. Likewise, the sales quantity variance illustrates how a change in quantity of units sold can impact the profitability of the business. The sales quantity variance is an extension of the sales volume variance. The distinction between the two is that sales volume variance measures the effect on budgeted profit due to the difference between the volume of actual sales and budgeted sales whereas the quantity variance measures the effect on profit of the company due to a difference between the actual sales mix and the budgeted sales mix.

RPA ANNUAL GENERAL MEETING

AGM 2020 NOTICE

The Annual General Meeting and Small Business Week Celebrations will be hosted via Zoom on **Saturday, October 17th, 2020.**

PLEASE SAVE THE DATE

RPA's and Student Members are encouraged to register for the event once the Zoom invitation has been received by email. Thus, please take this opportunity to update your email addresses with the society if you have not already done so.

Looking forward to an exciting AGM 2020 with all of you.

**Errol Lanns, RPA
Secretary,
The Society of Professional Accountants of Canada**

We are waiting for your feedback

Please write to us about your significant achievements, suggestions and feedback to include in the next eNewsletter. You can reach us at cpd@rpacanada.org



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