

NOVA CPA

COVER STORY

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The Cassidy Family

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Liability or Equity?



A Message from CPA Nova Scotia's President & CEO

Dear members,

Four years ago this month, NOVA CPA was launched. Over the years, this publication has remained the hub of member stories, successes and achievements and a tool for keeping you up to date with important happenings in the profession.

This past May, we held our first in-person graduation in two years. We were fortunate enough to sit down with one of our 136 graduates, Kelsey Quinn, and speak to her about her personal journey.

We often tell new CPAs that becoming a member is joining a family of like-minded professionals. For the CPA in this edition's cover story, Ryan Cassidy, that sentiment couldn't be more true. His parents and two brothers are all CPAs.

As we approach the first days of summer, we look forward to longer days, nicer weather and our favourite outdoor activities with friends and family.

We encourage you take take full advantage of our on-demand summer courses and get your CPD hours when it is convenient for you.

I hope you enjoy this edition of NOVA CPA.

Sincerely,



PATRICIA TOWLER, BA, JD, LLM, CIC.C
President & CEO, Chief Legal Officer

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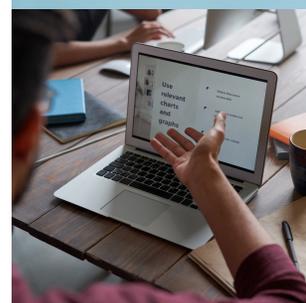
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BORN INTO IT

Ryan Cassidy, CPA has been a member of CPA Nova Scotia since 2018.

Guinness World Records lists the most Chartered Accountants in one family as five. Ryan Cassidy's family may hold the record for the most Chartered Professional Accountants in one family. Ryan, his parents Mike and Mary Jane, and his two brothers Matthew and Stephen, are all CPAs.

His parents met at a Charlottetown-based accounting firm, so you could say that he was born into the profession.

When Ryan was a kid, it's no surprise that becoming an accountant wasn't at the top of his list of professions. Ryan and his three siblings looked up to their parents, but didn't give much thought to what they did for work. It wasn't until he approached university that Ryan started to think seriously about what he wanted to do and looked to his parents for guidance. After learning more, Ryan formed an appreciation for the profession.

"I could finally see how my parents had leveraged their designation into their business, Coach Atlantic Maritime Bus. It led me to see accounting as a strong foundation for the business world," he says.

After high school, Ryan and his two older brothers chose to attend the University of PEI (UPEI) and study accounting, while his older sister Christine opted to study nursing at UPEI. Christine went on to pursue her doctorate in nursing and is now a professor at Dalhousie. When tax season hits, they often joke that she is the smartest of the bunch.





As for Ryan, he felt no pressure from his parents to pursue accounting, it just felt like a natural fit. Between the three brothers, there was never any sort of serious rivalry. Although Ryan playfully pointed out that he slightly edged out his two older brothers for the highest mark in Accounting 201 at UPEI (CPA Nova Scotia would like to point out that this claim hasn't been verified, but we will take Ryan's word for it — after all, he is the youngest!)

After graduating from UPEI in 2016, Ryan accepted a role with Baker Tilly in Halifax as a Staff Accountant. With the amalgamation of the accounting bodies underway, Ryan was one of the first cohorts to enter the CPA PEP program.

"It was definitely an extensive process," he reflects.

"Since my parents and brothers were accountants themselves, I was able to receive high-level support from my family. I also received more technical, content-specific support from my peers at Baker Tilly. Between my family and the public firm, I had a whole team rooting for my success."

While he enjoyed his time in public accounting, after two years of work, Ryan was looking to explore a new path. Around this time, his brother Matthew approached him to join the family business.

"I jumped at the opportunity to become part of Coach Atlantic Maritime Bus. Over the years, I had watched my family grow the business, and as my brothers started to become involved, I knew I wanted an opportunity to leave my mark too," he says.





Ryan is thankful he took the career path of becoming a CPA. "The first few years can be tough, but if you like it enough to stick with it for a few years, getting the designation is a great way to open doors. I see it as a stepping stone that's considered valuable to any business or organization."

Since 2019, Ryan has experienced the highs and lows of the family business. The COVID-19 pandemic halted most inter-provincial travel, drastically impacting Coach Atlantic Maritime Bus' operations. By working together, the family was able to keep the business afloat. And as summer begins, the company expects a surge in travel. Ryan attributes the success of the business to having a great team of employees and maintaining a tremendous working relationship with his family.

"My brothers were my role models growing up, and I have so much respect for them as individuals. It's great being able to work side by side. I see them as mentors, having joined the business after them, and I appreciate the strong bond of friendship that comes from being brothers," he says.

The brothers leave the sibling rivalry for the golf course. According to Ryan, Stephen would win.





Preferred Shares – Liability or Equity?

*Article contributed by John F. Oakey, CPA, CA, TEP, CC
National Director of Tax Services
Baker Tilly Canada*

There has been significant debate over the years regarding the financial statement presentation of redeemable or mandatorily retractable shares (RoMRS) as either a liability or equity.

First, a bit of background

When Accounting Standards for Private Enterprises (ASPE) were issued in 2011, it was determined that RoMRS should continue to be recorded at par, stated or assigned value in a separate component of equity. An amendment to ASPE reporting of RoMRS has been implemented for fiscal years beginning on or after January 1, 2021, which may require classification as a liability instead of equity.

What are RoMRS?

RoMRS are shares issued in a tax planning arrangement that generally have the following characteristics:

- the holder of the shares has the right to require their redemption on demand at a redemption price equal to the fair market value of the common shares exchanged;
- the shareholders have, at the very least, voting rights on any matter involving a modification to the attributes attached to the shares;
- there are no restrictions on the shares' transfer;
- the shares have priority on distribution and liquidation over any other type of shares;
- the shares are issued as part of a tax planning arrangement. Not all shares issued in tax planning arrangements are preferred shares. That is why the standard refers to "retractable or mandatorily redeemable shares."

Liability or equity?

For any shares that meet the criteria for RoMRS, the default classification for financial statement presentation under ASPE will be a liability. There is still an option to classify RoMRS as equity under ASPE, but the following three conditions must be met as part of the tax planning arrangement:

- Control test - control of the enterprise issuing the shares is retained by the shareholder receiving the shares in the arrangement;
- Consideration test - non-share consideration is not received as part of the arrangement;
- Redemption arrangement - there are no arrangements, either formal or informal, requiring redemption within a fixed or determinable period.

If any of these three conditions are not met, then RoMRS must be classified as a liability under ASPE, which can have a negative impact on the financial statements.

This is just accounting - who cares?

There is no actual change to the underlying business of the company in question, and the employees would continue to show up to work as if nothing happened. The potential issue with recording RoMRS as debt is that the shares have to be shown under ASPE at their redemption and retractable value.

Many times, RoMRS are issued with the stated purpose of freezing all or a portion of the company's value into these shares. If the company has significant inherent untaxed value (i.e. goodwill), then these shares would reflect that inherent untaxed value in the redemption and retraction price of these shares. In order to properly record RoMRS as a liability, a negative adjustment would have to be recorded to the equity section of the company's balance sheet. This negative equity adjustment may impact various financial ratios (current ratio, debt-to-equity ratio, and the debt coverage ratio), which could ultimately impact debt covenants with third-party lenders.

LIABILITY OR EQUITY?

How does this affect estate planning?

Many estate plans result in the creation of preferred shares that will meet the RoMRS criteria. Therefore, it will be important to review financial statement reporting issues prior to executing an estate plan to avoid potential changes to financial ratios that could negatively impact debt covenants.

Keep in mind that this reporting amendment for RoMRS applies to companies reporting their financial statements under ASPE, so that is the first thing to look at when determining if the estate plan will have an impact on the financial statements.

Control of an enterprise is the continuing power to determine its strategic operating, investing, and financing policies without the cooperation of others.



PAVING THE WAY

Meet Kelsey Quinn

Cerebral palsy is a life-long condition that affects body movement and muscle coordination. It can lead to various cognitive and physical difficulties, and symptoms will vary from person to person. Over 80,000 Canadians are affected by cerebral palsy, and it is the most common physical disability in childhood.

Kelsey Quinn knows the challenges firsthand; she has been living with cerebral palsy since she was born. Kelsey has limited use of the right side of her body and is restricted to most movements with only her left hand. This includes typing and using a computer mouse.

Still, she has long maintained a positive outlook: "I am a person who does not let my disability get in my way. I always manage to achieve whatever I put my mind to."

The Sydney native has earned two degrees from Cape Breton University: a Bachelor of Science with Honours in Mathematics and a Bachelor of Business Administration in Accounting with Co-op. Kelsey finished on the Dean's List and took the time to tutor persons with disabilities while earning her degrees.

Kelsey was one of the 136 graduates that crossed the stage at the 2021 CPA convocation. Today, she works with the Canada Revenue Agency (CRA).

Since starting at the CRA, Kelsey joined the Employment Equity, Diversity, and Inclusion Committee at the Nova Scotia Tax Services Office, where she started to facilitate engagement sessions for persons with disabilities, which she does now within the Atlantic Region of the CRA. These sessions help employees express their experiences to inform the CRA about accommodations that should be considered.

She also represents persons with disabilities on the Atlantic Regional Employment Equity, Diversity, and Inclusion Committee, and is an Atlantic Regional Representative on the Persons with Disabilities Network. Following the engagement sessions she facilitated, she is now a member of the Atlantic Regional Persons with Disabilities Working Group. The CRA is now in the process of creating an action plan within the Atlantic Region to help remove as many barriers as possible for persons with disabilities.

Kelsey is passionate about advocating for herself and for others. She even takes time to file individual tax returns as a volunteer within the Community Volunteer Income Tax Program (CVITP).



During the challenging CPA PEP, Kelsey had the added hurdle of typing everything with one hand, and only using two fingers. She reflects on the lengthy process: "My friends were great! There was a group of us who would study virtually together. Some would stay online with me even after they finished because they knew it took me longer."

Before Capstone Two, she requested and was granted permission to use speaking software. When she began preparing for the Common Final Exam (CFE), Kelsey knew she would need to approach the exam in a different way than her peers.



I am a person who does not let my disability get in my way. I always manage to achieve whatever I put my mind to.

The CPA Examination is one of the most demanding professional credentialing exams. Typically, test writers are given 13 hours to complete the exam over three days.

Again, Kelsey advocated for herself and was granted accommodations and additional time suitable for her disability. While her fellow CFE writers were finishing for the day, Kelsey was hard at work completing the exam. She wrote the exam in 26 hours over three days.

"When I finished, I was exhausted and slept the whole next day," she laughs.

Her hard work came to fruition, and by happenstance, Kelsey found out that she had completed the CPA Professional Education Program on the International Day of Persons with Disabilities (December 3, 2021).

She is the first person in Atlantic Canada with Cerebral Palsy to write the CFE and become a CPA.



CPA Nova Scotia celebrates first in-person convocation ceremony in two years!

Our 2021 convocation and awards ceremony was held on Saturday, May 14, 2022, at the Halifax Convention Centre. Graduates were recognized for the completion of their education, and new members were welcomed into membership. Opening remarks and address were provided by President and CEO Patti Towler, followed by a toast by Chair of the CPA Nova Scotia Board Jamie O'Neil, CPA, CA. The valedictorian address was delivered by Alison Carpenter, CPA.

With more than 600 members, guests, and graduates in attendance, it was a memorable evening.

During the reception, guests had the opportunity to mingle with one another and get their picture taken with a photo wall and 360-degree camera. Additionally, a photo booth was in place throughout the evening to commemorate the celebrations with friends and family.

After enjoying the ceremony and dinner together, attendees danced the night away with True North DJs providing musical entertainment.



"The common final examination, the CFE, is a rigorous three-day examination that evaluates students on the competencies defined by the competency map, which outlines the knowledge, skills and proficiency levels required to be a Canadian CPA. At convocation, we celebrate those who have successfully passed the CFE, since it is the most significant step toward obtaining the CPA designation," remarked Patti Towler, CEO.

Thank you to all the presenters, employers, and guests who attended our convocation!

CPA NOVA SCOTIA

SUMMER ON-DEMAND COURSES

Get your CPD hours when
you want, where you want.