



# THE CPA COMPETENCY MAP KNOWLEDGE SUPPLEMENT

Issued and revised for clarification in 2018,  
retaining original effective date of 2013



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

COMPTABLES  
PROFESSIONNELS  
AGRÉÉS

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The CPA Competency Map Knowledge Supplement

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# Contents

## **2 Introduction**

2 The Role of the Knowledge Supplement

2 The Proficiency Levels and Their Application

## **5 The Knowledge Lists and Examples**

**6 Section 1:** Financial Reporting

**11 Section 2:** Strategy and Governance

**17 Section 3:** Management Accounting

**24 Section 4:** Audit and Assurance

**31 Section 5:** Finance

**36 Section 6:** Taxation

**42 Section 7:** Other General Business Topics

# Introduction

## The Role of the Knowledge Supplement

The CPA Competency Map Knowledge Supplement accompanies the Chartered Professional Accountant Competency Map. It describes how the proficiency level definitions apply to the knowledge component of the competencies found in the CPA Competency Map at three key points: at entry to the CPA professional education program, in the core modules, and in the elective modules. Its purpose is to help educators understand the body of knowledge expected of candidates at each of these points, and how to apply the CPA Competency Map proficiency levels to that body of knowledge.

## The Proficiency Levels and Their Application

### The Proficiency Levels

Below are the proficiency level descriptions found in the CPA Competency Map. These definitions encompass both a professional skill component (enabling competencies) and a knowledge component (technical competencies). The CPA Map Knowledge Supplement applies these definitions to describe the expectations of candidates as they relate to the knowledge component. That is to say, it describes the expectations without considering the skill development that will take place during the CPA professional education program, which will enhance technical learning and develop CPA competencies.

### The Application of the Proficiency Levels to Knowledge

CPA candidates are expected to demonstrate competence (in other words, a combination of attitude, skill, and knowledge) at defined levels of proficiency. Three distinct and progressively higher levels of proficiency are described, reflecting the increase in candidates' abilities throughout the program. *Level C* is the lowest proficiency required, whereas *Level A* is the highest.

***Level C in the CPA Competency Map:*** *To achieve competence at a C level, candidates must demonstrate retrieval and comprehension skills and be able to explain, describe, and demonstrate knowledge that is low to moderate in complexity for a routine situation.*

***Level C in the Knowledge Supplement:*** Application of *Level C* in the context of knowledge is the same as for the CPA Competency Map, as *Level C* is essentially asking for an explanation of the theory.

**Level B in the CPA Competency Map:** *This level of proficiency incorporates Level C proficiency. To achieve competence at a B level, candidates must be able to demonstrate knowledge, analyze problems, and draw logical conclusions in routine situations that have low to moderate complexity. Candidates must be able to perform a preliminary analysis of an issue, but the work will require the involvement of more senior professionals to review the analysis or provide the necessary guidance before the candidates are able to complete the work.*

**Level B in the Knowledge Supplement:** *Level B requires candidates to apply the theory they have learned to routine situations of low complexity. Candidates must demonstrate an understanding of the key concepts for facts that are presented in circumstances where there are few variables.*

**Level A in the CPA Competency Map:** *This level of proficiency incorporates both Level C and Level B proficiencies. To achieve competence at an A level, candidates must be able to demonstrate knowledge, analyze problems in sufficient depth, and draw conclusions in routine situations that have low to moderate complexity. In cases of non-routine and moderate complexity, candidates are expected to be able to see some, but not all, of the interrelationships. In these situations, candidates will require some guidance from a more experienced professional to complete the task. [Highly complex and non-routine situations are assumed to be handled by more seasoned professionals. The terms complex and routine/non-routine are defined below. See more information in Appendix A of the CPA Competency Map.]*

**Level A in the Knowledge Supplement:** Application of *Level A*, in the context of knowledge, also requires candidates to demonstrate knowledge. Similar to *Level B*, candidates are expected to apply the theory they have learned in routine situations. However, the complexity of the situation increases. Candidates are expected to demonstrate an understanding of the relevant concepts for the facts that are presented in a more complex situation. In terms of knowledge, this typically means introducing more variables, or having to deal with different and more unusual situational factors.

**Level “—”:** means there is no requirement.

**When applying the proficiency levels to the knowledge component of a competency, the same principles apply with respect to circumstances and complexity. The relevant definitions are as follows:**

#### **Circumstances**

**Routine situation:** Circumstances typically encountered by and requiring knowledge expected of a newly certified CPA.

**Non-routine situation:** Circumstances not typically encountered by a newly certified CPA; may require advanced technical expertise.

#### **Complexity**

Degree of difficulty associated with the number and nature of interrelationships and ambiguities that must be considered simultaneously.



**Low complexity:** Little difficulty associated with a small number of straightforward and frequently encountered issues; may achieve competence relying on a “rote” approach.

**Moderate complexity:** Medium difficulty associated with a number of interconnections or variables that need to be considered simultaneously; circumstances may be less clear and require approaches that are not practised frequently.

**High complexity:** Considerable difficulty associated with a large number of interrelationships and ambiguities that must be considered simultaneously; often requires innovative approaches.



THE KNOWLEDGE LISTS  
AND EXAMPLES

## The Knowledge Reference Lists

The CPA competencies are grouped into six technical competency areas. A knowledge reference list is provided for each of the six technical areas. Section 7, Other General Business Topics, describes the additional topic areas that are drawn upon in the professional education program modules.

### Section 1: Financial Reporting

**Financial Reporting:** Includes the role of financial reporting, the application of reporting frameworks, the reporting of routine and non-routine transactions in different circumstances, and an understanding of the role of internal control, tax, and finance in financial reporting.

Topics	Entry	Core	Elective	Related CPA Competency
<b>Introduction to Accounting</b>				
<ul style="list-style-type: none"> <li>Objectives and fundamental accounting concepts and principles (qualitative characteristics of accounting information, basic elements)</li> <li>Ethical professional judgement</li> <li>Objectives of financial reporting</li> <li>Methods of measurement</li> <li>Difference between accrual accounting and cash accounting</li> <li>Framework of standard setting (IFRS and ASPE)</li> <li>Financial statement users and their broad needs, standard setting, and requirement for accountability</li> <li>Accounting information systems</li> <li>The role of IT in the reporting of information, including: real-time access, remote access to information, dashboard, spreadsheet, report generator, and XBRL (eXtensible Business Reporting Language)</li> </ul>	B	A		1.1.1 Evaluates financial reporting needs 1.1.2 Evaluates the appropriateness of the basis of financial reporting 1.1.3 Evaluates reporting processes to support reliable financial reporting 1.2.1 Develops or evaluates appropriate accounting policies and procedures 1.4.2 Evaluates financial statements including note disclosures 1.4.4 Interprets financial reporting results for stakeholders (external or internal)
<ul style="list-style-type: none"> <li>Emerging trends in accounting standards and recent updates</li> </ul>	C	C	B	1.1.4 Explains implications of current trends and emerging issues in financial reporting
<ul style="list-style-type: none"> <li>Legislation that has an impact on accounting (e.g. SOX, Bill 198)</li> </ul>	—	C		1.1.6 Identifies specialized financial reporting requirements for specified regulatory and other filing requirements





Topics	Entry	Core	Elective	Related CPA Competency
<ul style="list-style-type: none"> <li>• Uncommon capital assets (e.g., natural resources, exchanges of assets, decommissioning costs)</li> <li>• Pension plans and other employee future benefits</li> <li>• Assets held for sale and discontinued operations</li> <li>• Fair value and cash flow hedges</li> <li>• Foreign currency translation</li> <li>• Business combination</li> <li>• Consolidated statements on date of acquisition</li> <li>• Consolidated financial statements subsequent to acquisition date</li> <li>• Joint arrangements</li> <li>• Share-based payments</li> <li>• Related party transactions</li> <li>• Non-monetary transactions</li> </ul>	B	B	A	1.2.3 Evaluates treatment for non-routine transactions
<ul style="list-style-type: none"> <li>• Complex financial instruments (e.g., perpetual debt, convertible debt, derivatives)</li> </ul>	C	C	B	1.2.4 Analyzes treatment for complex events or transactions
<b>Financial Statement Analysis</b>				
<ul style="list-style-type: none"> <li>• Vertical and horizontal analysis</li> <li>• Ratios and benchmarking</li> <li>• Financial statement results for various users</li> </ul>	B	A		1.4.4 Interprets financial reporting results for stakeholders (external or internal)
<ul style="list-style-type: none"> <li>• Pro forma statements</li> <li>• Impact of financial results on the whole organization</li> </ul>	C	B	A	1.4.5 Analyzes and predicts the impact of strategic and operational decisions on financial results
<b>Concepts Unique to Not-for-Profit (NFP) Organizations</b>				
<ul style="list-style-type: none"> <li>• Fund accounting</li> <li>• Capital assets, and donated goods and services</li> <li>• Contributions and restrictions</li> </ul>	B	B	A	1.2.3 Evaluates treatment for non-routine transactions
<b>Concepts Unique to the Public Sector</b>				
<ul style="list-style-type: none"> <li>• Unique concepts in the PSA Handbook</li> <li>• Internal and external users of public sector accounting information and the uses of that information</li> <li>• Objectives of public sector reporting and major reporting issues</li> </ul>	C	C		1.1.5 Identifies financial reporting needs for the public sector

## Example of the Knowledge Expectations at Each Proficiency Level

**Knowledge Item: *Issues Regarding Items in Financial Statements***, and in particular, *Financial Instruments (These instruments are to be distinguished from Complex Financial Instruments, listed separately among the knowledge topics.)*

To assist candidates in differentiating among the levels, all three levels of expectations are illustrated.

### If under Part I (IFRS):

#### **Level C**

At *Level C* proficiency, the candidate would be able to describe or explain basic concepts such as the nature and definition of a financial instrument, what the different types of financial instruments are and how they are classified on the balance sheet.

The candidate at *Level C* proficiency would be able to describe or explain the relevant accounting concepts by:

- recognizing which items are defined as financial instruments;
- explaining the various types of financial assets and their treatment (for example, investments in shares are financial assets; long term debt is a financial liability measured initially at fair value and subsequently at amortized cost, using the effective interest rate method);
- explaining the measurement principles for the various types of financial instruments.

Underlying knowledge includes a theoretical understanding of financial instruments as described in Part I (IFRS). The candidate at *Level C* proficiency would not be expected to account for the transactions described above.

**Level B**

In addition to the tasks noted at *Level C*, the candidate at *Level B* proficiency would be able to account for some financial instruments on a preliminary basis by

- correctly classifying investments and accounting for these investments appropriately depending on this classification;
- for financial instruments that are to be remeasured at each financial reporting date, correctly determining amounts to be reported on the balance sheet and amounts to be reported as OCI or net income remeasurement gains/losses
- measuring long-term debt using the application of the effective interest method;
- consideration of income tax effects
- classifying financial liabilities and equity instruments on the balance sheet appropriately.

**Level A**

In addition to the tasks noted at *Level B*, the candidate at *Level A* proficiency is able to account for transactions involving non-complex financial instruments and to accurately prepare the financial statements. In addition to all the tasks noted at *Level C* and *Level B*, the candidate at *Level A* proficiency would, in the case of financial instruments, be expected to do the following:

- accurately calculate the amounts to be reported on the balance sheet for all types of non-complex financial instruments using fair value information provided, applying the effective interest method where appropriate;
- accurately calculate the related adjustments to net income or other comprehensive income or both, including income tax implications; and
- interpret and use the results of the calculations in making decisions.

## Section 2: Strategy and Governance

**Strategy and Governance:** Includes the role of corporate governance within an organization, as well as the formulation of strategies, the translation of those strategies into specific business objectives and actions, and their implementation.

Topics	Entry	Core	Elective	Related CPA Competency
<b>Role of Governance</b>				
a) Governance structure <ul style="list-style-type: none"> <li>• Roles, responsibilities, and duties of various levels of the organization in the strategic management process, including the board of directors, executive management, owners, and other stakeholders</li> <li>• Board of director self-evaluation</li> <li>• Role that ethics plays in good governance</li> </ul>	C	B	A	2.1.1 Evaluates the entity's governance structure
b) Auditor and audit committee <ul style="list-style-type: none"> <li>• Role of the audit committee within the governance structure</li> <li>• Role of the internal auditor in ensuring good internal governance</li> <li>• Role of the external auditor (including audit risk model and audit liability)</li> <li>• Audit report follow-up/decisions made</li> </ul>	C	B	A	2.1.2 Evaluates the specific role of the audit committee in governance
c) Compliance <ul style="list-style-type: none"> <li>• Role of regulatory bodies in ensuring good governance</li> <li>• Sarbanes-Oxley Act of 2002, and Canadian Securities Administrators' multilateral instruments on governance</li> </ul>	C	B	A	2.1.3 Evaluates mechanisms used for compliance purposes
d) Corporate social responsibility <ul style="list-style-type: none"> <li>• Role of social responsibility and ethics within strategic management</li> <li>• Role of code of corporate conduct and ethical values with respect to governance issues</li> <li>• Role management incentives play in maintaining organizational compliance</li> <li>• Reporting mechanisms for compliance and risk issues</li> <li>• Corporate social responsibility and the triple bottom line</li> <li>• Sustainable organization and creation of sustainable stakeholder value</li> <li>• Environmental reporting and the role environmental factors have on strategy (e.g., carbon accounting)</li> </ul>	C	C	B	2.1.4 Analyzes the specific role of the board in an entity's social responsibility strategy and sustainability

Topics	Entry	Core	Elective	Related CPA Competency
<b>Environmental Scanning and Industry Analysis</b>				
a) Mission, vision, values, and objectives <ul style="list-style-type: none"> <li>• Nature, role, and characteristics of vision and mission statements</li> <li>• Differences and relationships between vision, mission, and goals/objectives</li> <li>• Development of vision and mission statements</li> <li>• Financial and non-financial goals and objectives</li> <li>• Alignment of organizational activities with vision, mission, goals, and objectives</li> <li>• Alignment/integration of information systems with business objectives and success factors</li> </ul>	B	B	A	2.2.1 Assesses whether management decisions align with the entity's mission, vision, and values
b) Environmental scan <ul style="list-style-type: none"> <li>• External analysis (e.g. PESTEL, SWOT, etc.)</li> <li>• Profit pool analysis</li> <li>• External stakeholder analysis</li> <li>• Macro forces affecting organizations (economic, social, cultural, demographic, environmental, political, governmental, legal, technological, competitive)</li> <li>• Sources of external information (indexes, online databases, and library)</li> <li>• Monitoring of external trends and events</li> <li>• Internal structure, systems and processes, culture, financial capital, human capital, and intellectual capital of an organization</li> <li>• Internal analysis (value chain analysis, resource/capability/core-competence analysis)</li> <li>• Key success factors of the industry and forces driving industry competition</li> <li>• Porter's Five Forces competitive/industry analysis concepts: barriers to entry, substitute products/services, bargaining power of suppliers and buyers</li> <li>• Industry life-cycle theory</li> </ul>	B	B	A	2.3.2 Evaluates the entity's internal and external environment and its impact on strategy development

Topics	Entry	Core	Elective	Related CPA Competency
<b>Creating Strategy</b>				
a) Strategy formulation				2.3.1 Evaluates the entity's strategic objectives and related performance measures
• Nature and benefits of strategic management	B	B	A	
• Corporate, business, and functional levels of strategy	B	B	A	
• Alternative strategic vehicles, such as diversification (concentric, horizontal, conglomerate), defensive (divestiture, retrenchment), integration (forward, backward, horizontal), intensive (market penetration, market development, product development), and unbundling/outsourcing	B	B	A	
• Strategies (cost leadership, differentiation, focused/niche, best value, and integration of low cost and differentiation)	B	B	A	
• Business strategies at different stages of an industry's life cycle	B	B	A	
• Alternative approaches to growth (joint venture, alliance, merger, acquisition, and organic)	B	B	A	
• Internationalism (entering international markets; risks of doing so; differences in cultural, demographic, and market conditions by market; and types of foreign country entry strategies)	B	B	A	
• E-business in strategy	B	B	A	
• Customer value proposition	B	B	A	
• Performance measurement	B	B	A	
• Advantages/disadvantages of organizational performance measurement systems from a strategic perspective	B	B	A	

Topics	Entry	Core	Elective	Related CPA Competency
b) Strategy implementation <ul style="list-style-type: none"> <li>• Strategic control</li> <li>• Role of corporate governance</li> <li>• Importance communication plays in strategy implementation</li> <li>• Advantages and disadvantages of organizational structures for a strategy (simple, divisional, and matrix designs; centralized and decentralized designs; narrow and broad span of control)</li> <li>• Employee recruitment, training, and retention</li> <li>• Performance measurement, evaluation and incentive systems, and their link to strategy</li> <li>• Role of belief systems and corporate values in supporting new strategies</li> <li>• Role of organizational culture in strategy</li> <li>• Specific behaviour systems (codes of conduct, policy manuals, and procedures)</li> <li>• Change management</li> <li>• Nature and roles of operations, human resources, finance, marketing, and information technology in strategy implementation</li> </ul>	C C C C C C C C C C C	B B B B B B B B B B B	A A A A A A A A A A A	2.4.1 Analyzes the key operational issues and alignment with strategy 3.1.3 Recommends improvements to reporting systems to meet information needs
c) Strategy evaluation <ul style="list-style-type: none"> <li>• Practical framework for monitoring and evaluating financial and non-financial strategic objectives</li> <li>• Contingency planning</li> </ul>	B B	B B	A A	2.3.3 Evaluates strategic alternatives
d) Managing risk <ul style="list-style-type: none"> <li>• Different types of enterprise risk (strategic, operational, reporting, compliance)</li> <li>• Techniques for risk measurement and evaluation (examples: benchmarking, probabilistic models, sensitivity models, scenario analysis)</li> <li>• External risk and benefit analysis related to strategic objectives</li> <li>• Risk response alternatives (accept, share, transfer, reduce/mitigate, avoid)</li> <li>• Cost/benefit analysis of risk response alternatives</li> <li>• Risk management policies and procedures</li> </ul>	C C C C C C	B B B B B B	A A A A A A	2.5.1 Designs an effective risk management program and evaluates its impact on shareholder value



## Example of the Knowledge Expectations at Each Proficiency Level

### Knowledge Item: *Governance Structure*

To assist candidates in differentiating among the levels, all three levels of expectations are illustrated.

#### **Level C**

The candidate at *Level C* proficiency would be able to:

- explain the duties of the board of directors, management, owners, and other stakeholders;
- explain the role of regulatory bodies in ensuring good governance;
- explain the impact of the Sarbanes-Oxley Act of 2002 and Canadian Securities Administrators' multilateral instruments on governance;
- explain the information required by the board of directors and its committees to perform their roles;
- explain how the board of directors can self-evaluate;
- explain the governance elements within the organization (integrity, ethical values, competence, culture, management philosophy, policies, and procedures); and
- explain the need for active participation by the board of directors and others charged with governance.

#### **Level B**

In addition to the tasks noted at *Level C*, the candidate at *Level B* proficiency would be able to:

- distinguish between the roles of governance and senior management in public corporations, not-for-profit organizations, and public sector organizations;
- identify what is needed to have a good governance structure (independent audit committee, performance-based executive compensation packages, code of conduct, IT solutions for decision-making, etc.);
- describe the roles, responsibilities, and duties of the board of directors, executive management, owners, and other stakeholders;
- conduct a review of a governance structure and advise on any potential issues with existing processes and controls;
- identify conflicts of interest in the governance structure; and
- explain the role of the audit committee and its relationship to good corporate governance.

**Level A**

In addition to the tasks noted at *Level C* and *Level B*, the candidate at *Level A* proficiency would be able to:

- critique the individuals and the roles they play in the organizational governance structure;
- recommend good governance practices as they relate to executive compensation practices;
- evaluate and recommend changes to the code of conduct for an organization;
- recommend/create a self-evaluation model that could be used by the board of directors;
- recommend solutions to help address information gaps in existing management information systems; and
- create an implementation plan to address governance issues.



## Section 3: Management Accounting

**Management Accounting:** Includes identifying management information needs and developing the systems required to meet those needs; planning, forecasting, budgeting, cost and revenue management for an entity; and performance measurement systems.

Topic	Entry	Core	Elective	Related CPA Competency
<b>Management Reporting Needs and Systems</b>				
a) System design, acquisition, and development methodology				3.1.3 Recommends improvements to reporting systems to meet information needs
• Project and change management principles	C	B	A	
• Investigation and feasibility, e.g., cost, requirement fit, vendor stability, etc.	C	B	A	
• Request For Proposal (RFP) and Request For Information (RFI) processes	C	B	A	
• System analysis, and design concepts and techniques	C	B	A	
• Data conversion strategies and approaches	C	B	A	
b) Data integrity, privacy, confidentiality, and security principles	C	B	A	3.1.4 Identifies ethical and privacy issues related to information technology
<b>Budgeting</b>				
a) Nature of the budgeting process				3.2.1 Develops or evaluates information inputs for operational plans, budgets, and forecasts 3.2.2 Prepares, analyzes, or evaluates operational plans, budgets, and forecasts 3.2.3 Computes, analyzes, or assesses implications of variances
• Objectives of budgeting	B	A		
• Budgeting process: functions, relationships, components, timeframe, techniques	B	A		
• Difference between forecasts, pro forma, and budgets	B	B		
b) Types of budgets				
• Master budget and its components (sales, production, materials, labour and inventory, overhead and administration, cash)	A	A		
• Activity-based budgeting	A	A		
• Zero-based budgeting	A	A		
c) Adjustment to Plans and Budgets				
• Flexible budgets	B	A		
d) Cash budgeting (i.e., cash flow forecasts and short- and long-term sources and uses of funds)	B	A		
e) Benchmarking	B	A	A	

Topic	Entry	Core	Elective	Related CPA Competency
f) Budget variance analysis <ul style="list-style-type: none"> <li>Cost and sales variances: price/rate, efficiency, denominator, spending, mix, yield, volume, quantity, market share, and market size</li> <li>Criteria used to select variances to investigate (e.g., materiality, cost/benefit, consistency of occurrence, ability to control, nature of item)</li> <li>Favourable and unfavourable variance analysis</li> </ul>	B  B  B	A  A  A	A  A  A	3.2.3 Computes, analyzes, or assesses implications of variances 3.6.1 Evaluates performance using accepted frameworks
g) Performance indicators <ul style="list-style-type: none"> <li>Various performance indicators</li> <li>Efficiency and effectiveness performance measures for not-for-profit and public sector entities</li> </ul>	B  C	A  B	A  B	3.6.1 Evaluates performance using accepted frameworks
<b>Cost Management</b>				
a) Nature of costs <ul style="list-style-type: none"> <li>Cost behaviour patterns and their relevance to decision-making</li> <li>Cost estimation: underlying assumptions, cost function parameters, difficulties encountered, approaches used: high-low, account analysis</li> </ul>	B  B	B  A	A  A	3.3.1 Evaluates cost classifications and costing methods for management of ongoing operations 3.3.2 Evaluates and applies cost management techniques appropriate for specific costing decisions
b) Classification of costs <ul style="list-style-type: none"> <li>Various cost classifications (variable vs. fixed, step variable, step fixed, mixed, period vs. product, prime, conversion, opportunity, relevant, direct vs. indirect, sunk, controllable vs. non-controllable, committed vs. discretionary, attributed vs. allocated, relevant range)</li> </ul>	A	A		
c) Product costing <ul style="list-style-type: none"> <li>Flow of costs within a manufacturing environment and preparation of schedule of cost of goods sold and cost of goods manufactured</li> <li>Service department cost allocation (step, direct, reciprocal)</li> <li>Variable or direct versus full or absorption costing</li> <li>Cost of capacity (actual, normal, theoretical, and practical capacity)</li> </ul>	B  B  B	A  B  B	A  A  A	
d) Joint product and by-product costing	B	B	A	
e) Process costing <ul style="list-style-type: none"> <li>Process costing applied: weighted average and FIFO methods</li> <li>Treatment of normal and abnormal spoilage</li> </ul>	B  B	A  B	A  A	

Topic	Entry	Core	Elective	Related CPA Competency
f) Job costing <ul style="list-style-type: none"> <li>Job costing applied to various types of jobs</li> <li>Treatment of normal and abnormal spoilage</li> </ul>	B	B	A	3.3.2 Evaluates and applies cost management techniques appropriate for specific costing decisions
g) Activity-based costing (ABC) <ul style="list-style-type: none"> <li>Pros and cons of using activity-based costing, and application</li> <li>Activity-based management (process improvement, process value analysis, cost reduction, activity-based financial performance measurement)</li> </ul>	B	B	A	
h) Relevant costing <ul style="list-style-type: none"> <li>Make or buy (outsourcing), special order, sell or process further, add or drop a product/service/department/customer decisions</li> </ul>	B	B	A	
i) Other costing (e.g., hybrid costing, operations costing, kaizen costing, product life cycle costing)	C	C	C	3.3.1 Evaluates cost classifications and costing methods for management of ongoing operations
j) Standard cost systems <ul style="list-style-type: none"> <li>Difference between actual, normal, and standard costing systems and their applications</li> <li>Establishment of standards</li> </ul>	B	A	A	3.2.1 Develops or evaluates information inputs for operational plans, budgets, and forecasts
	B	A	A	3.2.3 Computes, analyzes, or assesses implications of variances
				3.3.1 Evaluates cost classifications and costing methods for management of ongoing operations
				3.3.2 Evaluates and applies cost management techniques appropriate for specific costing decisions
<b>Types of Management Accounting Analysis</b>				
a) Cost-volume-profit analysis (C-V-P) <ul style="list-style-type: none"> <li>Underlying assumptions, limitations, and information requirements of C-V-P</li> <li>Single- versus multiple-product C-V-P analysis</li> <li>C-V-P graphs</li> <li>Break-even analysis calculations with changing variables</li> </ul>	B	A		3.5.1 Performs sensitivity analysis
	B	A		3.5.2 Evaluates sustainable profit maximization and capacity management performance
	B	B		
	B	A		
b) Trend and sensitivity analysis <ul style="list-style-type: none"> <li>Sensitivity analysis as applied to C-V-P, contribution margin, relevant costing, etc.</li> </ul>	B	A		
c) Contribution margin analysis	B	A		

Topic	Entry	Core	Elective	Related CPA Competency
d) Cost-benefit analysis	B	B	A	3.5.1 Performs sensitivity analysis 3.1.3 Recommends improvements to reporting systems to meet information needs
e) Scenario planning (business intelligence tool)	C	B		3.5.2 Evaluates sustainable profit maximization and capacity management performance
f) Quantitative modeling (linear programming, regression analysis, cause and effect diagrams, etc.)	C	B		
g) Production planning in a scarce resources environment	B	B		
h) Theory of constraints	B	A		
<b>Strategic Cost Management</b>				
a) Costing strategies <ul style="list-style-type: none"> <li>• Generic strategies (cost leadership, differentiation, focused/niche, best value, and integration of low cost and differentiation)</li> <li>• Target costing</li> <li>• Continuous improvement</li> </ul>	C	B	A	3.3.3 Recommends changes identified by applying process improvement methodologies 3.3.4 Recommends cost management improvements across the entity
b) Strategic supplier networks and relationships	C	B	A	3.3.4 Recommends cost management improvements across the entity
c) Supply chain, value chain <ul style="list-style-type: none"> <li>• Components and objectives of supply chain management (including the role of information technology)</li> </ul>	C	B	A	3.4.1 Evaluates sources and drivers of revenue growth
<b>Quality Control and Quality Improvement</b>				
a) Quality measurement systems and measures (e.g., Six Sigma)	C	B	A	3.3.3 Recommends changes identified by applying process improvement methodologies
b) Concepts of quality, quality control, and quality assurance, for products and services	B	B	A	
c) Quality management tools: statistical process control, statistical quality control, Pareto analysis, process capability analysis, fishbone cause-and-effect diagram, scatter diagram, control chart	C	B	A	3.3.3 Recommends changes identified by applying process improvement methodologies 3.6.3 Evaluates root causes of performance issues
d) Cost management methodologies, such as Total Quality Management (TQM), Business Process Management (BPM), and Lean Management	C	B	A	3.6.1 Evaluates performance using accepted frameworks
e) Business process re-engineering (BPR) (i.e., benefits and potential problems of re-engineering)	C	B	A	3.1.3 Recommends improvements to reporting systems to meet information needs
f) Business planning for IT applications and how information systems can facilitate business process re-engineering	C	B	A	3.6.1 Evaluates performance using accepted frameworks 3.6.3 Evaluates root causes of performance issues

Topic	Entry	Core	Elective	Related CPA Competency
<b>Pricing Decisions</b>				
a) Industry structure				
• Competitive markets and perfect competition	C	B	A	3.4.1 Evaluates sources and drivers of revenue growth
• Monopoly, oligopoly, and monopolistic competition	C	B	A	
b) Pricing strategies				
• Factors that affect demand for a product or service and have an impact on pricing	C	B	A	
• Various approaches to pricing (cost-based, demand-based, target-based, life cycle-based, and value-based; reverse engineering pricing strategy)	C	B	A	
c) Cost-plus compared to fixed price contract	C	B	A	
d) Product differentiation, mix, and marketing				
• Customer relationship management (CRM)	C	B	A	
• Product life cycle (stages, characteristics, market positioning, dimensions, domestic and international markets)	C	B	A	
• Product line sales and profits calculations	C	B	A	
e) Sourcing (insource, outsource, contracting) — also see relevant costing, (i.e., risks and costs associated with outsourcing/offshoring/contracting)	C	B	A	3.3.1 Evaluates cost classifications and costing methods for management of ongoing operations 3.3.2 Evaluates and applies cost management techniques appropriate for specific costing decisions 3.4.1 Evaluates sources and drivers of revenue growth
<b>Transfer Pricing</b>				
• Objectives, advantages/disadvantages/ selection/ application of appropriate transfer pricing methods (market price, variable cost, full cost, negotiated), behavioural implications, and consideration of transfer pricing policies	B	B	A	3.4.1 Evaluates sources and drivers of revenue growth 3.6.2 Evaluates performance of responsibility centres
• Transfer price calculations	C	B	A	
• International transfer pricing considerations: differences from domestic transfer pricing, influencing factors (exchange rates, tax rate, duties, political climate, repatriation of profits), objectives, behavioural implications	C	C	B	

Topic	Entry	Core	Elective	Related CPA Competency
<b>Management Evaluation Tools</b>				
a) Responsibility accounting				
• Types of responsibility centres (revenue, cost, profit, investment)	B	B	A	3.6.1 Evaluates performance using accepted frameworks
• Responsibility accounting systems: controllability, performance reports, behavioural implications	B	B	A	3.6.2 Evaluates performance of responsibility centres
• Differences in application to not-for-profit and public sector	C	B	A	
b) Decentralization versus centralization management	B	B	A	
c) Activity-based management, LEAN management	C	B	B	3.6.1 Evaluates performance using accepted frameworks
d) Management by objectives (MBO)	B	B	A	
e) Capacity requirements planning (CRP)/ capacity management	C	B	A	3.5.2 Evaluates sustainable profit maximization and capacity management performance
				3.6.1 Evaluates performance using accepted frameworks
f) Balanced scorecard	C	B	A	3.6.1 Evaluates performance using accepted frameworks
				3.6.3 Evaluates root causes of performance issues
g) Enterprise resource planning	C	B	A	3.1.3 Recommends improvements to reporting systems to meet information needs
				3.6.1 Evaluates performance using accepted frameworks
h) Advantages and disadvantages of various organizational performance measurement systems	C	B	B	3.6.1 Evaluates performance using accepted frameworks
<b>Individual Performance Measurement</b>				
a) Types of performance measurement, evaluation, and incentive systems	B	B	A	3.7.1 Analyzes the implications of management incentive schemes and employee compensation methods
<b>Management Planning and Control Principles as They Apply to Not-for-Profit and Public Sector Organizations</b>				
a) Unique aspects of budgeting, pricing, and program evaluation	C	B	B	3.2.2 Prepares, analyzes, or evaluates operational plans, budgets, and forecasts
				3.4.1 Evaluates sources and drivers of revenue growth



## Example of the Knowledge Expectations at Each Proficiency Level

### Knowledge Item: *Budget Variance Analysis*

To assist candidates in differentiating among the levels, all three levels of expectations are illustrated.

#### **Level C**

The candidate at *Level C* proficiency would be able to:

- use resource materials to select relevant variances and formulas, and provide a general explanation of what a variance is;
- recognize different categories of variances (favourable and unfavourable) and explain what they mean; and
- explain how a variance analysis might be used in a budgeting process and how the information could be useful to a company in improving future operations.

#### **Level B**

In addition to the tasks noted at *Level C*, the candidate at *Level B* proficiency would be able to:

- analyze the information presented (for example, budget and actual results), integrate some of the key elements into the calculations, and develop several relevant implications;
- calculate variance with reasonable accuracy; and
- draw conclusions based on the calculations that might be meaningful to the company's managers. (It will be up to the manager to assess whether the analysis is in fact meaningful, through a review.)

#### **Level A**

In addition to the tasks noted at *Level C* and *Level B*, the candidate at *Level A* proficiency would be able to:

- perform a more thorough analysis of the calculated variances, focusing on the ones that are most relevant to the issue(s) being examined;
- provide logical interpretations and explain the possible implications for all significant variances, including likely ramifications on future actions to be taken by the company; and
- perform sensitivity analysis to estimate future results.

At *Level A*, the situation might be more complex; for example, it might involve a standard costing system.

## Section 4: Audit and Assurance

**Audit and Assurance:** Includes enhancing the reliability of information through internal activities such as internal control, internal and comprehensive auditing, and through external third-party assurance services such as auditing.

Topics	Entry	Core	Elective	Related CPA Competency
<b>Fundamental Concepts</b>				
a) Concept of assurance <ul style="list-style-type: none"> <li>Economic purposes of assurance engagement</li> <li>The expectation gap (i.e., gaps between the outcomes delivered by the assurance engagement and the expectations of the users)</li> </ul>	B	B	A	4.2.1 Advises on an entity's assurance needs 4.3.1 Assesses issues related to the undertaking of the engagement or project
b) The audit concept <ul style="list-style-type: none"> <li>Social and economic purposes of auditing</li> <li>Distinction between statutory and voluntary audits</li> </ul>	B	B	A	4.2.1 Advises on an entity's assurance needs

Topics	Entry	Core	Elective	Related CPA Competency
<b>Regulatory Framework for Assurance</b>				
a) Auditing and assurance standard-setting process, including the following: <ul style="list-style-type: none"> <li>• Formulation of auditing and assurance standards in Canada</li> <li>• Documents for comment/exposure drafts</li> <li>• Directions in assurance research</li> </ul>	C	C	B	4.2.2 Explains the implications of pending changes in assurance standards
b) Monitoring of the auditing profession, i.e., Canadian Public Accountability Board (CPAB): under Canadian Securities Administrators Rule 52-108, accounting firms that audit reporting issuers must be participants in CPAB's oversight program	C	C	B	
c) Regulatory process in Canada, i.e., the Canadian Securities Administrators (CSA), an umbrella organization of Canada's provincial and territorial securities regulators, whose objective is to improve, coordinate, and harmonize regulation of the Canadian capital markets	C	C	B	
d) Implications of regulatory reporting and assurance	C	C	B	
<b>Audit and Assurance Process</b>				
a) Client acceptance and continuation (CAS 210)	B	B	A	4.3.1 Assesses issues related to the undertaking of the engagement or project
b) Use of practitioner's communication or name (CSOA 5000)	B	B	A	4.3.1 Assesses issues related to the undertaking of the engagement or project 4.3.9 Documents the work performed and its results 4.3.10 Draws conclusions and communicates results
c) Audit planning (CAS 300)	B	B	A	4.3.1 Assesses issues related to the undertaking of the engagement or project

Topics	Entry	Core	Elective	Related CPA Competency
d) Risk assessment process				
• Business risk	B	A	A	4.1.1 Assesses the entity's risk assessment processes
• Going concern (CAS 570)	B	A	A	4.1.2 Evaluates the information system, including the related processes
• Risk of material misstatement (CAS 315)	B	B	A	
• Responsibilities relating to fraud (CAS 240)	B	B	A	4.3.1 Assesses issues related to the undertaking of the engagement or project
• Materiality (CAS 320)	B	A	A	4.3.4 Assesses materiality for the assurance engagement or project
• Internal control	B	A	A	4.3.5 Assesses the risks of the project, or, for audit engagements, assesses the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures
– Control environment (CAS 260, CAS 265)				
– Control frameworks (e.g., COSO, COCO, ITGC, COBIT)				
– Management of internal controls (CAS 402):				
– Authorization of transactions/activities				
– Segregation of duties				
– Design and use of documentation and records				
– Safeguards over access to and use of assets and records				
– Preventive, detective, and corrective measures				
– Objectives of internal controls:				
– Optimizing the use of resources				
– Preventing and detecting error and fraud				
– Safeguarding assets				
– Maintaining reliable control system				
– IT functions and controls				
– General computer controls versus application controls				
– Automated controls versus manual controls				
– Data entry and access controls				
– Processing controls (within the process)				
– End-user and business unit computing controls				
– Specific controls (e.g., identification, authorization, authentication, non-repudiation, encryption, and monitoring)				
e) Audit procedures				
• Nature, timing, and extent of procedures (CAS 510, 540, 550, 560, 600, 610, 620, 710)	B	B	A	4.3.6 Develops appropriate procedures based on the identified risk of material misstatement
– Test of controls, substantive tests (CAS 330)				4.3.7 Performs the work plan
– Analytical procedures (CAS 520)				
• Sampling approach (CAS 530)	B	B	A	
• Confirmation (CAS 505)	B	B	A	
• Computer-assisted techniques	B	B	A	

Topics	Entry	Core	Elective	Related CPA Competency
f) Evidence (CAS 500, 501, 580)				4.3.8 Evaluates the evidence and results of analysis
• Sufficiency	B	B	A	
• Reliability	B	B	B	
• Appropriateness	B	B	B	
g) Documentation (CAS 230)	B	B	A	4.3.9 Documents the work performed and its results
h) Audit conclusions (CAS 450, 700, 705, 706)	B	B	A	4.3.10 Draws conclusions and communicates results
<b>Types of Engagements</b>				
a) Assurance engagements related to financial statements:				4.2.1 Advises on an entity's assurance needs
• An audit of general-purpose financial statements (CAS 200, 220, 250, 720)	B	B	A	4.3.1 Assesses issues related to the undertaking of the engagement or project
• An audit of financial statements prepared in accordance with special-purpose frameworks (CAS 800)	C	C	A	4.3.2 Assesses which set of criteria to apply to the subject matter being evaluated
• An audit of single financial statements and specific elements of a financial statement (CAS 805)	C	C	A	4.3.3 Assesses or develops which standards or guidelines to apply based on the nature and expectations of the assurance engagement or project
• An engagement to report on summary financial statements (CAS 810)	C	C	A	
b) Other assurance engagements:				4.3.4 Assesses materiality for the assurance engagement or project
• Reporting on controls at a service organization (CSAE 3416)	C	C	B	
• Assurance on other matters (i.e., not financial statements or financial information) (5021)	C	C	B	4.3.5 Assesses the risks of the project, or, for audit engagements, assesses the risks of material misstatement at the financial statement level and at the assertion level for classes of transactions, account balances, and disclosures
• An audit on compliance with agreements, statutes, and regulations (5815)	C	C	B	
• An audit on compliance with legislative and related authorities in the public sector (PS 5300)	C	C	B	
• An audit of internal controls over financial reporting that is integrated with an audit of financial statements (5925)	C	C	B	4.3.6 Develops appropriate procedures based on the identified risk of material misstatement
— continued				

Topics	Entry	Core	Elective	Related CPA Competency
c) Review engagements: <ul style="list-style-type: none"> <li>Engagements to review historical financial statements (CSRE 2400)</li> <li>A review of financial information other than financial statements (8500)</li> <li>Attestation engagements other than audits or reviews of historical financial statements (CSAE 3000)</li> <li>A review of compliance with agreements and regulations (8600)</li> <li>Auditor review of interim financial statements (7060)</li> </ul>	C	B	A	4.3.7 Performs the work plan
	C	C	B	4.3.8 Evaluates the evidence and results of analysis
	C	C	B	4.3.9 Documents the work performed and its results
	C	C	B	4.3.10 Draws conclusions and communicates results
	C	C	B	4.3.11 Prepares or interprets information and reports for stakeholders
	C	B	A	
d) Other engagements: <ul style="list-style-type: none"> <li>Compilation engagements (9200, AUG 5)</li> <li>Compilation of a financial forecast or projection (AUG 16)</li> <li>Reports on the results of applying specified auditing procedures to financial information other than financial statements (9100)</li> <li>Agreed-upon procedures regarding internal control over financial reporting (9110)</li> <li>Reports on application of accounting principles (7600)</li> <li>Auditor's involvement with offering documents, including assistance to underwriters and others, consent to use of report, etc. (7150, 7170, 7200, 7500)</li> <li>Reports on supplementary matters arising from an audit or review engagement (CSRS 4460)</li> </ul>	C	B	A	
	C	C	B	
	C	C	B	
	C	C	B	
	C	C	B	
	C	C	B	
	C	C	B	
e) Comprehensive audit engagements: <ul style="list-style-type: none"> <li>Operational audits</li> <li>Continuous auditing engagements</li> <li>Forensic audits</li> <li>Comprehensive auditing, including value-for-money (VFM) audits</li> <li>Environmental audits</li> </ul>	C	C	B	4.4.1 Applies comprehensive auditing techniques
	C	C	B	
	C	C	B	
	C	C	B	
	C	C	B	

Topics	Entry	Core	Elective	Related CPA Competency
<b>Authoritative Literature</b>				
a) Code of Professional Conduct	B	B	A	Relates to all assurance competencies
b) Ethical Principles	B	B	A	
c) <i>CPA Canada Handbook – Assurance:</i>				
• Canadian Standards on Quality Control (CSQC 1)	C	B	A	
• Canadian Auditing Standards (all specifically referred to above)	various	various	various	
• Other Canadian standards				
– General assurance and auditing (except for those specifically mentioned above)	C	C	B	
– Specialized areas (see types of engagements)	C	C	B	
– Review engagements (all specifically referred to above)	various	various	various	
– Related services (all specifically referred to above)	various	various	various	
– Public sector (PS 5000-6420)	C	C	B	
• Assurance and related services guidelines (except for those specifically mentioned above)	C	C	C	

## Example of the Knowledge Expectations at Each Proficiency Level

### Knowledge Item: *Materiality*

To assist candidates in differentiating among the levels, all three levels of expectations are illustrated.

#### **Level C**

The candidate at *Level C* proficiency would be able to:

- explain the concepts of materiality and performance materiality and how they apply to an audit versus a review or other engagements; and
- explain the auditor's responsibility in applying the concept of materiality when performing an engagement.

#### **Level B**

In addition to the tasks noted at *Level C*, the candidate at *Level B* proficiency would be able to:

- understand and apply the different acceptable benchmarks and the factors that might have an impact on the choice of a benchmark for materiality as explained in the Handbook — Assurance (in other words, when it is appropriate to use a percentage of income as a basis for materiality); and
- calculate materiality and apply the concept of performance materiality for routine engagements.

#### **Level A**

In addition to the tasks noted at *Level C* and *Level B*, the candidate at *Level A* proficiency would be able to:

- in addition to applying the benchmark, use professional judgment to determine which benchmark is most appropriate (for example, consider the need to adjust the asset base or net income for bonuses, unusual transactions, etc.);
- calculate materiality and performance materiality for all types of engagements; and
- revise materiality in light of new information or changes in circumstances (for example, net income to a net loss).



## Section 5: Finance

**Finance:** Includes financial analysis and planning, treasury management, capital budgeting, business valuation, and corporate finance transactions.

Topics	Entry	Core	Elective	Related CPA Competency	
<b>External Environment and Impact on Finance Decisions/Analysis</b>					
a) Nature of and accessibility to capital markets (financial markets, public offerings and underwriters, private placements, secondary markets)	C	B	A	5.1.2	Develops or evaluates financial proposals and financing plans
b) Capital market efficiency (efficient market hypothesis)	C	B	B	5.2.2	Evaluates the entity's investment portfolio
c) Other factors in market pricing	C	C	B	5.2.4	Evaluates decisions affecting capital structure
<b>Finance Concepts</b>					
a) Risk/return	C	B	A	5.1.1	Evaluates the entity's financial state
b) Financial leverage and risk (impact on residual return, interaction with operating leverage)	C	B	A	5.1.2	Develops or evaluates financial proposals and financing plans
c) Financial management goals and objectives	C	B	A	5.2.5	Evaluates the entity's cost of capital
d) Impact of inflation/deflation	C	B	A		
e) Income tax considerations	C	B	B		
f) Time value of money (including risk-adjusted discount rates)	B	A	A		
<b>Financial Analysis in a Finance Context</b>					
a) Free cash flow analysis	B	A	A	5.1.1	Evaluate the entity's financial state
b) Horizontal and vertical analysis	B	A	A		
c) Ratio analysis	B	A	A	5.1.2	Develops or evaluates financial proposals and financing plans
d) Trend analysis	B	A	A		
e) Sensitivity analysis	C	B	A	5.3.1	Develops or evaluates capital budgeting processes and decisions
f) Scenario/simulation analysis	C	B	A		
g) Payback	B	A	A		
h) Internal rate of return	C	B	A	5.6.2	Advises a financially troubled business
i) Net present value	B	A	A		

Topics	Entry	Core	Elective	Related CPA Competency	
<b>Financing Decisions and Finance Management</b>					
a) Inputs into determining cash flow needs	B	A	A	5.1.1	Evaluates the entity's financial state
b) Working-capital management	B	B	A	5.1.2	Develops or evaluates financial proposals and financing plans
• Nature of working capital				5.2.1	Evaluates the entity's cash flow and working capital
• Role of liquidity				5.2.3	Evaluates sources of financing
• Cash and marketable securities management				5.5.1	Develops or evaluates financial risk management policies
• Receivables, inventory, and payables management				5.5.2	Analyzes the use of derivatives as a form of financial risk management
c) Sources of short-term financing (trade, factoring, lines of credit)	C	B	A		
d) Credit policy decisions (evaluating credit risk, determining collection policy and credit period, making use of cash discounts, organizing the credit function)	C	B	A		
e) Short-term versus long-term financial planning (objectives and process, forecasting, pro forma financial statements)	C	B	A		
f) Sources of medium- and long-term financing	C	B	A		
• Bank loans					
• Internally generated funds					
• Initial public offerings					
• Venture capital					
• Securitization					
• Government assistance					
g) Asset-based financing	C	B	A		
h) Lease financing (direct lease, sale and leaseback)	C	B	A		
i) Derivative financial instruments	—	C	B		
j) Project financing	C	B	A		

Topics	Entry	Core	Elective	Related CPA Competency
<b>Investing and Risk Management</b>				
a) Forms of ownership and extent of ownership (direct, outsourcing, strategic partnerships)	C	B	A	5.2.2 Evaluates the entity's investment portfolio 5.2.3 Evaluates sources of financing
b) Nature and use of financial instruments	C	B	A	5.5.1 Develops or evaluates financial risk management policies
c) Debt instruments	C	B	A	5.5.2 Analyzes the use of derivatives as a form of financial risk management
d) Equity instruments	C	B	A	
e) Derivative financial instruments (options, rights, warrants, futures, forwards, swaps, other derivatives)	C	B	B	
f) Convertible securities	C	C	B	
g) Stock-based compensation (options, appreciation rights)	—	C	B	
h) Tools to hedge exposures (e.g., interest rate swap, foreign currency hedge)	C	B	B	
i) Other types of investments	C	C	B	
j) Portfolio diversification and optimal investment decision-making	C	B	A	
k) Macro-economic risk assessment	C	B	A	
<b>Capital Structure Decisions</b>				
a) Optimal capital structure	C	B	A	5.2.4 Evaluates decisions affecting capital structure
b) Ownership and control considerations	C	B	A	
c) Financial leverage	C	B	A	
d) Tax considerations (tax shield, etc.)	—	C	B	
e) Effects of bankruptcy costs	C	C	B	
<b>Determination of the Cost of Capital</b>				
a) Capital components and cost	C	B	A	5.2.5 Evaluates the entity's cost of capital
b) Capital asset pricing model (CAPM)	C	B	A	
c) Weighted average cost of capital (WACC)	C	B	A	
d) Marginal cost of capital	C	B	A	
<b>Distribution of Earnings</b>				
a) Dividend policy	C	C	A	5.2.6 Evaluates decisions related to distribution of profits
b) Alternatives to cash dividends (stock dividend, stock split, share repurchase, dividend reinvestment)	C	C	A	
<b>Capital Budgeting</b>				
a) Role and nature of capital budgeting	B	B	A	5.3.1 Develops or evaluates capital budgeting processes and decisions
b) Discount versus capitalization rate	C	B	A	
c) Investment in working capital	C	B	A	
d) Evaluation criteria (capital rationing, abandonment decisions)	—	C	B	
e) Tax effects	C	B	A	
f) Post-audit of capital investments	—	C	B	

Topics	Entry	Core	Elective	Related CPA Competency
<b>Cash Flow/Net Income Estimation</b>				
a) Tax effects	C	B	A	5.3.1 Develops or evaluates capital budgeting processes and decisions
b) Effects of non-cash items	C	B	A	
c) Discounting	C	B	A	
<b>Valuation</b>				
a) Purpose and nature of the valuation	C	B	A	5.4.1 Determines the value of a tangible asset
b) Fair market value concept	C	B	A	5.4.2 Applies appropriate methods to estimate the value of a business 5.4.3 Estimates the value of an intangible asset
c) Common inputs to valuation techniques (credit risk, market price, marketability, volatility, etc.)	C	B	A	
d) Approaches to valuation (for fixed income securities and/or equity instruments): <ul style="list-style-type: none"> <li>• Asset-based (adjusted book value, liquidation value, replacement cost)</li> <li>• Transaction-based (capitalization of earnings, capitalization of cash flows, discounted earnings, discounted cash flow)</li> <li>• Market-based (multiples)</li> </ul>	C	B	A	
e) Approaches to the valuation of intangible assets	C	C	B	
<b>Corporate Finance Transactions</b>				
a) Forms of expansion and divestiture (mergers, acquisitions, strategic alliances, joint ventures, spin-offs)	C	B	A	5.6.1 Evaluates the purchase, expansion, or sale of a business 5.6.2 Advises a financially troubled entity
b) Transaction considerations	—	C	B	
c) Key risks and rewards in corporate finance	C	B	A	
d) Synergies involved in the combination of entities	—	C	A	
e) International considerations (exchange risks, political risks, economic risk, international sources of capital)	C	C	B	

## Example of the Knowledge Expectations at Each Proficiency Level

### Knowledge Item: *Approaches to Valuation*

To assist candidates in differentiating among the levels, all three levels of expectations are illustrated.

#### **Level C**

The candidate at *Level C* proficiency would be able to:

- describe or explain the three different valuation approaches (asset-based, transaction-based and market-based); and
- describe or explain the factors that affect the determination of a valuation.

#### **Level B**

In addition to the tasks noted at *Level C*, the candidate at *Level B* proficiency would be able to provide a valuation on a preliminary basis by:

- calculating a preliminary value using an appropriate method from basic approaches (earnings-based and asset based); and
- using income statements/projections that are provided, prepare a preliminary valuation (for example, discounted cash flow analysis or normalized earnings amount, taking into account the key relevant adjustments).

The CPA candidate at *Level B* would understand the need to review the valuation with a more senior subject matter expert.

#### **Level A**

In addition to the tasks noted at *Level C* and *Level B*, the candidate at *Level A* proficiency would be able to:

- prepare a valuation considering all three valuation approaches (assets, transactions, and market-based) and related methods (earnings can be normalized earnings or discounted cash flow, etc.);
- identify and explain which valuation method is most appropriate in the circumstances; and
- provide a recommendation valuation amount, supported by detailed calculations, and explain the rationale behind the valuation.

*Level A* proficiency requires much greater depth of understanding of the methods of valuation and the variables affecting the calculations.

## Section 6: Taxation

**Taxation:** Includes tax compliance and reporting, and tax-planning and implementation strategies for both corporate and personal taxpayers, and an understanding of the administrative processes in Canadian taxation.

Topics	Entry	Core	Elective	Related CPA Competency	
<b>General Concepts and Principles of Taxation</b>					
a) Structure and interpretation of ITA	C	B	A	6.1	Assesses a corporate entity's general tax issues
b) General anti-avoidance rule	C	B	A		
c) Filing deadlines and requirements	B	B	B	6.2.1	Assesses general tax issues for an individual
d) Notice of assessment, interest and penalties, failures and omission	C	C	B	6.2.6	Analyzes tax consequences for non-residents
e) Objections to assessments and appeal process	C	C	B	6.3.1	Advises taxpayers with respect to assessment, notice of objection, and appeals
f) Existence of tax conventions and treaties	C	B	B		
g) Concept of residency, deemed resident, part-year resident	—	C	B		
h) Attribution rules	B	B	A		
i) Other types of taxation (HST/GST, etc.)	B	B	A		
j) Integration under ITA	C	B	A		
<b>Stakeholder Relationships</b>					
a) Non-arm's length and related persons	B	B	A	6.1	Assesses a corporate entity's general tax issues
b) Associated or connected corporations	B	B	A		
c) Affiliated persons	B	B	A	6.2.1	Assesses general tax issues for an individual
d) Personal service business	B	B	A		
<b>Legal Form and Structures</b>					
a) Sole proprietorship	B	B	A	6.1	Assesses a corporate entity's general tax issues
b) Corporation (e.g., private, CCPC, public)	B	B	A		
c) Joint ventures	C	B	A	6.2.1	Assesses general tax issues for an individual
d) Partnerships	C	B	A		
<b>Sources and Computation of Taxable Income</b>					
a) Sources and types of income				6.1	Assesses a corporate tax entity's general tax issues
• Office or employment	B	B	A		
— Taxable benefits				6.1.2	Determines taxes payable for a corporation in routine situations
— Deductions allowed and limitations					
• Employee or self-employed, personal services business	C	B	A	6.2.1	Assesses general tax issues for an individual
• Business or property income	B	B	A	6.2.2	Determines income taxes payable for an individual in routine situations
— Types of income: active business income, property income, interest income, dividend income, rental properties, capital gain/loss					
— Basic rules and principles					
— Inclusions					
— Deductions — limitations					— continued

Topics	Entry	Core	Elective	Related CPA Competency
b) Capital cost allowance (CCA)				
• General principles and definitions	B	B	A	
– Undepreciated capital cost (UCC) and calculation of CCA				
– Recaptured capital cost allowance				
– Terminal loss				
– Acquisition and disposition of depreciable property				
– Capital cost allowances classes				
• Special rules	C	B	A	
– Exchanges of property – replacement				
– Change in use, non-arm's length transfers				
– Passenger vehicle – luxury				
– Deemed capital cost – inducement				
– Expenses of representation				
– Disposition of a building and land				
– Loss on certain transfers				
– Available for use				
– Consideration – FMV rules				
– Short taxation year				
c) Taxable capital gains and allowable capital losses				
• General rules, definitions, and computation	B	B	A	
• Identical property rule	B	B	A	
• Proceeds of disposition – allocation	B	B	A	
• Inadequate consideration, gifting	C	B	A	
• Election – disposition of Canadian securities	B	B	A	
• Business investment loss	B	B	A	
• Capital gains reserves	B	B	A	
• Principal residence	B	B	A	
• Listed personal property	B	B	A	
• Small business share rollover	B	B	A	
• Personal use property	B	B	A	
• Special rules	B	B	A	
• Dispositions to affiliated persons	C	B	A	
• Options and convertible property	B	B	A	
• Adjusted cost base – inclusions and deductions	B	B	A	
• Corporate dividend – transfer of property	–	B	A	
				– continued

Topics	Entry	Core	Elective	Related CPA Competency
d) Other sources of income inclusions and deductions				
• Indirect payments	B	B	A	
• Interest-free or low-interest loans	B	B	A	
• Termination payments	B	B	A	
• Support payments	B	B	A	
• Annuity payments	B	B	A	
• Transfer of retirement income and sheltered amounts	B	B	A	
• Moving expenses	B	B	A	
• Child care expenses	B	B	A	
• Disability support deduction	B	B	A	
<b>Computation of Taxes Payable</b>				
a) Tax payable for a corporation				
• Including small business deduction, general tax reduction, RDTOH, refundable Part I tax and Part IV tax	B	B	A	6.1.2 Determines taxes payable for a corporation in routine situations 6.1.3 Determines taxes payable for a corporation in non-routine situations
b) Tax payable for an individual				
• Tax payable under Part 1.2	B	B	A	6.2.2 Determines income taxes payable for an individual in routine situations
• Non-refundable tax credits	B	B	A	
• Refundable tax credits	B	B	A	
• Alternative minimum tax	C	B	A	6.2.6 Analyzes tax consequences for non-residents
c) Computation of taxable income deductions (e.g., donations, loss carry-overs, dividends, etc.)	B	B	A	
• Rules applicable to all taxpayers	B	B	A	
– Foreign tax credit				
– Political contributions credit				
• Scientific research and experimental development	—	—	B	
– Investment tax credit — basic rules				
– Refundable investment tax credit				
• Non-resident taxpayers	—	C	B	
– Tax payable under Part I				
– Tax payable under Part XIII				
– Impact of tax treaties and conventions				
• Financially troubled businesses	—	—	B	
– Debt forgiveness				
– Unpaid amounts				
<b>Tax Planning for Corporations and Individuals</b>				



Topics	Entry	Core	Elective	Related CPA Competency
a) Owner-manager tax-planning				
• Incorporation	C	C	A	6.1.4 Advises on tax consequences or specific tax-planning opportunities for shareholders and their closely held corporations
• Compensation options for owner-manager/employment income versus dividends	C	C	A	
• Shareholder and employee benefits and loans, deemed interest paid	C	C	A	6.1.5 Analyzes the tax consequences or planning opportunities for complex corporate transactions
• Tax on split income (kiddie tax)	C	C	A	
b) Business structure planning				
• Business combinations and corporate reorganizations	—	C	B	6.1.6 Describes the tax consequences of other corporate and partnership restructuring transactions
• Wind-up of a subsidiary into its parent corporation	—	—	C	6.2.4 Advises on specific tax-planning opportunities for individuals
• Amalgamation of multiple corporation	—	—	C	
• Transfer of assets to a corporation	—	C	B	
• Non-arm's length sale of shares	C	C	A	
• Acquisition of control	—	C	B	
• Purchase and sale of assets versus shares	—	C	B	
• Use of holding companies	—	C	B	
• Transfer pricing taxation issues	—	C	B	
<b>Succession and Estate Planning</b>				
a) Transfer of property to spouse	C	C	A	6.1.4 Advises on tax consequences or specific tax-planning opportunities for shareholders and their closely held corporations
b) Transfer of property to children	C	C	A	
c) Income splitting and attribution rules	C	C	A	
d) Capital losses in estate	—	C	B	
e) Deemed disposition on death	—	C	B	
f) Returns of a deceased individual	—	C	B	6.2.3 Determines income taxes payable for an individual in non-routine situations
• Basic rules				6.2.4 Advises on specific tax-planning opportunities for individuals
• Reserves for year of death				6.2.5 Analyzes estate-planning opportunities for individuals
• Elective returns				
<b>Trusts</b>				

Topics	Entry	Core	Elective	Related CPA Competency
a) Types of trusts (inter vivos and testamentary trusts)	—	C	B	6.2.3 Determines income taxes payable for an individual in non-routine situations
b) Distributions from trusts on beneficiary	—	—	B	
c) Income and taxes payable for inter vivos and testamentary trusts	—	—	B	6.2.5 Analyzes estate-planning opportunities for individuals
d) Impact of distributions from trusts to beneficiary	—	—	B	
<b>Partnership</b>				
a) Transactions between a partnership and its partners	—	—	C	6.1.3 Determines taxes payable for a corporation in non-routine situations
b) Limited partnership — at-risk rules	—	—	C	
c) Transfer of property to partnership	—	—	C	6.1.6 Describes the tax consequences of other corporate and partnership restructuring transactions
d) Admission or withdrawal of a partner	—	—	C	
e) Termination of a partnership	—	—	C	
f) Flow-through of partnership income to a corporate partner	—	—	B	6.2.3 Determines income taxes payable for an individual in non-routine situations
g) Allocation of income/loss from a partnership to be recorded on the individual's tax return	—	—	B	
<b>Deferred Income Plans</b>				
a) RRSP	C	C	A	6.2.4 Advises on specific tax-planning opportunities for individuals
b) TFSA	C	C	A	
c) RESP	C	C	A	6.2.5 Analyzes estate-planning opportunities for individuals
d) RDSP	C	C	A	
<b>GST/HST</b>				
a) Liability for tax	B	B	A	6.1.1 Assesses a corporate entity's general tax issues
b) Input tax credits	B	B	A	
c) Registration	B	B	A	
d) Collection and remittance	B	B	A	

## Example of the Knowledge Expectations at Each Proficiency Level

### Knowledge Item: *Compensation Options for Owner-Manager*

To assist candidates in differentiating among the levels, all three levels of expectations are illustrated.

#### **Level C**

The candidate at *Level C* proficiency would be able to describe or explain:

- the federal personal and corporate income tax rates that are typical, creating the need for a discussion of the principle of integration;
- the principles of integrating personal and corporate income tax; and
- the benefits of tax-planning and the way various compensation packages are used.

#### **Level B**

In addition to the tasks noted at *Level C*, the candidate at *Level B* proficiency would be able to conduct a preliminary quantitative and qualitative analysis to show alternative remuneration packages for the owner-manager by:

- explaining, after a preliminary analysis of the situation, how the principles of the integration of corporate and personal income taxation apply to the owner-manager's situation;
- calculating and explaining the tax impact of fringe benefits;
- identifying and analyzing some alternative forms of compensation for the owner-manager, such as salary or bonuses versus dividends; and
- identifying and explaining income-splitting opportunities.

The candidate would seek corroboration of the preliminary analysis from a more senior member of the personnel with additional subject-matter expertise.

#### **Level A**

The candidate at *Level A* proficiency would, in addition to all the tasks noted at *Level C* and *Level B*, be able to suggest alternative remuneration strategies by:

- preparing a detailed analysis of the tax consequences of alternative forms of compensation, considering some of the more complex forms of compensation (share issuance, use of trusts);
- analyzing which is the better alternative based on an appropriate application of the taxation rules; and
- identifying the optimal compensation package in the circumstances presented, for recommendation to the owner-manager.

## Section 7: Other General Business Topics

The professional education program modules also draw on topics in the following disciplines: information technology, law, economics, and quantitative methods/statistics. Generally, candidates are expected to apply their knowledge in these areas at *Level B* proficiency.

### a) Information and Information Technology

- General business information systems
- General system architectures
- Nature, types, and uses of information within an entity
- Processing modes (batch, online, etc.)
- Types of networks (local area network, wide area network, and wireless network)
- Identification of key hardware components in a system or network
- Components and processing units
- Types of software, including operating systems and communication systems
- Security
- Application software
- Web-based solutions
- Open source, proprietary, in-house applications
- Data organization and access
- Data integrity, privacy, confidentiality, and security principles
- System security components
- Access controls, application controls, and system controls
- Automated controls versus manual controls
- Processing controls (within the process)
- Program change controls

### b) Law

- Overview of the Canadian legal system
  - Sole proprietorships and partnerships
  - Partnership acts, nature, agreement, limited partnerships, and limited liability partnerships (LLP)
- The nature of a corporation and its formation
  - Methods of incorporation
  - External responsibilities
  - Liability of directors
  - Shareholders' agreements
- Tort law
  - Intentional and unintentional torts and the concepts related to negligence
  - Professional liability
  - General remedies for tort

- Contract law
  - The formation of a valid contract, and enforceability of contractual rights
  - Contract issues
  - Performance and breach of contract
  - General remedies and damages
- Business law
  - Sale of goods and consumer protection law
  - Banking and negotiable instruments
  - Law of credit and finance
- Property rights
  - Real property
  - Intellectual property
  - Patents, copyrights, trademarks, and franchising
- Environmental law
- International business law

### c) Economics

#### *Microeconomics*

- Introduction to economics/the economic way of thinking
- Gains from trade
- Market forces (demand/supply/Market price)
- Elasticity
- Consumer demand theory
- Theory of investor decision-making
- Agency theory
- Theory of capital markets
- The costs of production
- Perfect competition
- Monopoly/oligopoly
- Monopolistic competition
- Resource markets (factors of production)
- The labour market
- Inequality and distribution
- Externalities
- Role of government

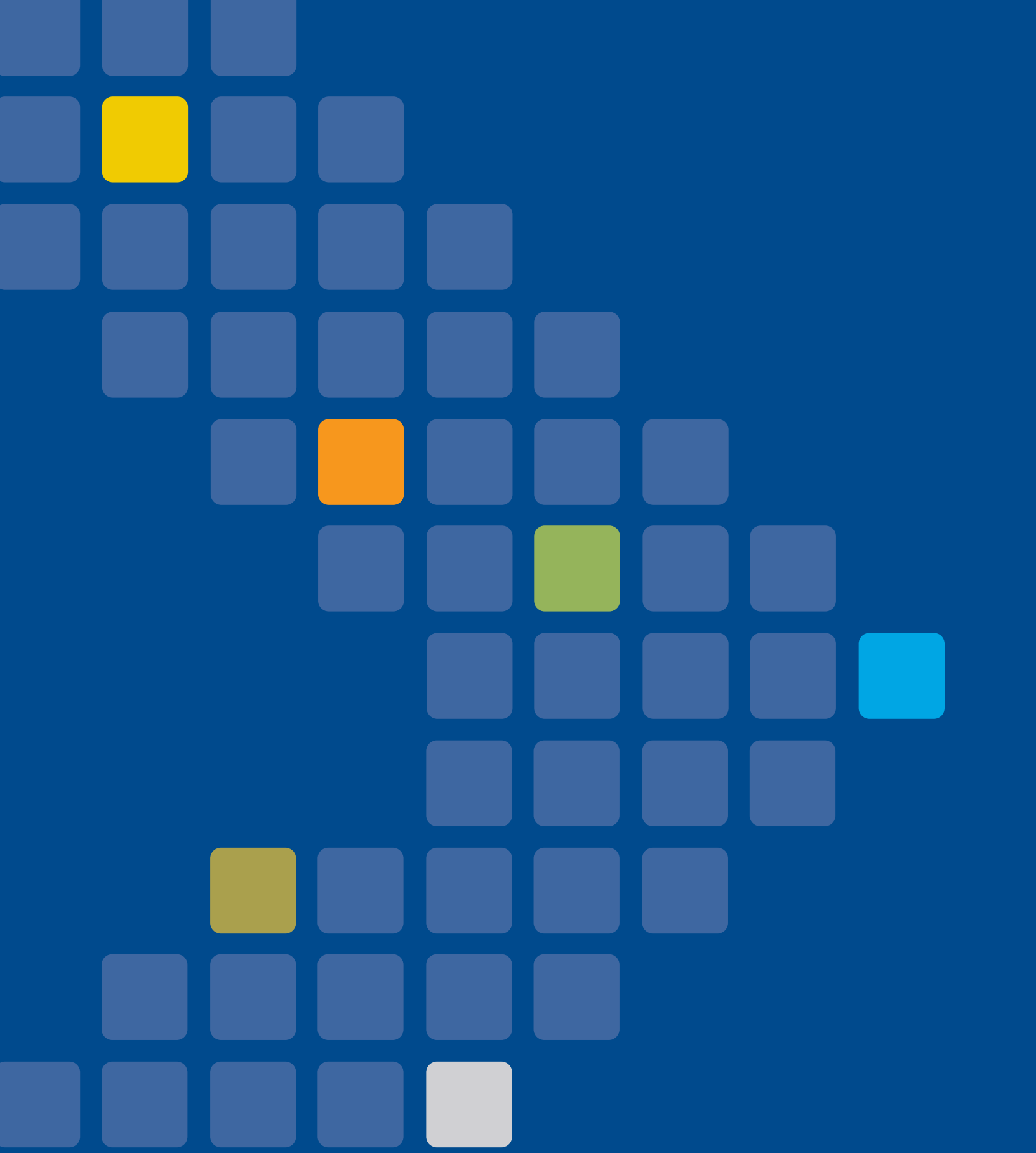
**Macroeconomics**

- Measuring national income
- Aggregate demand
- Aggregate supply
- The multiplier
- Money, banking, and monetary policy
- Unemployment
- Impact of inflation and deflation
- International trade
- Exchange rates
- Open and closed economies
- Market efficiency
- The economic perspective in the short run and long run
- Productivity and growth

**d) Quantitative Methods/Statistics**

- Basic probability and important distributions
  - Probability theory and concepts
  - Discrete probability distributions (binomial, poisson)
  - Normal and other continuous probability distributions
- Statistical inferences based on samples
  - Sampling design and distribution, confidence intervals, and estimation
  - Hypothesis testing and statistical significance, including two sample tests
  - Goodness of fit tests
  - Contingency analysis
- Regression and correlation
  - Simple linear regression
  - Correlation analysis and multiple regression analysis
  - Model building
- Other topics
  - Forecast time series data
  - Decision-making using statistics
  - Statistical application in quality and productivity management





THE CPA COMPETENCY MAP KNOWLEDGE SUPPLEMENT

Issued and revised for clarification in 2018, retaining original effective date of 2013