

## CPA ALBERTA PROFESSIONAL ACCOUNTING FIRM FREQUENTLY ASKED QUESTIONS

### 1. What services require me to register a professional accounting firm (PAF)?

Under the *Chartered Professional Accountants Act (CPA Act)*, any Chartered Professional Accountants of Alberta (CPA Alberta) registrant who is providing, or offering to provide, one or more of the following services to the public must do so through a registered PAF:

- (i) an assurance engagement;
- (ii) a specified auditing procedures engagement;
- (iii) a compilation engagement;
- (iv) accounting services;
- (v) forensic accounting, financial investigation or financial litigation support services;
- (vi) advice about or interpretation of taxation matters;
- (vii) preparation of a tax return or other statutory information filing, if the return or filing is prepared in conjunction with any service referred to in subclauses (i) to (vi)

### 2. What services require me to register a professional service provider (PSP)?

Under the *Chartered Professional Accountants Act (CPA Act)*, any CPA Alberta member who provides any of the following services on behalf of a corporation whose primary business is not accounting must register a PSP:

- (i) accounting services;
- (ii) forensic accounting, financial investigation or financial litigation support services;
- (iii) advice about or interpretation of taxation matters;
- (iv) preparation of a tax return or other statutory information filing, if the return or filing is prepared in conjunction with any service referred to in subclauses (i) to (iii)

Also, as per CPA Alberta Bylaw 1801, any CPA Alberta member who is providing, or offering to provide, one or more of the following specified professional services to the public would be required to register a PSP:

- (i) acting as a trustee in bankruptcy, a liquidator, a receiver, a receiver-manager or acting in any other aspect of insolvency practice; or
- (ii) public practice as a business valuator

### 3. What is the definition of “accounting services” referred to above?

Under the Section 1(b) of the *Chartered Professional Accountants Act (CPA Act)*, accounting services is defined as the:

*summarization, analysis, advice or counsel about or interpretation of accounting matters, but does not include*

- (i) *bookkeeping, or*
- (ii) *any accounting service that is performed incidentally by a provider whose primary occupation is not accounting;*

#### **4. What is CPA Alberta's definition of "bookkeeping" services?**

Bookkeeping is managing a bank account, without additional journal entries for the period. It is the posting and management of accounts payable and receivable and expenditures and sales transactions, with no production of financial statements and no accruals are done. Bookkeeping is printing statements from an accounting software system, but not a full and complete set of financial statements. For example, no cash flow statement and no statement of retained earnings is completed.

#### **5. Does providing Personal Tax Returns require registration of a PAF?**

A CPA Alberta member can offer simple, straight forward personal tax returns (with no accounting services, additional financial statements, financial information, or advice provided) to the public for a fee without being registered. It is expected that these returns would only include T4s and/or a few T5s.

Please note that with personal tax returns ("T1s"), where the accountant prepares more work such as financial information or financial statements, CPA Alberta members are required to register a PAF. Providing advice (which can be something as simple as asking your client whether or not they have certain types of income or expenses) would also require registration of a PAF.

#### **6. What are the current practice requirements if I want to register a professional accounting firm for only a specific area of practice (i.e. tax, compilation, or assurance)?**

As of October 1, 2017, CPA Alberta's Professional Accounting Firm (PAF) registration structure has changed to the Varied Registration Model. This new model provides increased clarity for clients and prospective clients on the types of services that a PAF can perform and follows the standards set for PAF registrations/licensure across the country.

The Varied Registration Model contains four categories:

- Audit
- Review
- Compilation
- Other regulated services (including public accounting practice services)

More information regarding the education and practical experience requirements for the PAF Varied Registration categories can be found [here](#).

To be able to assess what services a CPA member is eligible to provide, we require the Professional Accounting Firm New Applicant Assessment form to be completed. By completing this form, we will be better able to provide our members with information regarding what (if any) additional courses or experience will be required and what services they would be currently able to provide.

Processing time for PAF assessments is between four (4) to eight (8) weeks, depending on the volume of assessments received by CPA Alberta.

#### **7. What fees are required?**

Initial and annual registration fees. Fees are reduced by 50% for initial registrations approved between April 1 and September 30. Please refer to the [CPA Alberta Fee Schedule](#) on our website for the most current fee information.

**8. What type of insurance do I need and what is the coverage amount requirement if I must register a PAF or PSP?**

If you are required to register a PAF or PSP, the type of insurance required would be Errors and Omissions. The coverage amounts, as mandated in CPA Alberta Bylaw 801, are as follows:

*For the purpose of registration as a professional accounting firm or professional service provider, with the exception of limited liability partnerships, an applicant must provide satisfactory evidence to the Registrar that the practice carries professional liability insurance for all services offered to the public by that professional accounting firm or professional service provider in an amount not less than:*

- (a) \$1,000,000 per incident excluding defense costs where one registrant is engaged in the practice;
- (b) \$1,500,000 per incident excluding defense costs where two or three registrants are engaged in the practice; and
- (c) \$2,000,000 per incident excluding defense costs where four or more registrants are engaged in the practice.

**9. Are the insurance requirements different if I want to operate my PAF as a Limited Liability Partnership (LLP)?**

Yes, the insurance requirements differ for LLPs.

If you want to operate your PAF as an LLP, the type of insurance required would be Errors and Omissions; however, the coverage amounts, as mandated by Regulation 18 of the Chartered Professional Accountants Regulation, are as follows:

- \$2,000,000 per incident for partnerships with fewer than 4 chartered professional accountants or professional corporations engaged in the partnership's practice, and
- \$2,500,000 per incident for partnerships with 4 or more chartered professional accountants or professional corporations engaged in the partnership's practice.

The term "engaged in the partnership's practice" refers to any partner of the LLP.

**10. How do I register a Limited Liability Partnership (LLP)?**

In order to register an LLP, a professional accounting firm (PAF) must first be registered with CPA Alberta.

PAFs that would like to register as LLPs must:

1. Obtain a certificate from CPA Alberta;
2. Register with the Government of Alberta through Corporate Registry;
3. Finalize Registration with the Chartered Professional Accountants of Alberta (CPA Alberta); and,
4. Send Notice to Clients.

More information on the LLP registration process can be found [here](#).

**11. What is a "descriptive style"?**

Similar to the use of the CPA designation for members, a descriptive style is a tag used for a professional accounting firm that allows the public to know that they are dealing with a CPA firm.

Rule 402 of the *Chartered Professional Accountants of Alberta Rules of Professional Conduct* requires professional accounting firms engaging in a professional or public accounting practice to use the descriptive style of "Chartered Professional Accountant(s)" unless it forms part of the firm name.

**12. I'm a CPA Candidate; can I register to offer and/or conduct public accounting services on my own, or as a partner?**

No, the *Chartered Professional Accountants Act* (CPA Act) prohibits candidates (formerly known as *students*) from providing or offering to provide services defined under the CPA Act as a professional accounting practice or public accounting practice. As a CPA candidate, you are not permitted to operate as a professional corporation, nor become a partner in a registered professional accounting firm (PAF).

As such, the only services a CPA candidate is able to provide are bookkeeping services and/or personal tax return services as defined above in questions 4 and 5.

**Remember!** It is not permissible to offer/provide 'accounting services', which are defined as *summarization, analysis, advice or counsel about or interpretation of accounting matters*.

Prior to earning your CPA designation, in order to prepare more work such as financial information or financial statements and/or provide advice (which can be something as simple as asking your client whether or not they have certain types of income or expenses) when preparing personal tax returns ("T1s"), you must be under the supervision of a CPA member that is providing these services through a registered PAF.

**13. Can a designated CPA work for/partner with a non-registered professional accounting firm?**

No, any CPA registrant that is providing or offering to provide any services defined under the *CPA Act's* definition of professional accounting practice or public accounting practice must do so through a registered professional accounting firm.

**14. Can I operate my firm as a limited corporation, or numbered company?**

Under the governing documents that guide the CPA profession in the *CPA Act*, registrants who are providing professional accounting services or public accounting services in Alberta and who choose to operate in a corporate form must do so through a *Professional Corporation* – for absolute clarity, corporate forms such as Incorporated (Inc.), Limited (Ltd.), etc. are not permitted.

In addition, under the *CPA Act* only a Member is permitted to register a Professional Corporation.

**15. What about practice review?**

All registered PAFs are subject to practice review. More information about the practice review process can be found [here](#).