



## Small Business and Regulation in Canada

Views of Publicly Traded Small and Medium-sized Entities (SMEs) and Accounting Practitioners (SMPs) in Canada

By the Certified General Accountants Association of Canada



Certified General  
Accountants  
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The observance of regulations has become a fundamental part of life for the conduct of business in Canada. Governments, through the imposition and enforcement of rules, have relied on regulations to moderate the behaviours of both individuals and firms in the pursuit of economic and social objectives. Although at a macro level, regulation is necessary for the achievement of desired economic and social outcomes, regulations do pose a cost to society and to individual firms. These costs, which can include the administration costs of governments, the compliance costs of firms and other indirect costs such as lost innovation and productivity, have received the growing attention of administrators and businesses in Canada in recent years. Most notably, there has been increasing concern in Canada with respect to the over-regulation of smaller entities.

When it comes to regulation, a concern for smaller entities is that they must often comply with the same rules as those applicable to their larger competitors. As smaller firms typically have fewer resources than their larger counterparts, compliance can place a disproportionate burden on these smaller firms. In addition, smaller firms complain that a majority of the regulations they face are of little relevance to their operations, contending that regulations are often created to address only those issues associated with larger entities and their more extensive and far-reaching operations.

Industry and governments throughout the world have acknowledged the disproportional impact of regulations on smaller and medium-sized entities (SMEs). In Canada, Industry Canada and the Canadian Federation of Independent Business have long recognized this issue and, in June 2005, struck an Advisory Committee on Paperwork Burden to address the regulatory burden on businesses in Canada. The committee, made up of government officials and small business representatives, intends to measure the impact of regulatory compliance on businesses of different sizes in Canada over the next five years. Through this assessment, the committee's aim is to identify concrete initiatives and policies that will effectively reduce the impact of regulatory burden on smaller entities in Canada.

A number of jurisdictions outside of Canada have also made attempts to address the impact of regulatory costs on smaller firms. One notable example, which has received significant attention in the last few years, has been the focus in the US on the impact of the *Sarbanes-Oxley Act* of 2002 (SOX).

The concern with SOX, which was implemented in the US by the Securities and Exchange Commission (SEC) to improve corporate governance and financial disclosure in response to the corporate financial scandals of the early 2000s, is that certain requirements are considered to have become too cumbersome and expensive to implement, especially for smaller entities. In response to these concerns, the SEC established an Advisory Committee on Smaller Public Companies (Committee) to examine the impact of SOX on smaller public companies and, based on the Committee's recommendations, has already extended the compliance date for smaller public companies for section 404 of SOX.

As the SEC attempts to restore investor confidence in its capital markets through initiatives such as SOX and its more recent proposals regarding executive compensation disclosure, the impacts on companies in the US will continue to have implications for smaller companies in Canada. This is particularly true as Canadian securities administrators take steps to address the concerns of smaller entities when finalizing and implementing comparable rules and safeguards in Canada.

Another important issue to consider when examining the influence of regulation on small business is the degree to which SMEs rely on external assistance to meet or satisfy their regulatory obligations. As smaller businesses typically have limited resources to stay abreast of often complex and changing requirements, third-party professionals, such as accountants, can play a key role in assisting SMEs with their regulatory obligations.

Gaining a deeper understanding of the roles that accountants and other professionals play in assisting SMEs with their regulatory obligations, along with a greater appreciation of the more pressing issues SMEs face when attempting to satisfy all of their regulatory obligations, will prove useful to governments and regulators as they take steps to address the regulatory burden of smaller entities in Canada.

## 2.0 THE STUDY – PURPOSE AND CONTENT

### PURPOSE

Intent on advancing an understanding of the issues and the concerns experienced by small and medium-sized entities (SMEs) when satisfying their regulatory obligations, the Certified General Accountants Association of Canada (CGA-Canada) has conducted a survey of publicly listed SMEs in Canada. To further enhance this understanding, CGA-Canada has also asked accounting practitioners from small and medium-sized practices (Practitioners) for their views on regulation and the corresponding impact on the SME clients they serve. With the insight of these groups, key issues and concerns of SMEs can be identified to support and concentrate the efforts of governments and other interest groups aimed at reducing the impact of regulatory burden on small business in Canada.

### CONTENT

The questions posed to SMEs and Practitioners encompass the following five topics:

1. Reasonability of Regulations
2. Reasonability of Specific Securities Regulations
3. Issues with Regulations
4. Accounting Assistance
5. Rating of External Accountants

#### **1. Reasonability of Regulations**

Respondents were asked to indicate whether they consider the regulatory requirements of SMEs *reasonable* in five regulatory areas. The five regulatory areas and examples of the requirements in each area are shown in the table below.

REGULATORY AREA	EXAMPLE REQUIREMENTS
<b>Taxation</b>	Income Tax Filings, GST/PST Filings
<b>Human Resource/Payroll</b>	Records of Employment, Payroll Remittances (Tax, EI, CPP), Annual RPP and Remuneration Remittances
<b>Securities</b>	Audited Financial Statements, Management Discussion & Analysis, Annual Information Form, Information Circulars, CEO/CFO Certifications
<b>Employment</b>	Employment Standards (Notice, Vacation, Pay, Equity)
<b>Environmental</b>	Waste disposal, Chemical Care/Use, Recycling, Transportation of Harmful Materials, Water/Sewage Treatment, Air Quality, Packaging Requirements, Wildlife/Habitat Protection

In addition to assessing reasonability, SME respondents were asked whether each issue is *important* to their organization. The purpose of this additional question was to gain further insight into how important the reasonability of these regulations is for SMEs, and how beneficial a policy initiative to address their concerns for a particular regulation may be.

#### **2. Reasonability of Specific Securities Regulations**

Respondents were asked if they believe the recently enacted and proposed securities regulations in Canada listed below have improved or will improve the quality of financial reporting in Canada. Moreover, we were interested to learn also if these regulations respond to SME priorities in their attempt to enhance investor confidence in Canada's capital markets (for more details on each of these regulations, please consult Appendix A):

- National Instrument (NI) 51-102 – Continuous Disclosure Obligations
- Proposed Multilateral Instrument (MI) 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings
- Proposed Multilateral Instrument (MI) 52-111 – Reporting on Internal Control Over Financial Reporting

The three securities regulations identified here are of particular interest as they form a significant part of an effort by Canadian securities administrators to improve corporate disclosure and governance of publicly traded entities in Canada. With the objective of strengthening investor confidence in the capital markets after the corporate scandals experienced in the early 2000s, regulations MI 52-109 and MI 52-111 represent comparable requirements to those of sections 302 and 404 of the *Sarbanes-Oxley Act of 2002 (SOX)*, which are considered to be key components of the US response to the corporate accounting scandals.

As there has been some concern in the US that the requirements under SOX are too cumbersome and expensive to put in place, especially for smaller entities, we consider it useful to assess whether SMEs and Practitioners in Canada have similar concerns. This assessment is especially timely as Canadian securities administrators are still in the process of finalizing regulations MI 52-109 and MI 52-111, and as SMEs now have some experience reporting under NI 51-102 and the original requirements of MI 52-109.

### 3. Issues with Regulations

When attempting to satisfy their regulatory obligations, a number of factors have been identified as potential impediments to SMEs. To better understand which issues are of greatest concern to SMEs, respondents were asked to evaluate to what extent the following issues impact SMEs in their attempt to satisfy all regulatory obligations:

ISSUE	CONCERN
<b>Complexity</b>	Ease of understanding regulations
<b>Quantity</b>	Number of regulations
<b>Change</b>	Staying up-to-date with new or changing requirements
<b>Timing</b>	Timing of requirements is in harmony with business cycle
<b>Duplication</b>	Same information required by more than one government department
<b>Inequity</b>	Cost of regulations in proportion to the business size

### 4. Accounting Assistance

To gain insight into the extent to which SMEs rely on external experts for assistance with their regulatory compliance, SMEs were asked in each of the five regulatory areas studied (Taxation, Human Resources/Payroll, Securities, Employment, and Environmental) which areas required the assistance of an external accountant or accounting firm in the last year. In addition, SMEs were asked whether the external accountant or accounting firm was given primary or secondary responsibility for compliance in each of these areas.

To confirm this understanding, Practitioners were likewise asked to identify which of the five regulatory areas they had assisted SMEs, and in which areas they feel they are most qualified to provide assistance or guidance.

### 5. Rating of External Accountants

Lastly, to assess the quality of the assistance provided by public accountants, SMEs were asked to rate the service provided by their external accountant or accounting firm in the following areas:

- Technical understanding of the regulatory requirements that apply to the organization
- Understanding of the business and its operations
- Explanation of work performed
- Value of service provided considering fees charged
- Responsiveness of service

## 2.0 THE STUDY – DEFINING SMES, METHODOLOGY, PARTICIPATION

### SME DEFINED

For the purposes of this study, the definition of an SME is based on the definition and thresholds used by the European Union's European Commission. Accordingly, Micro, Small, and Medium-sized entities are defined as follows<sup>1</sup>:

SME TYPE	# OF EMPLOYEES	ANNUAL REVENUE	ASSETS
MICRO	<10	< \$3 million	< \$3 million
SMALL	<50	< \$15 million	< \$15 million
MEDIUM	<250	< \$75 million	< \$65 million

Under this definition, for each SME type, an SME must meet the employee test and only one of the revenue or asset tests. For example, a "Small" entity is defined as an entity with 10 to 50 employees and less than \$15 million in revenue or in assets.

### WHY PUBLICLY TRADED SMES?

In conducting this study, CGA-Canada has focused only on SMEs that are publicly traded. This decision is based on a number of considerations. Firstly, publicly traded entities, due to their public nature, are often widely held and, as a result, their views are likely to be of greater interest to the general public than those of privately held SMEs. Secondly, unlike private businesses, these publicly traded entities are subject to the regulations of securities administrators. As stated earlier, understanding the views of SMEs regarding the impact of regulations recently introduced by securities administrators to improve corporate governance and enhance investor confidence, is both timely and useful.

Lastly, with the views of publicly traded SMEs clearly in hand, the results of this study can supplement the findings of other studies on the topic of small business and regulation. As the primary focus of these other studies has been on the issues and concerns of privately held SMEs, the results of this study can serve to enhance and broaden the general understanding of the regulatory burdens experienced by SMEs in Canada.

### METHODOLOGY

Telephone surveys of 250 SMEs and 350 Practitioners were conducted with the assistance of the global research firm Synovate in September and October of 2005 (see Appendix B for copies of both surveys). The 250 SME responses represent a sample of all companies listed on the Toronto Stock Exchange and TSX Venture Exchange that have head offices in Canada and meet the definition of an SME described earlier<sup>2</sup>. The 350 Practitioner responses represent a sample of the approximate 3,400 CGA-designated public practitioners in Canada.

To ensure final samples for both surveys were reflective of the total population of these groups across Canada, quotas were used to ensure proportional representation by region. The survey of Practitioners was also controlled to ensure proportional representation by gender. Based on the sample sizes, figures for SMEs are considered to be accurate within +/- 5.9 percentage points 95 times out of 100, while figures for Practitioners are considered to be accurate within +/- 5.0 percentage points 95 times out of 100.

### PARTICIPATION

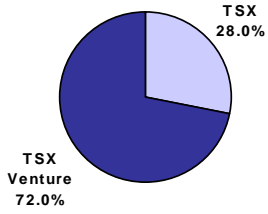
Figure 1 on the following page shows how the SME respondents participating in our survey break down by exchange, region and type, and how the Practitioner respondents are distributed by region. Appendix C provides more details on participation in the surveys, including a summary of SMEs by industry and Practitioners by position, firm size, primary revenue source and size of client base.

<sup>1</sup> Based on Recommendation 2003/361/EC adopted by the Commission on May 6, 2003. For more details, please see [http://europa.eu.int/comm/enterprise/enterprise\\_policy/sme\\_definition/index\\_en.htm](http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/index_en.htm). Canadian Dollar thresholds shown here are rounded and have been converted from Euros using an exchange rate of 1.5 CD\$/EURO.

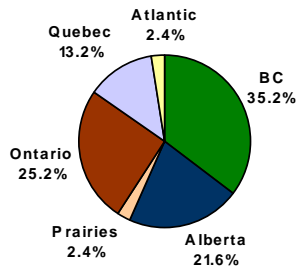
<sup>2</sup> Of the entities listed on the TSX and TSX Venture Listed Contact Databases provided by TSX Datalinx on September 2, 2005, approximately 3000 companies met the definition of an SME.

**Figure #1: Survey Participation – SMEs by Exchange, Region and Type; Practitioners by Region**

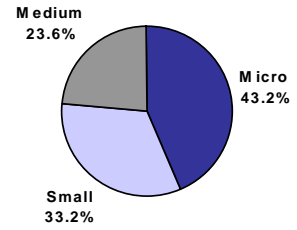
**SME Participants By Exchange**



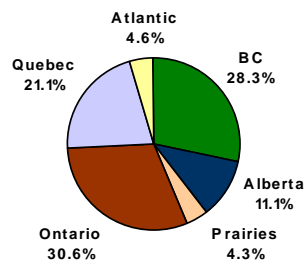
**SME Participants By Region**



**SME Participants By Type**



**Practitioner Participants By Region**





# KEY FINDINGS

## - SECTION 3 -

This section presents some of the more significant results flowing from the analysis contained in the three main sections of the report: Overall Results, Regional Results and Specific Results – Securities Regulations.

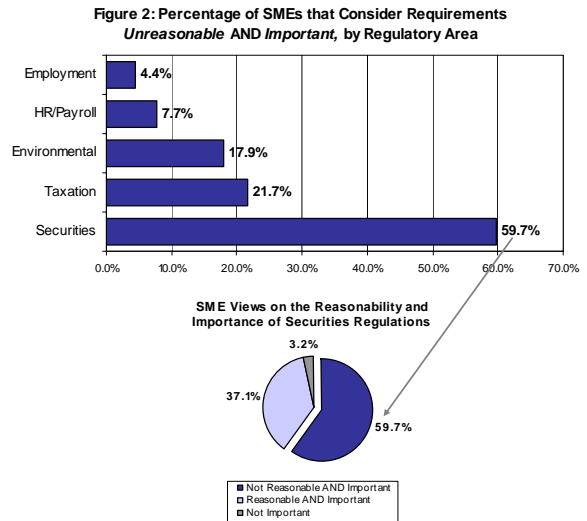


### 3.1 SMES CONCERNED WITH SECURITIES REGULATIONS

#### All Regulations Are Reasonable to SMEs Except Securities Regulations

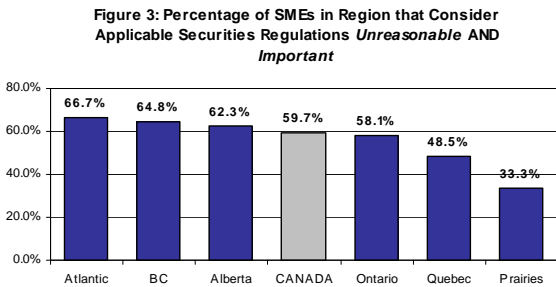
When asked about the reasonability and importance of the regulations applicable to their organization, SMEs indicated that these regulations are both reasonable and important. This view is apparent for all major classes of regulations except Securities Regulations, where a majority of SMEs consider applicable Securities Regulations more unreasonable than reasonable. As shown in Figure 2, of all SMEs, 59.7% consider pertinent Securities Regulations *not reasonable AND important* – a proportion far greater than any other regulatory area.

Securities regulations are also considered the most important of all regulations, with 96.8% (59.7% + 37.1%) of all SMEs considering these regulations as important. This is significantly higher than Taxation Filing requirements (77.5%) and Environmental Regulations (75.4%), which are considered by SMEs the second and third most important regulations they face.



#### Greater Concern for SMEs in the Atlantic Provinces and British Columbia

When the results for Securities Regulations in Figure 2 are broken down by region, we see that Securities Regulations are of relatively greater concern in British Columbia and the Atlantic provinces and less of a concern to SMEs in the Prairies and Quebec.



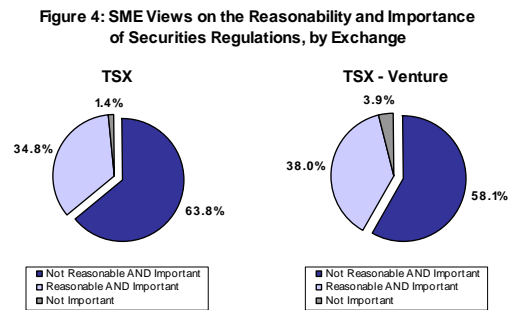
#### Recently Introduced Securities Regulations Also a Concern to SMEs

Concern with the reasonability of Securities Regulations is also reflected in the views of SMEs towards recently proposed and enacted securities regulations that include Continuous Disclosure Obligations (NI 51-102), Certification of Disclosure in Issuers' Annual and Interim Filings (MI 52-109), and Reporting on Internal Control Over Financial Reporting (MI 52-111). When asked whether these regulations have improved or will improve the quality of financial reporting and have appropriately addressed the concerns of SMEs, a greater percentage of SMEs *disagreed* than agreed (see Figure 5).

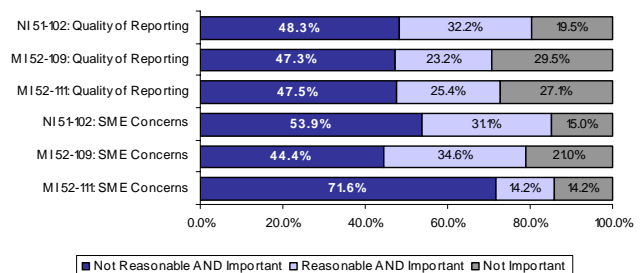
The most notable outcome reflected in Figure 5 relates to Reporting on Internal Control MI 52-111, where 71.6% of SMEs disagree (i.e., *not reasonable AND important*) that this regulation appropriately addresses the concerns of SMEs, while only 14.2% agree (i.e., *reasonable AND important*).

#### TSX and Larger SMEs Express Greater Concern with Securities Regulations

Figure 4 shows a comparison of the views of SME respondents listed on the Toronto Stock Exchange (TSX) with those listed on the TSX Venture Exchange. It is evident from the figure that SMEs listed on the TSX are relatively more concerned with the reasonability of Securities Regulations, with 63.8% indicating that these regulations are *not reasonable AND important*, compared to 58.1% of those listed on the TSX Venture Exchange. Although not shown here, larger SMEs (i.e., Small and Medium entities with 10 to 250 employees) are also more likely to express concern with their Securities Regulations than are the smallest entities (i.e., Micro entities with less than 10 employees).



**Figure 5: SME Views on the Reasonability and Importance of Securities Regulations NI 51-102, MI 52-109, and MI 52-111**



## 3.2 TAXATION FILING REQUIREMENTS OF GREATEST CONCERN TO PRACTITIONERS

### Practitioner Views on Securities Regulations Differ from the Views of SMEs

Practitioner views, for the most part, corroborate those of SMEs. However, in the case of Securities Regulations, Practitioners are not likely to see these regulations as unreasonable, but rather consider Securities Regulations more fair than unfair. As shown in Figure 6, only 21.5% of practitioners see Securities Regulations as they apply to SMEs as either *unfair* OR *somewhat unfair*. This is a significant difference from the majority of SMEs (Figure 2) that consider Securities Regulations unreasonable.

In Figure 7, we see that Practitioners are also more supportive of recently introduced securities regulations NI 51-102, MI 52-109, and MI 52-111 than are SMEs. For all three regulations, a greater percentage of Practitioners believe that these regulations are more reasonable than unreasonable with respect to improving the quality of financial reporting and addressing the concerns of SMEs. For example, 81.5% of accounting Practitioners agree (i.e., *reasonable AND important*) that Multilateral Instrument 52-111 will improve the quality of financial reporting in Canada, while only 6.9% disagree (i.e., *not reasonable AND important*). In comparison, in Figure 5 we saw that, of the SMEs that consider this issue important, only 25.4% agree that MI 52-111 will improve the quality of financial reporting in Canada, while 47.5% disagree.

Figure 6: Percentage of Practitioners that Consider Requirements of SMEs *Unfair* OR *Somewhat Unfair*, by Regulatory Area

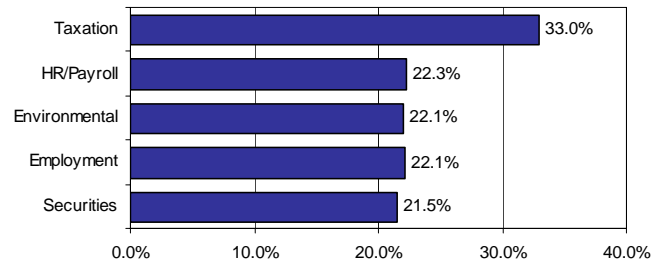
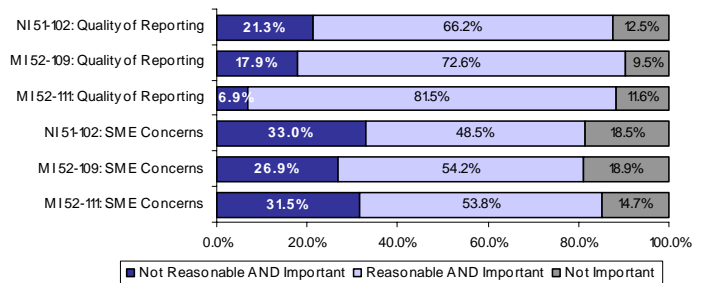


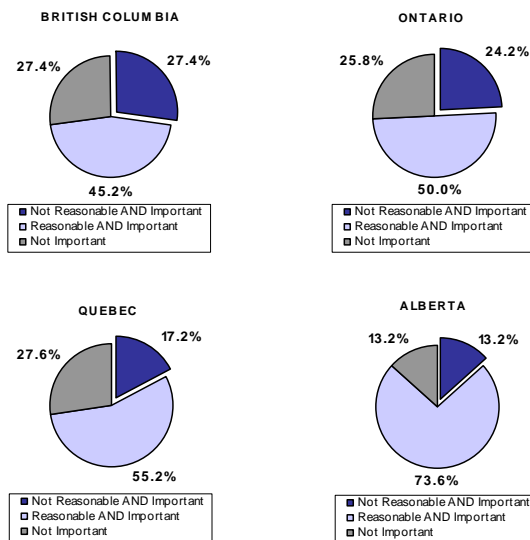
Figure 7: Practitioner Views on the Reasonability and Importance of Securities Regulations NI 51-102, MI 52-109, and MI 52-111



### Taxation Filing Requirements Seen as Least Fair to Practitioners

In Figure 6 it is apparent that, of all major categories of regulations applicable to SMEs, Practitioners believe Taxation Filing requirements to be the least fair, with 33.0% indicating that these requirements are either *unfair* OR *somewhat unfair*. The relatively greater concern for Taxation Filing requirements compared to other regulatory requirements is consistent with the views of SMEs, where we saw in Figure 2 that Taxation Filing requirements are considered the second most unreasonable regulatory requirement for SMEs after Securities Regulations (i.e., 21.7% of respondents consider these requirements *not reasonable AND important*).

Figure 8: SME Views on the Reasonability and Importance of Taxation Filing Requirements in Canada's Four Largest Provinces



### Of the Four Largest Provinces, Taxation Filing Requirements are of Least Concern to SMEs in Alberta; Greatest in BC

Figure 8 presents the views of SMEs on the reasonability and importance of Taxation Filing requirements for Canada's four largest provinces. From the figure it is evident that, of these four provinces, SMEs in Alberta are the least likely to find their Taxation Filing requirements unreasonable, with only 13.2% indicating these requirements are *not reasonable AND important*. This result is much lower than that found in BC where more than twice the number of SMEs (27.4%) consider their Taxation Filing requirements *not reasonable AND important*.

It is also apparent from Figure 8 that Taxation issues are relatively more important to SMEs in Alberta. Only 13.2% of all SMEs in Alberta see Taxation issues as *not important* (grey shaded area), while the figure is greater than 25.0% in the other three provinces.

### 3.3 MOST PRESSING ISSUES: INEQUITY, QUANTITY, CHANGE AND COMPLEXITY

#### Inequity Greatest Concern to SMEs, Followed Closely by Quantity, Change and Complexity

SMEs and Practitioners have expressed significant concern with each of the issues that can impact SMEs and their compliance with pertinent regulations. As Figure 9 illustrates, SMEs are most concerned with the Inequity (cost of compliance is disproportionate to size), Quantity (number of regulations), Change (staying up-to-date with new or changing regulations) and Complexity (ease of understanding) of applicable regulations, with approximately 88% of all respondents indicating that they are either *very concerned* OR *somewhat concerned* in each of these categories.

Figure 9: Percentage of SMEs that are Very Concerned and Somewhat Concerned with the Issues that Can Impact Compliance with Applicable Regulations

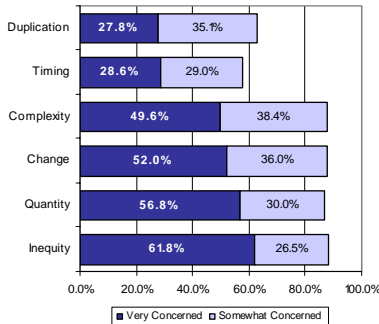
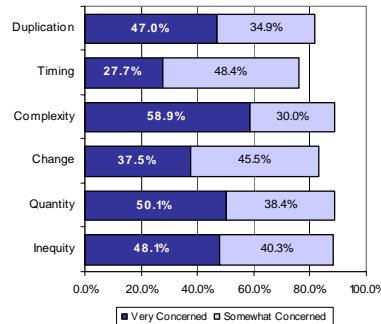


Figure 10: Percentage of Practitioners that are Very Concerned and Somewhat Concerned with the Issues that Can Impact SME Compliance with Applicable Regulations



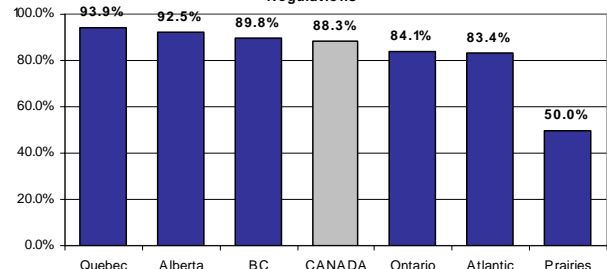
Looking only at the results for those that are *very concerned*, we can see in Figure 9 that of these four issues, Inequity is the issue of greatest concern to SMEs, with 61.8% of all respondents indicating they are *very concerned* with the cost of regulations in proportion to the size of their business.

The views of Practitioners shown in Figure 10 confirm that Inequity, Quantity, Change and Complexity are the issues of greatest concern for SMEs, with a similar percentage of respondents indicating that they are either *very concerned* OR *somewhat concerned* in each of these categories. However, in comparing Figures 9 and 10, it is apparent that Practitioners believe that Duplication and Timing issues are of greater concern to SMEs than that reflected by SMEs themselves.

#### Inequity Greater Issue in Quebec and Alberta; Less of an Issue in the Prairies

The views of SMEs in each of the regions are similar to those nationally, with Inequity, Quantity, Change and Complexity typically ranked as the issues of greatest concern. However, as Figure 11 demonstrates, there are differences between the regions with respect to SME views on the equity of regulations. Quebec, at 93.9%, has the highest percentage of SMEs that are either *very concerned* OR *somewhat concerned* with the Inequity of applicable regulations, while Alberta is close behind at 92.5%. SMEs in the Prairie provinces, on the other hand, are the least concerned, with only half (50.0%) *very concerned* OR *somewhat concerned* with the Inequity of applicable regulations.

Figure 11: Percentage of SMEs that are Very Concerned OR Somewhat Concerned with the INEQUITY of Applicable Regulations



#### Issue of Greatest Concern Varies by Region

Figure 12 ranks SME views on each of the issues that can affect their compliance with applicable regulations. As the table illustrates, the issue of greatest concern (i.e., rank of 1) varies between the regions. For example, Inequity is the issue of greatest concern in BC, Ontario and the Atlantic provinces, while Complexity is of most concern in Quebec and Change is of the greatest concern to SMEs in Alberta.

We also see in the figure that Timing (timing of requirements is in harmony with business cycle) and Duplication (similar information is required by multiple authorities) are the issues of least concern in all provinces except the Prairies. In the Prairie provinces Duplication, along with the Quantity or number of applicable regulations, are considered the issues of greatest concern to SMEs.

Figure 12: SME Ranking of the Issues that Can Impact Compliance with Applicable Regulations

REGION	1 - Issue of Greatest Concern						6 - Issue of Least Concern					
	COMPLEXITY	QUANTITY	CHANGE	TIMING	DUPLICATION	INEQUITY	COMPLEXITY	QUANTITY	CHANGE	TIMING	DUPLICATION	INEQUITY
BC	3	2	4	6	5	1	3	2	4	6	5	1
Alberta	3	4	1	6	5	2	3	4	1	6	5	2
Prairies	3	1	4	6	1	5	3	1	4	6	1	5
Ontario	3	4	2	6	5	1	3	4	2	6	5	1
Quebec	1	4	3	5	6	2	1	4	3	5	6	2
Atlantic	4	3	1	5	6	1	4	3	1	5	6	1
CANADA	3	4	2	6	5	1	3	4	2	6	5	1

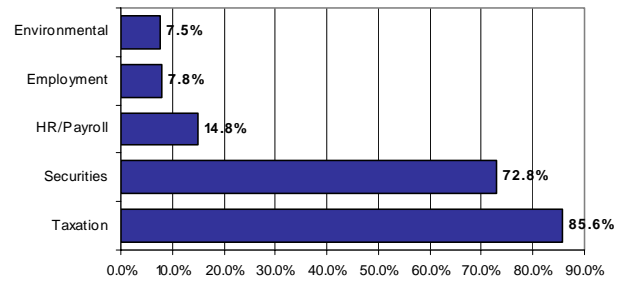
## 3.4 ACCOUNTANTS ASSIST SMES WITH TAXATION AND SECURITIES COMPLIANCE

### A Majority of SMEs Require Assistance With Taxation and Securities Regulations

Consistent with the greater concern expressed by SMEs with respect to Securities Regulations and Taxation Filing requirements, SMEs are most likely to require assistance from an external accountant or accounting firm in these two areas. In fact, as Figure 13 illustrates, within the last year, 85.6% of SMEs required assistance from an external accountant or accounting firm with their Taxation Filings, while 72.8% required assistance complying with applicable Securities Regulations.

Although not as common, it is evident in Figure 13 that SMEs also rely on the expertise of external accountants when satisfying Human Resource/Payroll Filing requirements (14.8%) and maintaining compliance with pertinent Employment Standards (7.8%) and Environmental Regulations (7.5%).

Figure 13: Percentage of SMEs that Require Assistance from External Accountant, by Regulatory Area

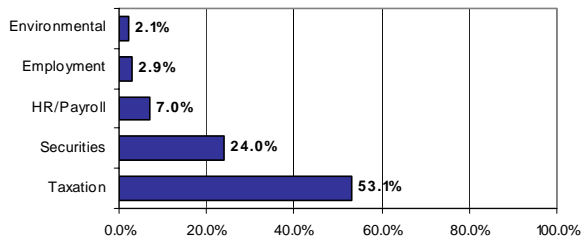


### Accountants Play Significant Role in Assisting SMEs with Their Taxation Filing Requirements

Figure 14 shows that over half (53.1%) of the publicly listed SMEs in Canada give an external accountant or accounting firm *primary* responsibility for their organization's Taxation Filing requirements.

The results in Figure 14, which include the views of SMEs that do not require any assistance from an external accountant, also indicate that nearly a quarter (24.0%) of the publicly listed SMEs in Canada assign primary responsibility to an external accountant or accounting firm for their compliance with applicable Securities Regulations.

Figure 14: Percentage of SMEs Where External Accountant Has Primary Responsibility for Compliance, by Regulatory Area



### Requirements For Accounting Assistance Differ by Region

Figure 15 shows that SMEs in the smaller provinces (Prairies and Atlantic) are the most likely to require assistance with their Taxation Filing requirements while, at 78.3%, SMEs in Ontario are the least likely to require assistance from an external accountant or accounting firm when satisfying their Taxation Filing obligations. With respect to Securities Regulations, of the four largest provinces, SMEs in Ontario and Quebec are more likely to require the assistance of an external accountant than are the SMEs resident in BC and Alberta (see Figure 16).

As Figure 17 illustrates, SMEs in the eastern provinces (Atlantic, Quebec and Ontario) are more likely to give their external accountant or accounting firm primary responsibility for ensuring their organization's compliance with all applicable Taxation Filing requirements.

Figure 15: Percentage of SMEs that Require Assistance from External Accountant with TAXATION FILINGS, by Region

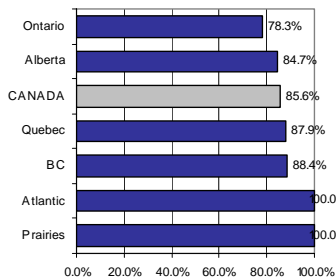


Figure 16: Percentage of SMEs that Require Assistance from External Accountant with SECURITIES REGULATIONS, by Region

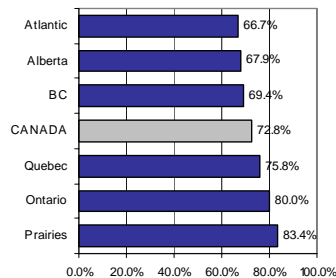
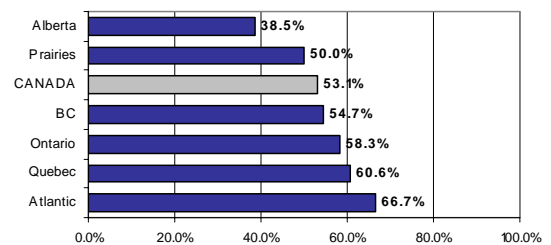


Figure 17: Percentage of SMEs Where External Accountant Has Primary Responsibility for TAXATION FILINGS, by Region

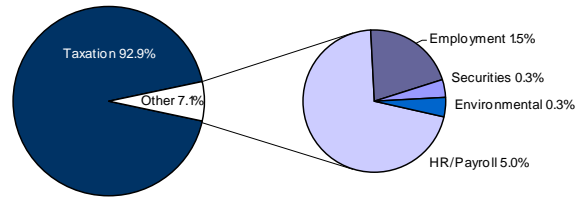


### 3.5 PRACTITIONERS MOST QUALIFIED TO ASSIST SMES WITH TAXATION FILINGS

#### CGAs Most Qualified to Assist SMEs with Their Taxation Filing Requirements

CGA Practitioners have overwhelmingly indicated that of all regulatory areas, they are most qualified to assist SMEs with their Taxation Filings. As seen in Figure 18, of the Practitioners surveyed, 92.9% consider themselves most qualified to assist SMEs with their Taxation Filing requirements. CGA Practitioners feel they are next most qualified to assist SMEs with their Human Resource and Payroll Filing requirements (5.0% of all respondents).

Figure 18: Regulatory Area Practitioners Believe They are Most Qualified to Assist SMEs (% of Practitioners)

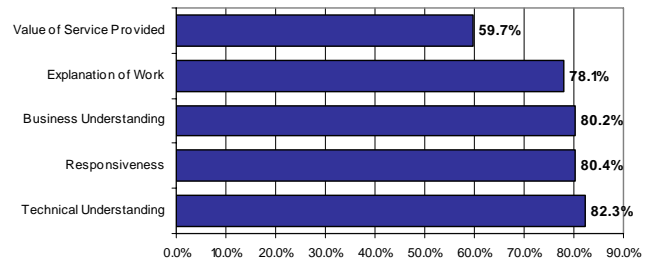


### 3.6 SMES RATE ACCOUNTANTS HIGHLY IN ALL AREAS

#### SMEs Satisfied with the Service Provided by External Accountants

As illustrated in Figure 19, more than three-quarters of all SMEs rate the service of their external accountant or accounting firm as either *excellent* OR *good* in all service areas except with respect to the Value of Service Provided. Technical Understanding is the service area rated most favourably with 82.3% of SMEs rating their external accountant or accounting firm *excellent* OR *good* in this area. Although still viewed positively overall, Value of Service Provided was rated least favourably of all categories, with 59.7% of all respondents rating their external accountant or accounting firm as *excellent* OR *good* in this service area.

Figure 19: Percentage of SMEs that Rate Service Provided by External Accountant as *Excellent* OR *Good*



#### Ratings Vary by Region

How SMEs rate the service provided by an external accountant or accounting firm used in the last year varies by region. Figure 20 ranks these ratings for each of the five service areas surveyed. As can be seen in the figure, although Technical Understanding received the highest rating nationally, not all regions regard accountants highest in this area. For example, accountants in Ontario and Quebec are rated highest for their Business Understanding, while in the Prairies, accountants rated highest for their Responsiveness.

Figure 20: Ranking of How SMEs Rate Service Provided by External Accountant, by Region

REGION	1 - Highest Rating					6 - Lowest Rating				
	Technical Understanding	Business Understanding	Explanation of Work	Value of Service Provided	Responsiveness	Technical Understanding	Business Understanding	Explanation of Work	Value of Service Provided	Responsiveness
BC	1	3	4	5	2					
Alberta	1	4	2	5	3					
Prairies	2	4	3	5	1					
Ontario	3	1	4	5	2					
Quebec	4	1	3	5	2					
Atlantic	1	3	2	4	5					
CANADA	1	2	4	5	3					



# OVERALL RESULTS

## - SECTION 4 -

This section looks at the overall views of SMEs and Practitioners for each of the five main topics surveyed. The analysis is presented as a comparison of the views of SMEs and Practitioners for each of these topics with the exception of “Views on Service Provided by External Accountants”, where only the opinions of SMEs are provided.



## SECTION 4 HIGHLIGHTS

### **4.1 REASONABILITY OF REGULATIONS APPLICABLE TO SMES**

(Taxation, HR/Payroll, Securities Regulations, Employment Standards and Environmental Regulations)

- Regulations are considered more reasonable than unreasonable by SMEs and more fair than unfair by Practitioners in all regulatory areas – the only exception relates to **Securities Regulations** where SMEs consider these requirements *more unreasonable* than *reasonable*.
- **Taxation Filing** requirements, although still seen as reasonable/fair overall, are viewed by SMEs as the second most *unreasonable* regulations (after Securities Regulations) and by Practitioners as the *least fair* regulations applicable to SMEs.
- **Securities Regulations**, followed by Taxation Filing requirements, and then by Environmental Regulations, are the regulations/filing requirements of *greatest importance* to SMEs.

### **4.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS**

(National Instrument 51-102 – Continuous Disclosure Obligations; Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings; Multilateral Instrument 52-111 – Reporting on Internal Control Over Financial Reporting)

- New Securities Regulations to improve corporate disclosure and accountability are considered *important* to both Practitioners and SMEs.
- Although considered important, SMEs generally *disagree* that these regulations have improved/will improve the quality of financial reporting in Canada and that they have appropriately addressed the concerns of SMEs, while Practitioners tend to *agree* that these regulations are reasonable for achieving these policy objectives.
- Of the three regulations, **Reporting on Internal Control MI 52-111** is of *greater concern* to SMEs, while **Continuous Disclosure NI 51-102** is of relatively *greater concern* to Practitioners.

### **4.3 ISSUES EXPERIENCED BY SMES WHEN DEALING WITH REGULATIONS**

(Complexity, Quantity, Change, Timing, Duplication and Inequity)

- A majority of SMEs and Practitioners are *very concerned* OR *somewhat concerned* with each of these issues and their impact on SMEs and their compliance with applicable regulations.
- **Inequity, Quantity, Change** and **Complexity** of regulations/filing requirements, as confirmed by both SMEs and Practitioners, are viewed as the areas of *greatest concern* to SMEs.

### **4.4 EXTERNAL ACCOUNTING ASSISTANCE REQUIRED BY SMES**

(Taxation, HR/Payroll, Securities Regulations, Employment Standards and Environmental Regulations)

- Taxation Filings – area where SMEs require the greatest amount of assistance from external accountants, and the area where Practitioners feel they are *most qualified* to provide assistance to SMEs.

### **4.5 SME VIEWS ON SERVICE PROVIDED BY EXTERNAL ACCOUNTANTS**

(Technical Understanding, Business Understanding, Explanation of Work, Value of Service and Responsiveness)

- All areas were rated by a majority of SMEs as either *excellent* OR *good* with **Technical Understanding, Understanding of Business** and **Responsiveness** rated highest.
- Although viewed favourably overall, SMEs feel their external accountant or accounting firm could most improve the **Value of Service Provided**.

## 4.1 REASONABILITY OF REGULATIONS APPLICABLE TO SMES

### SME VIEWS

#### QUESTION

Do you *agree* or *disagree* that the following regulations or filing requirements of your organization are reasonable? For each of these areas would you say the issue is *important* or *not important*?

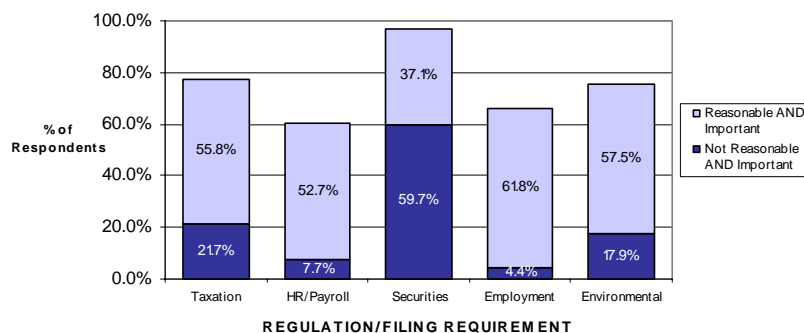
- i. Tax Filing requirements
- ii. Human Resource (HR) and Payroll Filing requirements
- iii. Securities Regulatory requirements
- iv. Employment Standards
- v. Environmental Regulations

#### RESULTS

When analyzing the results of the above questions, we are not concerned with responses of SMEs that feel the reasonability of these regulations or filing requirements is *not important*, as it is presumed that any change to these requirements would have little or no impact on these organizations.

As a result, the figure below shows only the percentage of SMEs for each category that feel their respective regulations or filing requirements are *important*. The value for each regulation or filing requirement is displayed as a combination of those that **agree** the requirements are *reasonable AND important* (light blue) and those that **disagree** and feel that the requirements are *not reasonable AND important* (dark blue). A sum of both categories provides a percentage of all respondents that feel each issue is important.

Figure 21: SME Views Regarding the Reasonability and Importance of Various Regulatory Requirements



#### KEY FINDINGS

- In all areas, a majority of SMEs believe the above statements are *important*, with Securities Regulations rated *highest* at 96.8% (59.7% + 37.1%) of all respondents and HR/Payroll *lowest* at 60.4% (7.7% + 52.7%).
- A majority of SMEs feel these regulations are more reasonable than unreasonable (i.e., a greater percentage agreeing with each statement than disagreeing) – the only exception involves Securities Regulations where 59.7% of respondents believe these regulations are unreasonable (i.e., *not reasonable AND important*) compared to 37.1% who feel they are reasonable (*reasonable AND important*).
- Of all requirements, Employment Standards are considered *most reasonable* with only 4.4% of respondents indicating that these requirements are unreasonable (i.e., *not reasonable AND important*) compared to 61.8% who believe these requirements are reasonable (*reasonable AND important*).

## 4.1 REASONABILITY OF REGULATIONS APPLICABLE TO SMES

### PRACTITIONER VIEWS

#### QUESTION

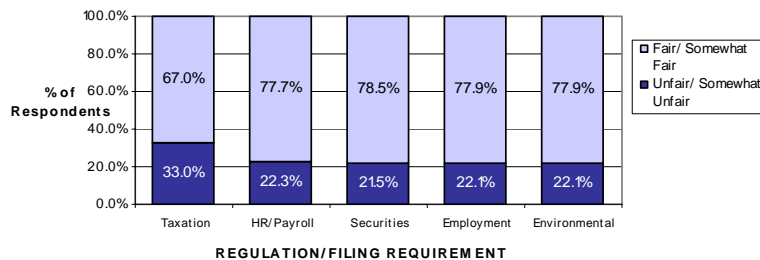
Using a scale of *fair*, *somewhat fair*, *somewhat unfair* or *unfair*, how would you rate the requirements of small or medium-sized entities for the following?

- i. Tax Filing requirements
- ii. Human Resource (HR) and Payroll Filing requirements
- iii. Securities Regulatory requirements
- iv. Employment Standards
- v. Environmental Regulations

#### RESULTS

The figure below presents the percentage of respondents for each regulation or filing requirement that feel the related requirements of SMEs are either *fair* OR *somewhat fair* (light blue) or *unfair* OR *somewhat unfair* (dark blue).

Figure 22: Practitioner Views Regarding the Fairness of Various Regulatory Requirements Applicable to SMEs



#### KEY FINDINGS

- Overall, Practitioners consider the regulations that apply to SMEs in Canada as fair, with at least two-thirds concluding that the regulations are *fair* OR *somewhat fair* in each category.
- Relatively speaking, Taxation requirements are seen as *least fair* with 33.3% of respondents viewing these requirements as *unfair* OR *somewhat unfair* compared to approximately 22% in all other categories.

## 4.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS

### SME VIEWS

#### QUESTION

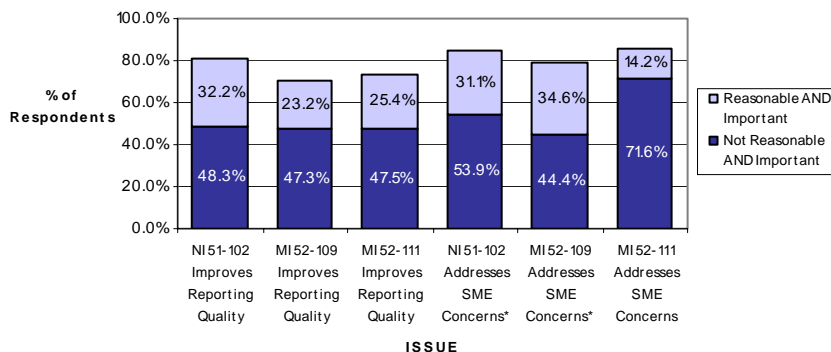
Do you *agree* or *disagree* that the following regulations have improved/will improve the quality of your financial reporting and have addressed/will address the concerns of SMEs (i.e., the need to balance the additional costs of reporting with the need to enhance investor confidence in the capital markets)? In addition, for each regulation and related issue, is the issue *important* or *not important*?

- National Instrument 51-102 – Continuous Disclosure Obligations
- Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings
- Multilateral Instrument 52-111 – Reporting on Internal Control Over Financial Reporting

#### RESULTS

Again, we are only concerned with responses where the issues are considered *important*. As a result, the following figure shows responses where the securities regulation and related issue are considered either *not reasonable AND important* (dark blue) or *reasonable AND important* (light blue). A sum of both categories reflects the percentage of all respondents that feel the issue is *important*.

Figure 23: SME Views Regarding Reasonability and Importance of Securities Regulations NI-102, MI 52-109 and MI 52-111



#### KEY FINDINGS

- At least 70% of all SMEs consider these regulations and related issues *important*, with slightly greater importance placed in the ability of these regulations to address the concerns of SMEs\* than the need for improving the quality of financial reporting.
- Despite the importance of these issues, a larger proportion of SMEs **disagree** (i.e., *not reasonable AND important*) that these regulations have improved/will improve the quality of financial reporting and/or appropriately address the concerns of SMEs.
- Reporting on Internal Control MI 52-111 and its ability to address the concerns of SMEs had the largest percentage in disagreement of all issues (71.6% *not reasonable AND important*).
- With respect to improving the quality of financial reporting, Continuous Disclosure NI 51-102 is considered the most important at 80.5% (32.2% + 48.3%) of all respondents and the most reasonable of the three regulations (i.e., 32.2% *reasonable AND important*).

\*Specifically for NI 51-102 and MI 52-109, this meant balancing the costs of additional reporting with the need to enhance investor confidence

## 4.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS

### PRACTITIONER VIEWS

#### QUESTION

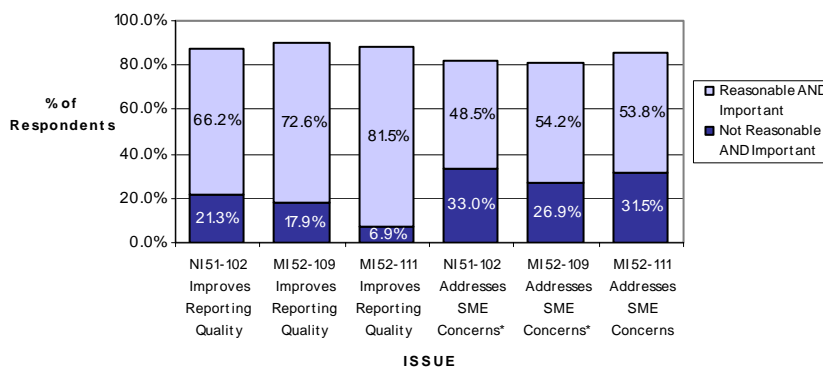
Do you *agree* or *disagree* that the following regulations have improved/will improve the quality of financial reporting in Canada and have addressed/will address the concerns of SMEs? In addition, for each regulation and related issue, is the issue *important* or *not important*?

- National Instrument 51-102 – Continuous Disclosure Obligations
- Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings
- Multilateral Instrument 52-111 – Reporting on Internal Control Over Financial Reporting

#### RESULTS

Again, we are only concerned with responses where the issues are considered *important*. As a result, the following figure shows responses where the securities regulation and related issue are considered either *not reasonable AND important* (dark blue) or *reasonable AND important* (light blue). A sum of both categories reflects the percentage of all respondents that feel the issue is *important*.

Figure 24: Practitioner Views Regarding Reasonability and Importance of Securities Regulations NI-102, MI 52-109 and MI 52-111



#### KEY FINDINGS

- These issues are *important* to Practitioners with at least 80% of all respondents indicating that each of these issues is important.
- Unlike SMEs, Practitioners place slightly greater importance in the ability of these regulations to improve the quality of financial reporting in Canada than in their ability to appropriately address the concerns of SMEs.
- Practitioners also tend to **agree**, more than disagree, that all three regulations have improved or will improve the quality of financial reporting in Canada and have appropriately addressed the concerns of SMEs.
- Although on the whole Practitioners believe these regulations are reasonable, there is less agreement (i.e., *reasonable AND important*) with their ability to appropriately address the concerns of SMEs than in their ability to contribute to improved financial reporting in Canada.
- With respect to improving the quality of financial reporting, Reporting on Internal Control MI 52-111 is considered the most reasonable of the three regulations (i.e., 81.5% *reasonable AND important*).
- Overall, Continuous Disclosure NI 51-102 is viewed as the *least reasonable* of the three regulations.

## 4.3 ISSUES EXPERIENCED BY SMES WHEN DEALING WITH REGULATIONS

### SME VIEWS

#### QUESTION

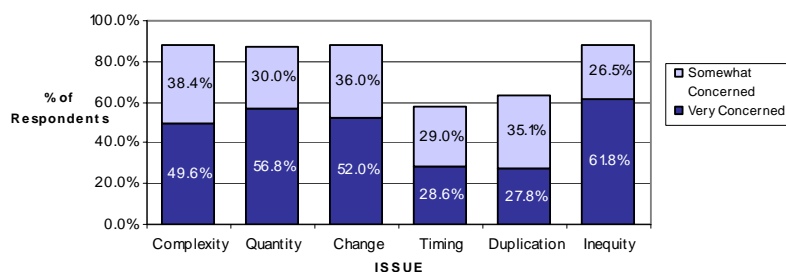
Are you *very concerned*, *somewhat concerned*, *not very concerned* or *not at all concerned* about the following issues as they impact your ability to comply with the regulations that apply to your organization?

- Complexity – ease of understanding regulations
- Quantity – number of regulations
- Change – staying up-to-date with new or changing requirements
- Timing – timing of requirements is in harmony with your business cycle
- Duplication – same information required by more than one government department
- Inequity – cost of the regulations in proportion to the size of your business

#### RESULTS

The figure below shows the percentage of respondents for each regulatory issue that are either *very concerned* (dark blue) OR *somewhat concerned* (light blue) with the issue.

Figure 25: SME Views on the Issues that Can Impact Compliance with Applicable Regulations



#### KEY FINDINGS

- Overall, SMEs are generally concerned about the impact these issues have on their ability to satisfy all regulatory obligations, with at least 50% *very concerned* OR *somewhat concerned* with each issue.
- Inequity, Complexity, Change and Quantity of regulations are issues of greatest concern with approximately 88% of respondents either *very concerned* OR *somewhat concerned* with each of these issues.
- Of the four issues, Inequity is of greatest relative concern with 61.8% of respondents claiming they are *very concerned*. Quantity is second highest at 56.8%.
- Although still seen as a concern by a majority of SMEs, Timing (57.6% *very concerned* OR *somewhat concerned*) and Duplication (62.9%) are relatively less concerning to SMEs.

## 4.3 ISSUES EXPERIENCED BY SMES WHEN DEALING WITH REGULATIONS

### PRACTITIONER VIEWS

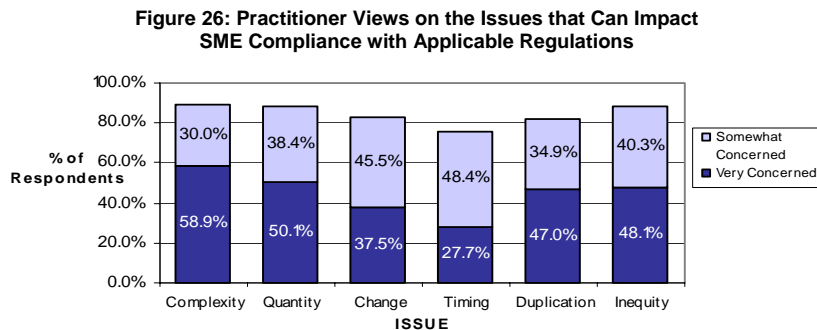
#### QUESTION

Based on your experience, do you think small and medium-sized entities are *very concerned*, *somewhat concerned*, *not very concerned* or *not at all concerned* about the following issues when complying with their respective regulatory requirements?

- i. Complexity – ease of understanding regulations
- ii. Quantity – number of regulations
- iii. Change – staying up-to-date with new or changing requirements
- iv. Timing – timing of requirements is in harmony with the business cycle
- v. Duplication – same information required by more than one government department
- vi. Inequity – cost of the regulations in proportion to the size of business

#### RESULTS

The figure below shows the percentage of respondents for each regulatory issue that are either *very concerned* (dark blue) OR *somewhat concerned* (light blue) with the issue.



#### KEY FINDINGS

- With at least 75% of respondents *very concerned* OR *somewhat concerned* with each issue, it is evident that Practitioners are concerned with the impact these issues can have on SMEs as they attempt to satisfy their regulatory obligations.
- Similar to SMEs, Complexity (i.e., 88.9% *very concerned* OR *somewhat concerned*), Quantity (88.5%), Inequity (88.4%) and Change (83.0%) are the areas of greatest concern.
- Of these issues, Complexity is the issue of greatest relative concern with 58.9% of respondents claiming they are *very concerned*. Quantity is second highest at 50.1%.
- Although the concerns of Practitioners with respect to the issues of Complexity, Quantity, Inequity and Change are similar to those of SMEs, Practitioners are relatively more concerned than SMEs with Timing (76.1% *very concerned* OR *somewhat concerned*) and Duplication (81.9%) issues.

## 4.4 EXTERNAL ACCOUNTING ASSISTANCE REQUIRED BY SMES

### SME VIEWS

#### QUESTION

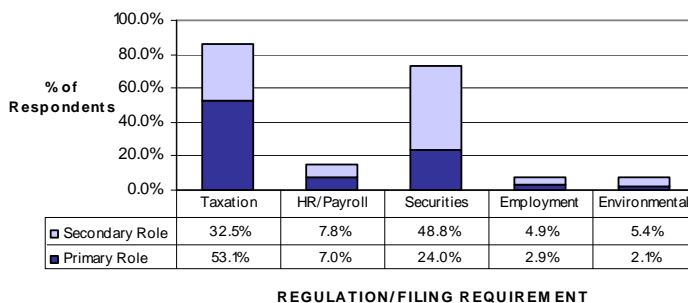
Within the last year, for which of the following regulatory areas, if any, did you require the assistance of an external accountant or accounting firm? If you did require the services of an external accountant, for each area, did the external accountant or accounting firm have the primary role in ensuring compliance with the applicable regulations, or a secondary role?

- i. Taxation
- ii. HR/Payroll
- iii. Securities Regulations
- iv. Employment Standards
- v. Environmental Regulations

#### RESULTS

The figure shows the percentage of SMEs for each regulatory area that have relied on an external accountant or external accounting firm to assist with their regulatory compliance. The value for each category is displayed as a combination of two percentages – the percentage of SMEs for which the external accountant or accounting firm has primary responsibility for compliance (dark blue) and those where the accountant provides secondary assistance (light blue).

**Figure 27: Regulatory Areas Where SMEs Require Assistance from an External Accountant**



#### KEY FINDINGS

- At 85.6% (53.1% + 32.5%) and 72.8% (24.0% + 48.8%) of all respondents respectively, SMEs require the greatest amount of external assistance from accountants with their Taxation Filings and compliance with Securities Regulations.
- External accountants are most likely to have primary responsibility for assisting SMEs with their Taxation Filings, as more than half (53.1%) of all SMEs give their external accountant primary responsibility for ensuring compliance with these requirements. Securities Regulations are second highest at 24.0%.
- Although much lower overall, SMEs still require assistance from an external accountant when satisfying their HR/Payroll Filing requirements (14.8% of all respondents) and when complying with applicable Employment Standards (7.8%) and Environmental Regulations (7.5%).

## 4.4 EXTERNAL ACCOUNTING ASSISTANCE REQUIRED BY SMES

### PRACTITIONER VIEWS

#### QUESTION

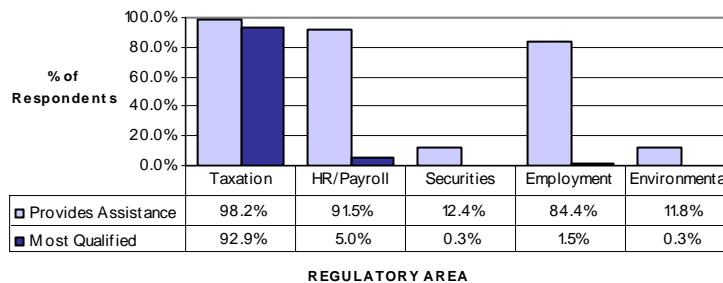
For which of the following regulatory requirements have you provided advice or assistance to a small or medium-sized client in the last year? In which area would you say you are the most qualified to provide advice or assistance to a small or medium-sized entity?

- i. Taxation
- ii. HR/Payroll
- iii. Securities Regulations
- iv. Employment Standards
- v. Environmental Regulations

#### RESULTS

The figure below shows the percentage of CGA Practitioners that provide assistance to SMEs in each regulatory area (light blue). In addition, the figure shows a breakdown of the regulatory areas where CGA Practitioners feel they are most qualified to provide assistance to SMEs (dark blue).

**Figure 28: Regulatory Areas Where Accounting Practitioners Assist SMEs and are Most Qualified to Provide Assistance**



#### KEY FINDINGS

- A majority of CGA Practitioners provide assistance to SMEs in the areas of Taxation (98.2%), HR/Payroll (91.5%) and Employment Standards (84.4%).
- CGA Practitioners feel they are, by far, most qualified to assist SMEs with their Taxation Filing requirements (92.9% of all respondents).
- CGA Practitioners feel they are least qualified to assist SMEs in complying with Environmental Regulations (0.3%) and Securities Regulations (0.3%).

## 4.5 SME VIEWS ON SERVICE PROVIDED BY EXTERNAL ACCOUNTANTS

### SME VIEWS

#### QUESTION

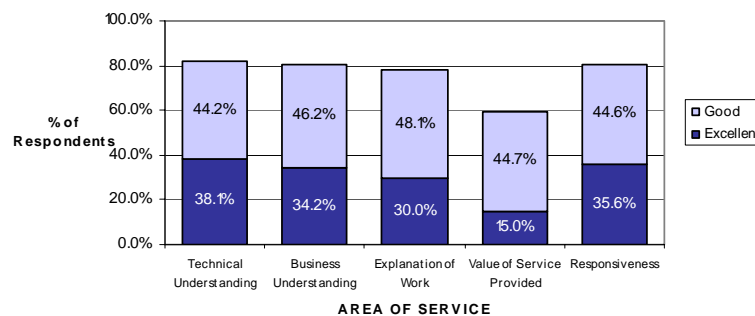
Using a scale of *excellent*, *good*, *average*, *below average* or *poor*, how would you rate the service provided by the external accountant or accounting firm you have used in the past year in each of the following areas:

- i. Technical understanding of the regulatory requirements that apply to your organization
- ii. Understanding of your business and its operations
- iii. Explanation of work performed
- iv. Value of service provided considering fees charged
- v. Responsiveness of service

#### RESULTS

The figure below shows only the percentage of respondents that have rated the service of their external accountant or accounting firm for each service area as either *excellent* (dark blue) or *good* (light blue).

Figure 29: SME Rating of Service Provided by External Accountants



#### KEY FINDINGS

- All service areas were rated by a majority of SMEs as either *excellent* OR *good* with Technical Understanding highest at 82.3% (38.1% + 44.2%) of all respondents, followed closely by Business Understanding at 80.4% and Responsiveness at 80.2%.
- Although still rated favourably, overall, Value of Service Provided is the area where SMEs feel their external accountant or accounting firm could most improve, as 59.7% of all SMEs consider their external accountant or accounting firm *excellent* OR *good* in this area.

# REGIONAL RESULTS

## - SECTION 5 -

This section separates the overall results contained in Section 4 into distinct results for six regions in Canada: British Columbia, Alberta, the Prairies, Ontario, Quebec and the Atlantic.

## SECTION 5 HIGHLIGHTS

The results for the individual regions compare closely to those nationally. However, there are a few areas where the regional results vary from national averages and/or are different between jurisdictions. These differences, as well as some of the most important issues for each region, are summarized below:

### BRITISH COLUMBIA\*

- SMEs in BC tend to view regulations *less favourably* than other regions (in particular, **Taxation Filing** requirements and **Securities Regulations** are of relatively greater concern in BC).
- When considering the regulations that apply to SMEs in BC, **Inequity** and **Quantity** are the issues of *greatest concern* to SMEs and Practitioners, with **Quantity** issues falling *above* the national average.
- SMEs in BC (and Alberta) are *more likely* to require assistance, and Practitioners in BC (and Alberta) are *more likely* to assist SMEs, with compliance to **Environmental Regulations**.
- Consistent with the general view of Securities Regulations, Securities Regulations NI 51-102, MI 52-109 and MI 52-111 are *more likely* to be viewed as *unreasonable* in BC than they are in other regions.
- SMEs consider **Reporting on Internal Control MI 52-111** the *most unreasonable* of the three Securities Regulations.
- Of all categories, BC accountants are rated *highest* for their **Technical Understanding**.

\* Includes respondents from the territories

### ALBERTA

- Generally speaking, **Taxation Filing** requirements and **Employment Standards** are considered *more important* and are viewed *more favourably* in Alberta than in other regions, while **Environmental Regulations** are viewed *less favourably*.
- When considering the regulations that apply to SMEs in Alberta, **Change** and **Complexity** are the issues of *greatest concern* to SMEs and Practitioners, with **Complexity** issues falling *above* the national average.
- Similar to BC and consistent with the *less favourable* view of **Environmental Regulations**, SMEs in Alberta are *more likely* to require assistance with these regulations, and Practitioners in Alberta are *more likely* to assist SMEs with their compliance to Environmental Regulations.
- SMEs and Practitioners in Alberta expressed *greater concern* in the ability of Securities Regulations NI 51-102, MI 52-109 and MI 52-111 to address the concerns of SMEs than in their ability to improve the quality of financial reporting.
- Overall, **Continuous Disclosure NI 51-102** is viewed as the *most unreasonable* of the three Securities Regulations by SMEs.
- Similar to BC, of all categories, accountants in Alberta are rated *highest* for their **Technical Understanding**.

### PRAIRIES

- SMEs in the Prairie provinces typically have a *more favourable* view of regulations than SMEs in other regions.
- Although Practitioners in the Prairies tend to agree with SMEs that regulations faced by SMEs on the whole are fair, *less than half* of these Practitioners believe that the **Taxation Filing** requirements of SMEs are *fair* OR *somewhat fair* – well *below* the national average.
- When considering the regulations that apply to SMEs in the Prairies, **Duplication** and **Quantity** are the issues of *greatest concern* to SMEs and Practitioners.
- In comparison to other jurisdictions, SMEs in the Prairies are *more likely* to require assistance with their **Taxation Filing** requirements and are *less likely* to require assistance with **Employment Standards** and **Environmental Regulations**.
- Securities Regulations NI 51-102, MI 52-109 and MI 52-111 are relatively *less important* to SMEs and Practitioners in the Prairies – of the three, **Continuous Disclosure NI 51-102** is viewed as the *most unreasonable* by both SMEs and Practitioners.
- Of all categories, accountants in the Prairies rated *highest* for their **Responsiveness**.

## SECTION 5 HIGHLIGHTS

### ONTARIO

- SME and Practitioner views on the *reasonability* and *fairness* of regulations typically follow the national trend.
- When considering the regulations that apply to SMEs in Ontario, **Inequity** and **Complexity** are the issues of *greatest concern* to SMEs and Practitioners.
- Unlike all other regions where a *greater percentage* of SMEs require assistance with their Taxation Filing requirements than with any other category of regulations, SMEs in Ontario are *equally likely* to require assistance with **Securities Regulations** as they are with Taxation issues.
- Of the larger provinces, SMEs in Ontario (and Quebec) are *more likely* to require assistance from an external accountant in the areas of **HR/Payroll**, **Securities Regulations** and **Employment Standards**, and CGA-Practitioners are *more likely* to assist SMEs with their **HR/Payroll Filing** requirements and compliance with **Securities Regulations**.
- Although SMEs and Practitioners views on the reasonability of Securities Regulations NI 51-102, MI 52-109 and MI 52-111 are similar to the averages nationally, it is clear that for SMEs in Ontario, **Reporting on Internal Control MI 52-111** is considered the *most unreasonable* of the three regulations.
- Of all categories, accountants in Ontario received the *highest* rating for their **Business Understanding**.

### QUEBEC

- SMEs in Quebec tend to view regulations *more favourably* than most other regions – in particular, **Employment Standards** are considered relatively *more important and reasonable* in Quebec.
- When considering the regulations that apply to SMEs in Quebec, **Complexity** and **Inequity** are the issues of *greatest concern* to SMEs and Practitioners.
- Similar to Ontario, SMEs in Quebec are *more likely* to require assistance from an external accountant in the areas of **HR/Payroll**, **Securities Regulations**, and **Employment Standards**, and CGA Practitioners in Quebec are *more likely* to assist SMEs with their **HR/Payroll Filing** requirements and compliance with **Securities Regulations**.
- Consistent with the *more favourable* view of regulations, SMEs in Quebec have the *least concern* of the four largest provinces regarding the reasonability of Securities Regulations NI 51-102, MI 52-109 and MI 52-111.
- Quebec is the only region where Practitioners expressed relatively *greater concern* in the ability of these Securities Regulations to improve the quality of financial reporting than in their ability to address the concerns of SMEs.
- Similar to Ontario, of all categories, accountants in Quebec received the *highest* rating for their **Business Understanding**.

### ATLANTIC

- **HR/Payroll Filing** requirements and **Securities Regulations** are considered relatively *more unreasonable* in the Atlantic provinces than they are nationally.
- When considering the regulations that apply to SMEs in the Atlantic provinces, **Inequity** and **Quantity** are the issues of *greatest concern* to SMEs and Practitioners.
- In comparison to other jurisdictions, SMES in the Atlantic provinces are *more likely* to require assistance with their **Taxation** and **HR/Payroll Filing** requirements and are *less likely* to require assistance with **Employment Standards** and **Environmental Regulations**.
- Consistent with their general view of Securities Regulations and in comparison to most other regions, both SMEs and Practitioners are *more likely* to indicate that Securities Regulations NI 51-102, MI 52-109 and MI 52-111 are *unreasonable*.
- Of all categories, accountants in the Atlantic provinces rated *highest* for their **Technical Understanding**.

# 5.1 REASONABILITY OF REGULATIONS APPLICABLE TO SMES – BY REGION

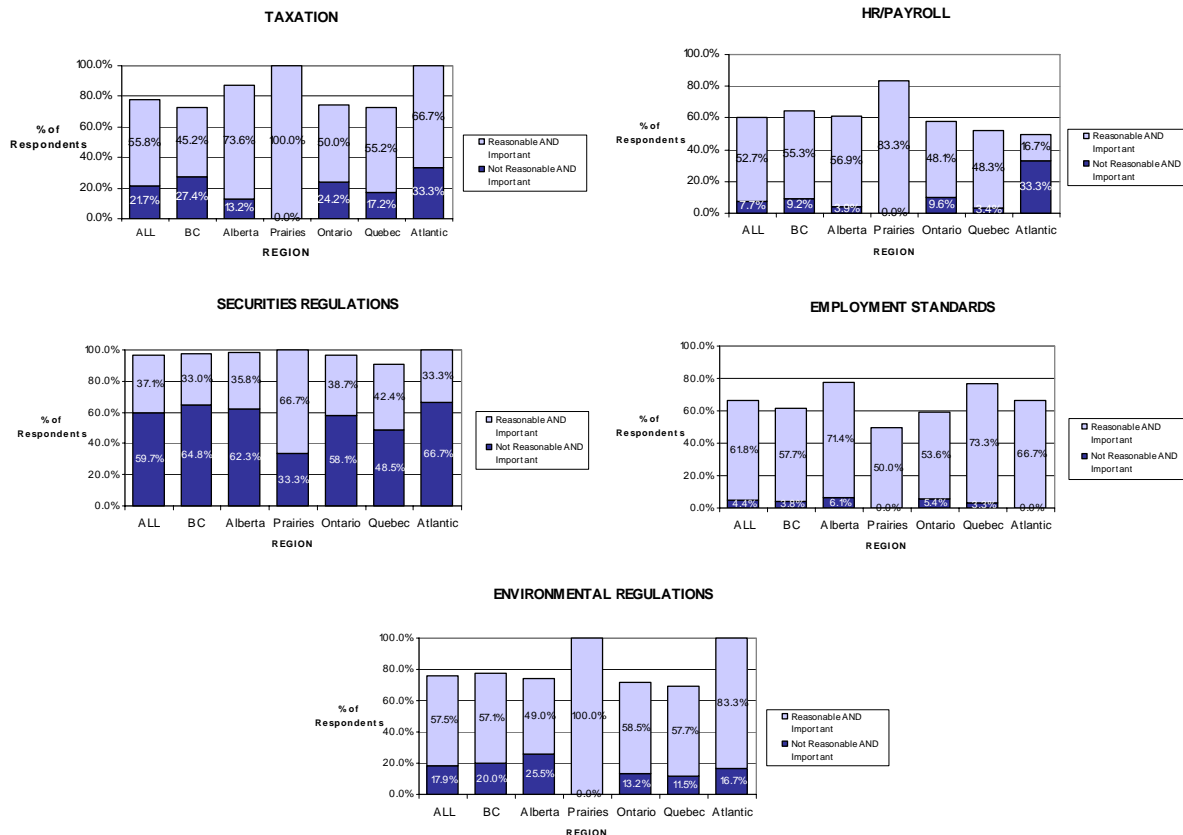
## SME VIEWS

### QUESTION

Do you *agree* or *disagree* that the Tax Filing requirements, Human Resource/Payroll filing requirements, Securities Regulatory requirements, Employment Standards and Environmental Regulations that apply to your organization are reasonable? For each of these areas would you say the issue is *important* or *not important*?

### RESULTS

Figure 30: SME Views Regarding the Reasonability and Importance of Various Regulatory Requirements, by Region



### KEY FINDINGS

- Overall, the results for the regions follow the national trend (i.e., Securities Regulations are viewed as the only regulations that are more *unreasonable* than *reasonable*) – exceptions occur in the Prairie provinces where Securities Regulations are viewed as relatively *more reasonable* than *unreasonable*, and in the Atlantic provinces where SMEs view HR/Payroll Filing requirements as relatively more *unreasonable* than *reasonable*.
- Overall, SMEs in BC view regulations *less favourably* than the national average, especially with respect to Taxation Filing requirements (27.4% *not reasonable AND important* vs. 21.7% nationally) and Securities Regulations (64.8% *not reasonable AND important* vs. 59.7% nationally).
- In comparison to other regions, SMEs in the Prairies and Quebec are relatively *less concerned* with the reasonability of regulations applicable to their organizations.
- In comparison to the four largest provinces, Taxation Filing requirements are considered relatively *more important* in Alberta (86.8% vs. 77.5% nationally), and are viewed *more favourably* (only 13.2% *not reasonable AND important* vs. 21.7% nationally).
- Environmental regulations are viewed *less favourably* in Alberta (25.5% *not reasonable AND important*) and BC (20.0%) than they are in Quebec (11.5%) and Ontario (13.2%).
- In comparison to other regions, Employment Standards are considered relatively *more important* to SMEs in Alberta and Quebec.

# 5.1 REASONABILITY OF REGULATIONS APPLICABLE TO SMES – BY REGION

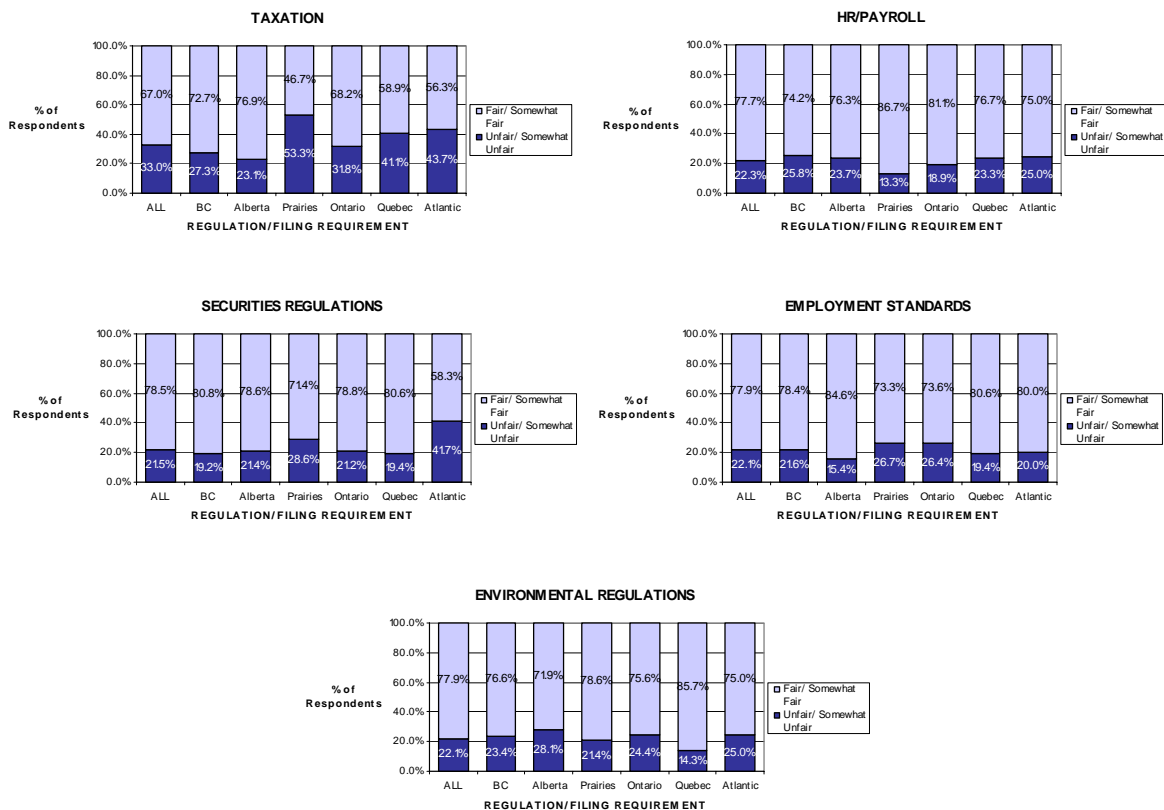
## PRACTITIONER VIEWS

### QUESTION

Using a scale of *fair*, *somewhat fair*, *somewhat unfair* or *unfair*, how would you rate the Tax Filing requirements, Human Resource/Payroll filing requirements, Securities Regulatory requirements, Employment Standards and Environmental Regulations that apply to small or medium-sized entities?

### RESULTS

Figure 31: Practitioner Views Regarding the Fairness of Various Regulatory Requirements Applicable to SMEs, by Region



### KEY FINDINGS

Regional views are similar to those nationally except in the following areas where notable differences exist:

- Taxation Filing requirements: Alberta Practitioners (76.9% *fair* OR *somewhat fair*) are *above* the national average (67.0%), while Prairie Practitioners (46.7% *fair* OR *somewhat fair*) are *below* the national average.
- HR/Payroll Filing requirements: Prairie Practitioners (86.7% *fair* OR *somewhat fair*) are *above* national average (77.7%).
- Securities Regulations: Atlantic Practitioners (58.3% *fair* OR *somewhat fair*) are *below* the national average (78.5%).
- Employment Standards: Alberta Practitioners (84.6% *fair* OR *somewhat fair*) and Quebec Practitioners (80.6% *fair* OR *somewhat fair*) are *above* the national average (77.9%).
- Environmental Regulations: Quebec Practitioners (85.7% *fair* OR *somewhat fair*) are *above* the national average (77.9%), while Alberta Practitioners (71.9% *fair* OR *somewhat fair*) are *below* the national average.
- Taxation Filing requirements are viewed as the *least fair* regulations in all regions except Alberta – in Alberta, Environmental Regulations had the *lowest* percentage of respondents claiming the regulations as *fair* OR *somewhat fair* (i.e., 71.9% for Environmental Regulations vs. 76.9% for Taxation Filings).

## 5.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS – BY REGION

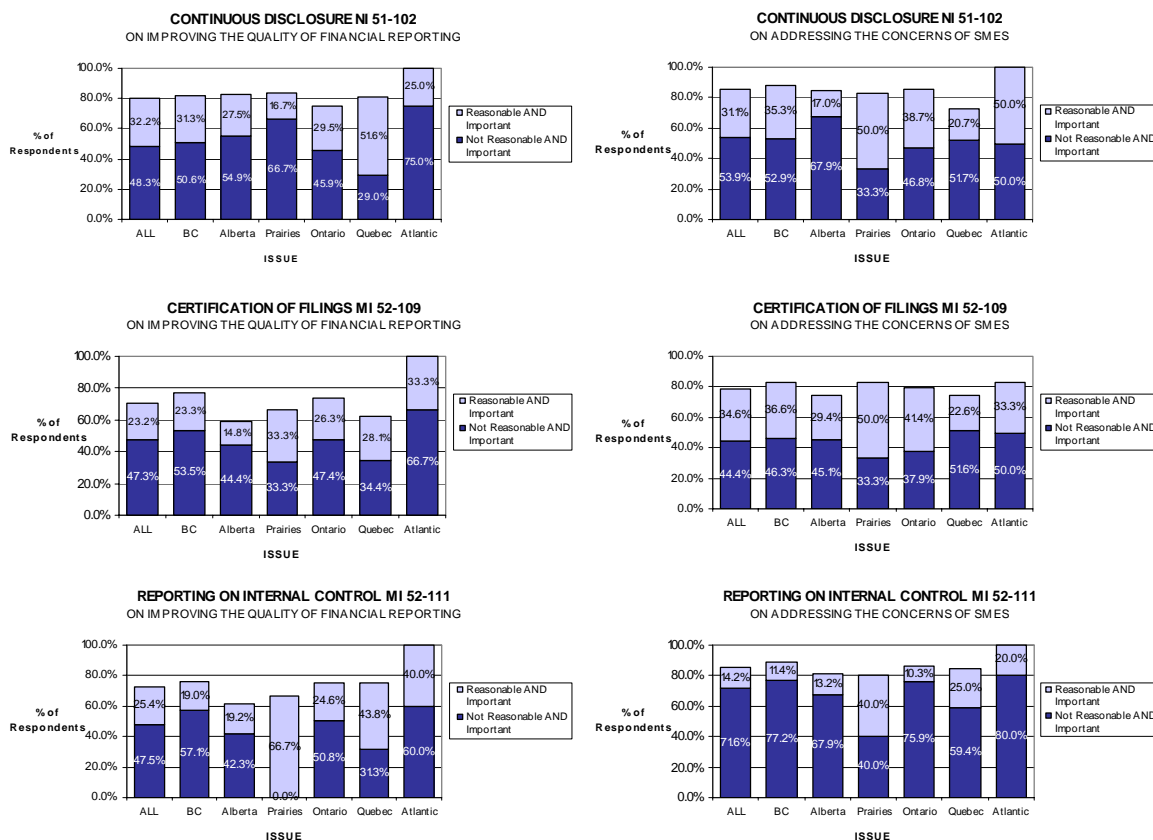
### SME VIEWS

#### QUESTION

Do you *agree* or *disagree* that National Instrument 51-102, Multilateral Instrument 52-109 and Multilateral Instrument 52-111 have improved/will improve the quality of your financial reporting and have addressed/will address the concerns of SMEs? In addition, for each regulation and related issue, is the issue *important* or *not important*?

#### RESULTS

Figure 32: SME Views Regarding Reasonability and Importance of Securities Regulations NI-102, MI 52-109 and MI 52-111, by Region



#### KEY FINDINGS

**BC** – All three regulations and the related issues are, for the most part, of *greater importance* and are viewed as being *more unreasonable* to SMEs in BC than they are nationally. Overall, MI 52-111 is viewed as the *most unreasonable* of the three regulations.

**Alberta** – These specific securities regulations and related issues are relatively *less important* to SMEs in Alberta. There is, however, *greater concern* in the ability of the regulations to address the concerns of SMEs than there is in their ability to improve the quality of financial reporting. Overall, NI 51-102 is viewed as the *most unreasonable* of the three regulations.

**Prairies** – These specific securities regulations and related issues are *less likely* to be seen as *unreasonable* to SMEs in the Prairies.

**Ontario** – Views are similar to the averages nationally. However, it is clear that MI 52-111 is considered the *most unreasonable* of the three regulations.

**Quebec** – Relatively speaking, of the largest provinces, SMEs in Quebec have the *least concern* regarding the reasonability of these regulations. Similar to Alberta, there is *greater concern* in the ability of these regulations to address the concerns of SMEs than there is in their ability to improve the quality of financial reporting.

**Atlantic** – All three regulations and the related issues are of relatively *greater importance*, and are viewed as being *more unreasonable*, to SMEs in the Atlantic than they are nationally.

## 5.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS – BY REGION

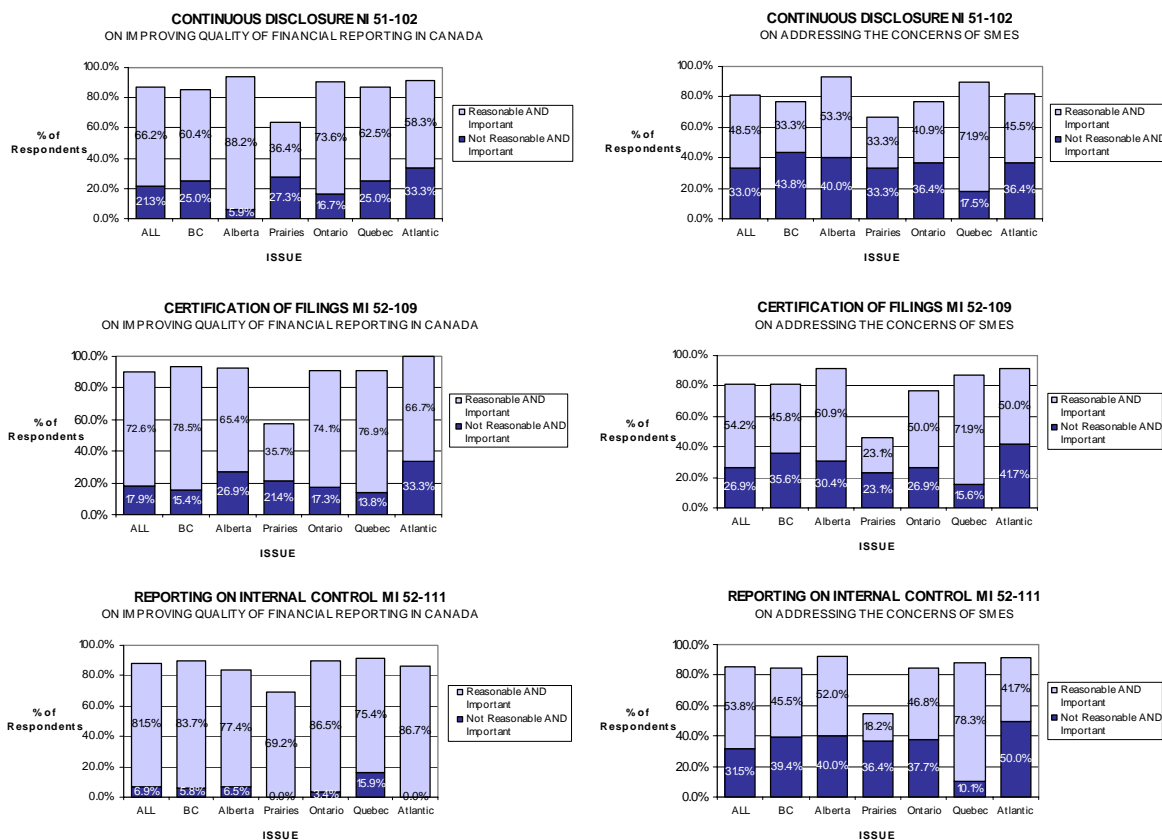
### PRACTITIONER VIEWS

#### QUESTION

Do you *agree* or *disagree* that National Instrument 51-102, Multilateral Instrument 52-109 and Multilateral Instrument 52-111 have improved/will improve the quality of financial reporting in Canada and have addressed/will address the concerns of SMEs? In addition, for each regulation and related issue, is the issue *important* or *not important*?

#### RESULTS

Figure 33: Practitioner Views Regarding Reasonability and Importance of Securities Regulations NI-102, MI 52-109 and MI 52-111, by Region



#### KEY FINDINGS

**BC** – Similar to SMEs, Practitioners in BC are *more likely* to consider these regulations and related issues *unreasonable*. There is relatively *greater concern* in the ability of these regulations to address the concerns of SMEs than there is in their ability to improve the quality of financial reporting. Overall, NI 51-102 is viewed as the *most unreasonable* of the three regulations.

**Alberta** – Unlike SMEs, these regulations and related issues are of *greater importance* to Practitioners in Alberta than they are nationally. There is relatively *greater concern* in the ability of these regulations to address the concerns of SMEs than there is in their ability to improve the quality of financial reporting.

**Prairies** – Similar to SMEs, these regulations and related issues are relatively *less important* than they are nationally. However, there is *greater concern* in the ability of these regulations to address the concerns of SMEs than there is in their ability to improve the quality of financial reporting.

**Ontario** – Views are similar to those nationally. There is relatively *greater concern* in the ability of these regulations to address the concerns of SMEs than there is in their ability to improve the quality of financial reporting.

**Quebec** – These regulations are of *greater importance* to Practitioners in Quebec than they are nationally. Unlike all other regions, there is relatively *greater concern* in the ability of these regulations to improve the quality of financial reporting than there is in their ability to address the concerns of SMEs. NI 51-102 is viewed as the *most unreasonable* of the three regulations.

**Atlantic** – Similar to SMEs, Practitioners in the Atlantic provinces are *more likely* to consider these three regulations and related issues *important* and *unreasonable*.

## 5.3 ISSUES EXPERIENCED BY SMES WHEN DEALING WITH REGULATIONS – BY REGION

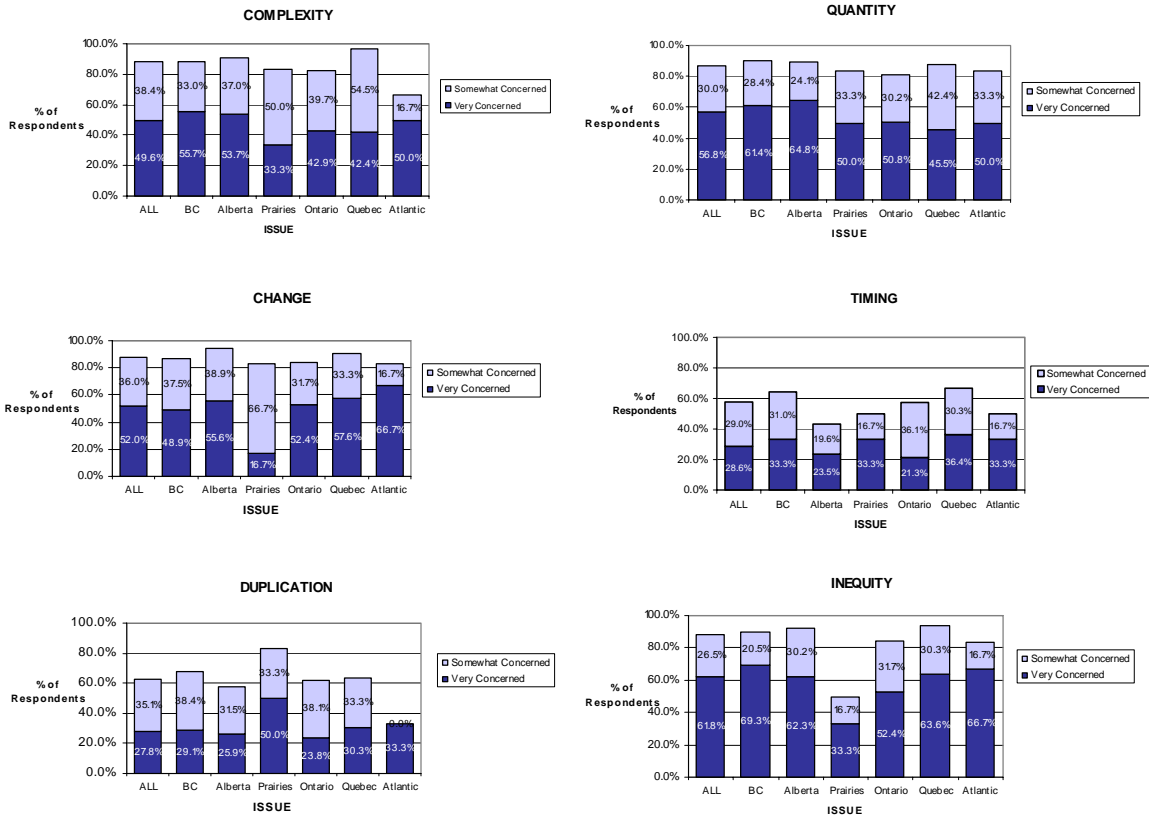
### SME VIEWS

#### QUESTION

Are you *very concerned*, *somewhat concerned*, *not very concerned* or *not at all concerned* about the issues of Complexity, Quantity, Change, Timing, Duplication and Inequity as they impact your organization's compliance with all applicable regulations?

#### RESULTS

Figure 34: SME Views on the Issues that Can Impact Compliance with Applicable Regulations, by Region



#### KEY FINDINGS

- Considering all responses, the issues of greatest and least concern to SMEs in each of the regions are ranked as follows:

REGION	1 - Issue of Greatest Concern					6 - Issue of Least Concern
	COMPLEXITY	QUANTITY	CHANGE	TIMING	DUPLICATION	INEQUITY
BC	3	2	4	6	5	1
Alberta	3	4	1	6	5	2
Prairies	3	1	4	6	1	5
Ontario	3	4	2	6	5	1
Quebec	1	4	3	5	6	2
Atlantic	4	3	1	5	6	1
CANADA	3	4	2	6	5	1

## 5.3 ISSUES EXPERIENCED BY SMES WHEN DEALING WITH REGULATIONS – BY REGION

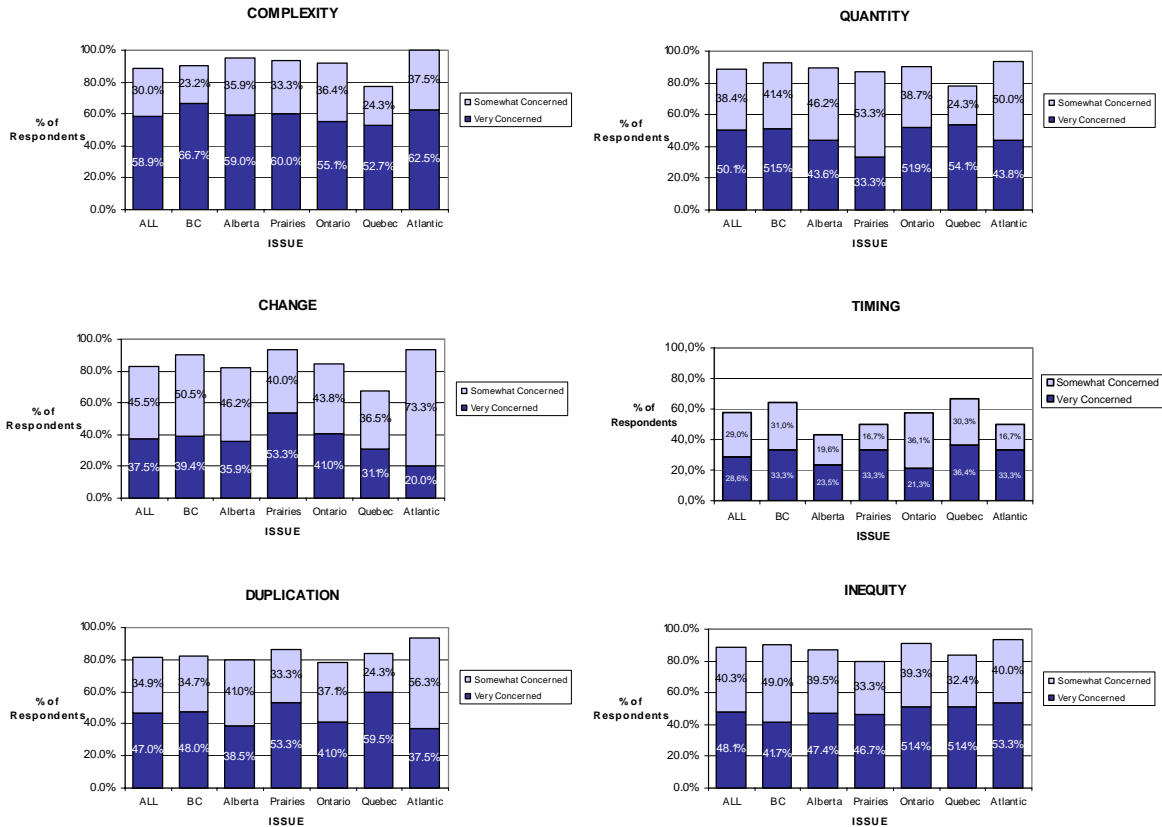
### PRACTITIONER VIEWS

#### QUESTION

Based on your experience, do you think small and medium-sized entities are *very concerned*, *somewhat concerned*, *not very concerned* or *not at all concerned* about the issues of Complexity, Quantity, Change, Timing, Duplication and Inequity when complying with their respective regulatory requirements?

#### RESULTS

Figure 35: Practitioner Views on the Issues that Can Impact SME Compliance with Applicable Regulations, by Region



#### KEY FINDINGS

- The views of Practitioners in each of the regions are similar to those nationally.
- When you consider the views of *both* SMEs and Practitioners, the following issues are considered to be of relatively greater concern or of lesser concern to SMEs in each of the regions:

REGION	GREATER CONCERN	LESSER CONCERN
BC	Quantity	-
Alberta	Complexity	Timing
Prairies	Duplication	Inequity
Ontario	-	Duplication
Quebec	Timing	-
Atlantic	-	Timing

## 5.4 EXTERNAL ACCOUNTING ASSISTANCE REQUIRED BY SMES – BY REGION

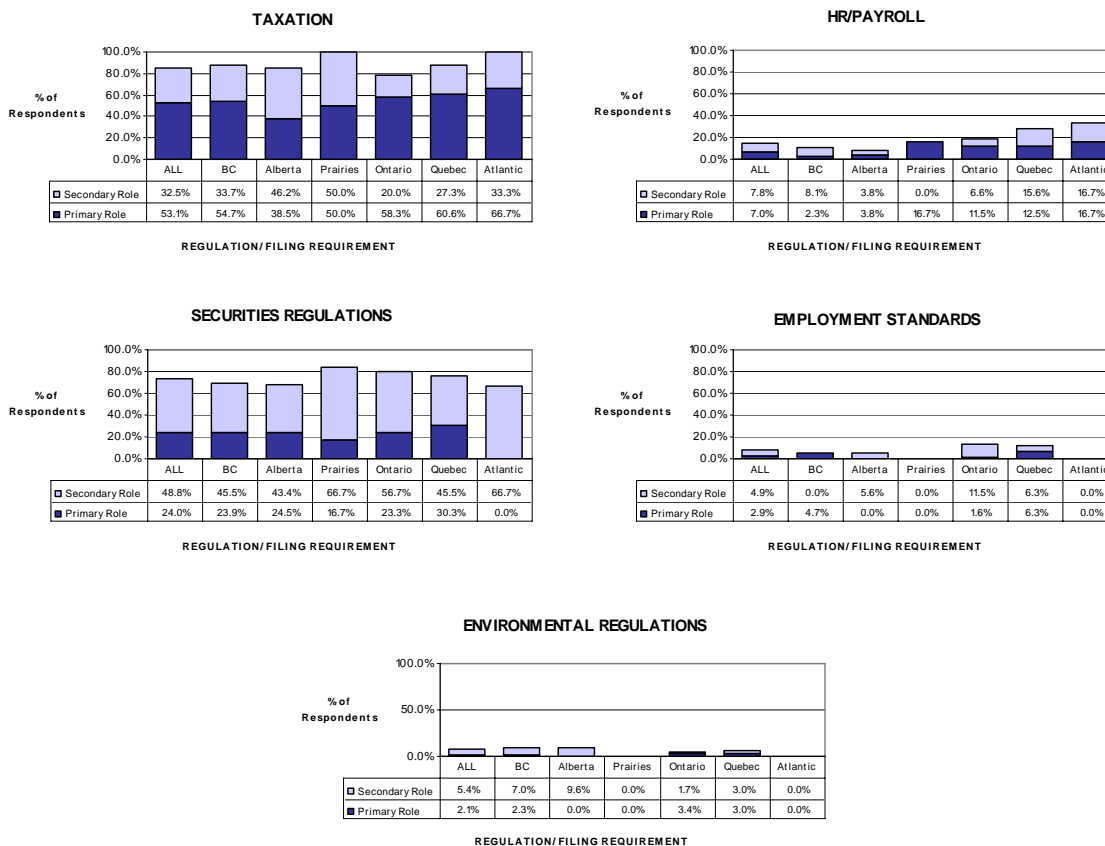
### SME VIEWS

#### QUESTION

Within the last year, for which of the following regulatory areas (i.e., *Taxation, HR/Payroll, Securities Regulations, Employment Standards, Environmental Regulations*), if any, did you require the assistance of an external accountant or accounting firm? If you did require the services of an external accountant, for each area, did the external accountant or accounting firm have the primary role in ensuring compliance with the applicable regulation, or a secondary role?

#### RESULTS

Figure 36: Regulatory Areas Where SMEs Require Assistance from an External Accountant, by Region



#### KEY FINDINGS

- Regional breakdowns are similar to the national average (i.e., Taxation is the area where SMEs require the greatest assistance followed by Securities Regulations) – the only exception is in Ontario where SMEs are just as likely to require assistance with Securities Regulations (80.0%) as they are with Taxation Filing requirements (78.3%).
- In comparison to other jurisdictions, SMEs in the smaller provinces (Prairies and Atlantic) are *more likely* to require assistance with their Taxation Filing requirements and are *less likely* to require assistance with Employment Standards and Environmental Regulations.
- Consistent with their relatively greater concern regarding the reasonability of HR/Payroll Filing Requirements, SMEs in the Atlantic provinces are *more likely* to require accounting assistance with these requirements.
- Of the four largest provinces, SMEs in Quebec and Ontario are *more likely* to require assistance from an external accountant in the areas of HR/Payroll, Securities Regulations and Employment Standards, while SMEs in BC and Alberta are *more likely* to require assistance with Environmental Regulations.

## 5.4 EXTERNAL ACCOUNTING ASSISTANCE REQUIRED BY SMES – BY REGION

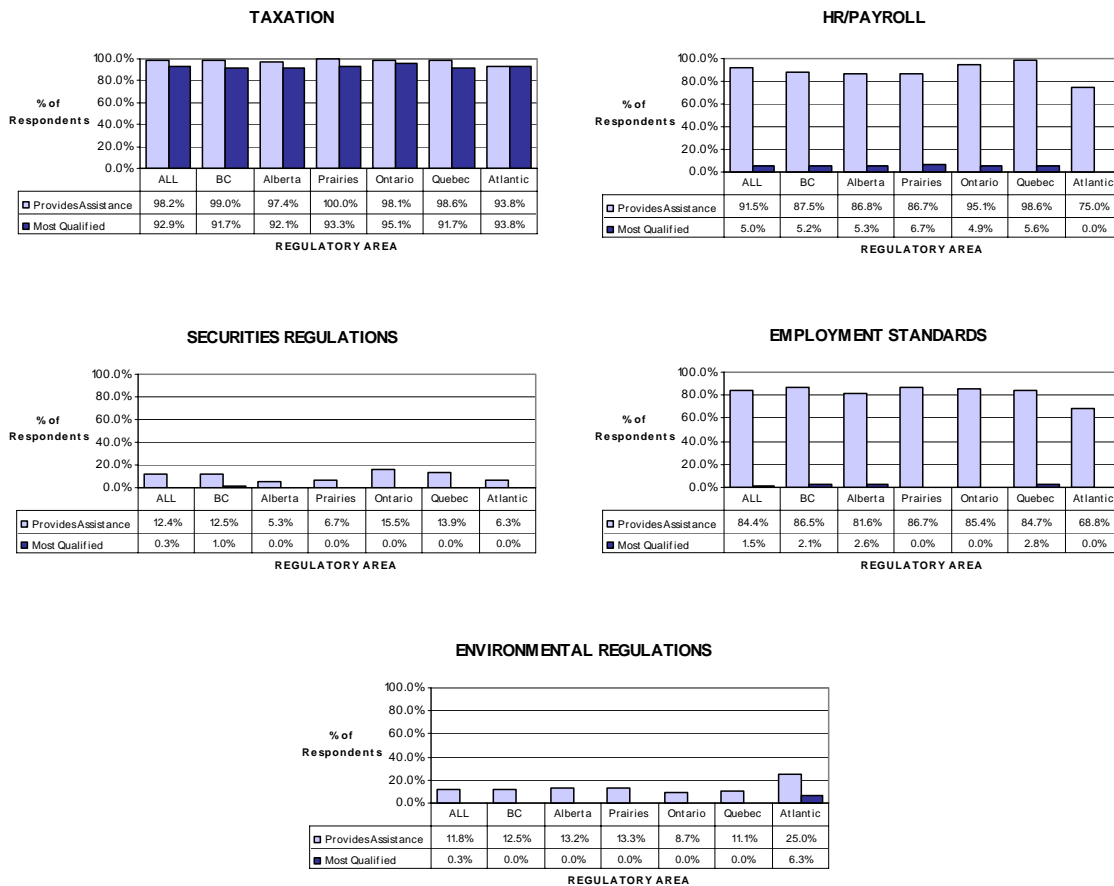
### PRACTITIONER VIEWS

#### QUESTION

For which of the following regulatory requirements (i.e., *Taxation, HR/Payroll, Securities Regulations, Employment Standards, Environmental Regulations*) have you provided advice or assistance to a small or medium-sized client in the last year? In which area would you say you are the most qualified to provide advice or assistance to a small or medium-sized entity?

#### RESULTS

Figure 37: Regulatory Areas Where Accounting Practitioners Assist SMEs and are Most Qualified to Provide Assistance, by Region



#### KEY FINDINGS

- In general, the regional breakdowns follow the national average (i.e., Taxation is the area where Practitioners are *most likely* to provide assistance to SMEs and are *most qualified* to provide assistance to SMEs).
- Consistent with the need for assistance in Quebec and Ontario, CGA Practitioners are *more likely* to provide assistance to SMEs in the areas of HR/Payroll Filing requirements and Securities Regulations than they are in other regions.
- Of the four largest provinces, CGA Practitioners in BC and Alberta are *more likely* to assist SMEs with their compliance with Environmental Regulations than they are in Ontario and Quebec – a result that is consistent with the relatively greater assistance required by SMEs in these provinces with respect to Environmental Regulations.

## 5.5 SME VIEWS ON SERVICE PROVIDED BY EXTERNAL ACCOUNTANTS – BY REGION

### SME VIEWS

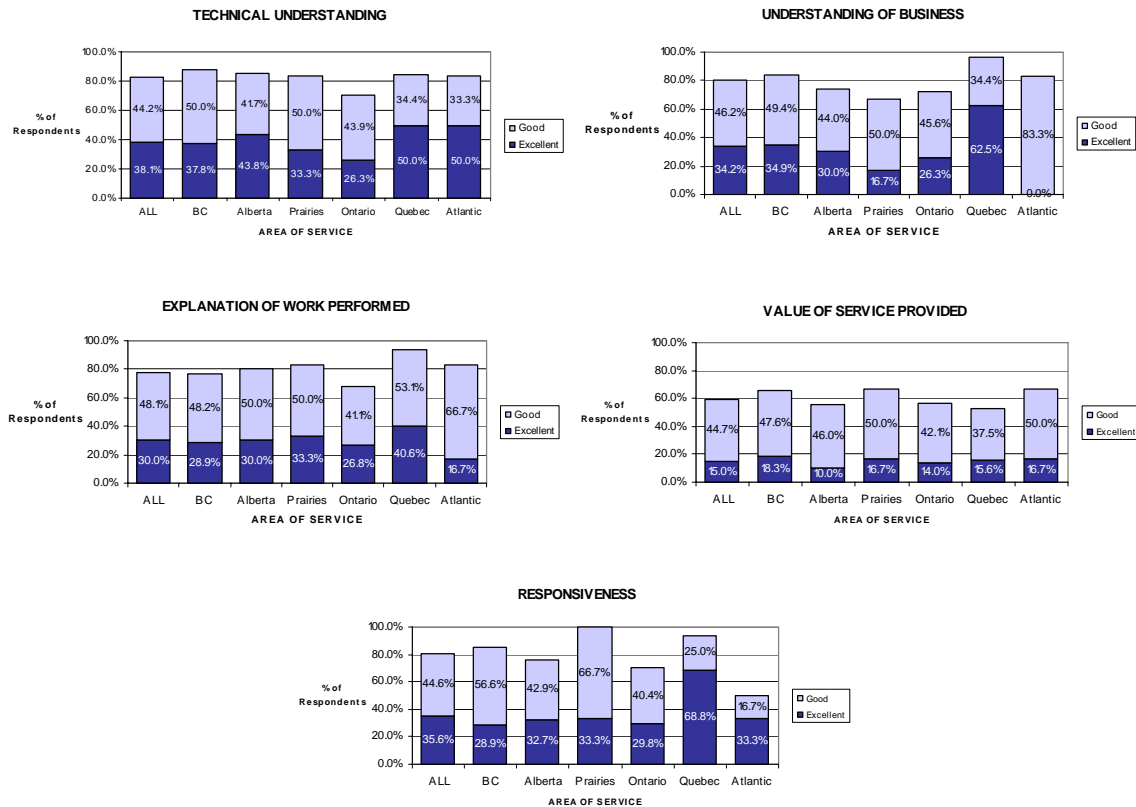
#### QUESTION

Using a scale of *excellent*, *good*, *average*, *below average* or *poor*, how would you rate the service provided by the external accountant or accounting firm you used in the past year in each of the following areas:

- Technical understanding of the regulatory requirements that apply to your organization
- Understanding of your business and its operations
- Explanation of work performed
- Value of service provided considering fees charged
- Responsiveness of service

#### RESULTS

Figure 38: SME Rating of Service Provided by External Accountants, by Region



#### KEY FINDINGS

- Based on the percentage of SMEs that rated each service area as *excellent* OR *good*\*, the table below shows how SMEs in each region rate the service of their external accountant or accounting firm:

REGION	1 - Highest Rating		6 - Lowest Rating		
	Technical Understanding	Business Understanding	Explanation of Work	Value of Service Provided	Responsiveness
BC	1	3	4	5	2
Alberta	1	4	2	5	3
Prairies	2	4	3	5	1
Ontario	3	1	4	5	2
Quebec	4	1	3	5	2
Atlantic	1	3	2	4	5
CANADA	1	2	4	5	3

\*In situations where services are rated equally, *average*, *below average* and *poor* responses were also considered.

# **SPECIFIC RESULTS**

## **SECURITIES REGULATIONS**

### **- SECTION 6 -**

This section focuses on SME responses to questions that specifically address views on Securities Regulations. In particular, the analysis breaks down the responses of SMEs represented in Sections 4.1 and 4.2 into responses by exchange (i.e., Toronto Stock Exchange and the TSX Venture Exchange) and responses by SME type or size (i.e., Micro, Small and Medium-sized Entities).



## SECTION 6 HIGHLIGHTS

### BY EXCHANGE

#### **6.1 REASONABILITY OF SECURITIES REGULATIONS APPLICABLE TO SMES**

- Overall, SMEs listed on the TSX are *more concerned* with the reasonability of Securities Regulations than those listed on the TSX Venture Exchange.

#### **6.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS**

(National Instrument 51-102 – Continuous Disclosure Obligations; Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings; Multilateral Instrument 52-111 – Reporting on Internal Control Over Financial Reporting)

- The impact of all three regulations on the quality of financial reporting is relatively *more important* for companies listed on the TSX than those listed on the TSX Venture Exchange.
- TSX companies are *more likely* to view these specific regulations as *unreasonable* than are TSX-V companies – with **Reporting on Internal Control MI 52-111** having the greatest disparity between the two exchanges.

### BY SME SIZE

#### **6.3 REASONABILITY OF SECURITIES REGULATIONS APPLICABLE TO SMES**

- The *importance* of Securities Regulations typically increases with size of SME.
- Larger SMEs (i.e., Small and Medium entities with 10-50 and 50-250 employees, respectively) are *more likely* than Micro entities (i.e., entities with less than 10 employees) to express concern with the reasonability of Securities Regulations.

#### **6.4 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS**

(National Instrument 51-102 – Continuous Disclosure Obligations; Multilateral Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings; Multilateral Instrument 52-111 – Reporting on Internal Control Over Financial Reporting)

- As the size of the SME increases, the impact of all three regulations on the quality of financial reporting becomes relatively *more important*.
- As the size of the SME increases, the *less likely* an SME will consider these regulations *reasonable* with respect to improving the quality of their organization’s financial reporting.
- Small entities are *more likely* to disagree that **Certification of Filings MI 52-109** and **Reporting on Internal Control MI 52-111** appropriately address the concerns of SMEs, while Medium entities are *more likely* to disagree that **Continuous Disclosure NI 51-102** appropriately addresses their concerns.

## 6.1 REASONABILITY OF SECURITIES REGULATIONS APPLICABLE TO SMES – BY EXCHANGE

### SME VIEWS

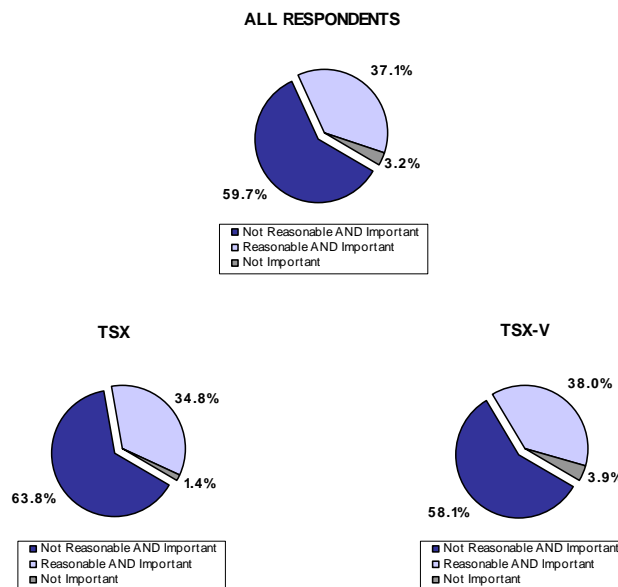
#### QUESTION

Do you *agree* or *disagree* that the securities regulatory requirements of your organization are reasonable? Would you say this issue is *important* or *not important*?

#### RESULTS

The following figures represent SME views regarding the reasonability and importance of securities regulations. The figures compare the views of SMEs listed on the Toronto Stock Exchange (TSX) with those listed on the TSX Venture Exchange (TSX-V). In each figure, the percentage of respondents that view securities regulations as *not reasonable* AND *important* are represented in dark blue, while the percentage that feel these regulations are *reasonable* AND *important* are represented in light blue, and those that feel the issue is not important are represented in grey.

Figure 39: SME Views Regarding the Reasonability and Importance of Securities Regulations, by Exchange



#### KEY FINDINGS

- Overall, Securities Regulations are considered *more unreasonable* than reasonable for companies listed on both the TSX and TSX-V.
- SMEs listed on the TSX are more concerned with the reasonability of Securities Regulations than are those listed on the TSX Venture Exchange, with almost two-thirds indicating that these regulations are unreasonable (i.e., 63.8% *important* AND *disagree* compared to 58.1% on the TSX-V).
- The reasonability of Securities Regulations is slightly more important to SMEs listed on the TSX, with only 1.4% indicating that this issue is *not important* compared to 3.9% of those listed on the TSX-V.

## 6.2 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS – BY EXCHANGE

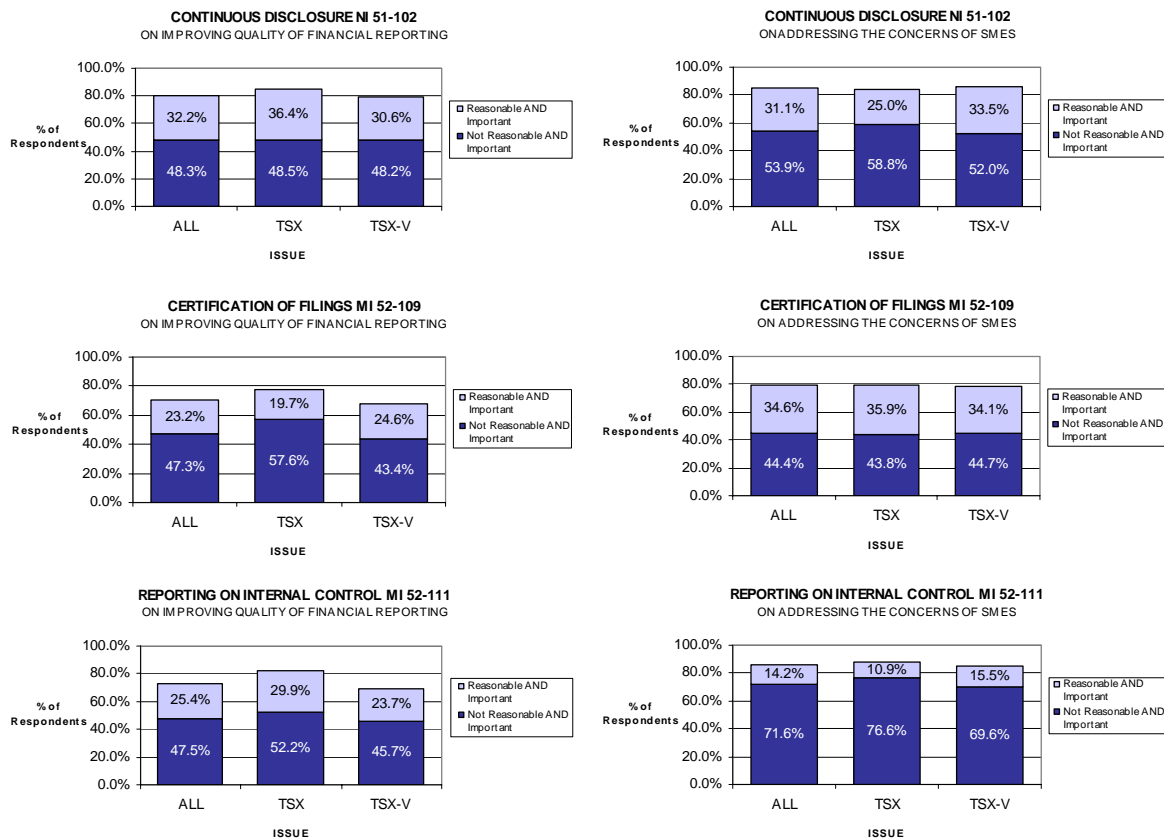
### SME VIEWS

#### QUESTION

Do you *agree* or *disagree* that National Instrument 51-102, Multilateral Instrument 52-109 and Multilateral Instrument 52-111 have improved/will improve the quality of financial reporting in Canada and have addressed/will address the concerns of SMEs? In addition, are these issues *important* or *not important*?

#### RESULTS

Figure 40: SME Views Regarding the Reasonability and Importance of Securities Regulations NI-102, MI 52-109 and MI 52-111, by Exchange



#### KEY FINDINGS

- Overall, all three regulations and related issues are considered *more unreasonable* than reasonable for companies listed on both the TSX and TSX-V.
- Generally speaking, TSX companies are more likely to **disagree** that these specific regulations are *reasonable AND important* than are TSX-V companies – this is particularly true for Reporting on Internal Control MI 52-111.
- The impact of all three regulations on the quality of financial reporting is relatively *more important* for companies listed on the TSX than those listed on the TSX Venture Exchange.
- Although Reporting on Internal Control MI 52-111, as it is currently proposed, will not apply to TSX-V companies, a significant percentage of these entities still believe that this regulation will not improve the quality of reporting in Canada or that it will appropriately address the concerns of SMEs.

## 6.3 REASONABILITY OF SECURITIES REGULATIONS APPLICABLE TO SMES – BY SME SIZE

### SME VIEWS

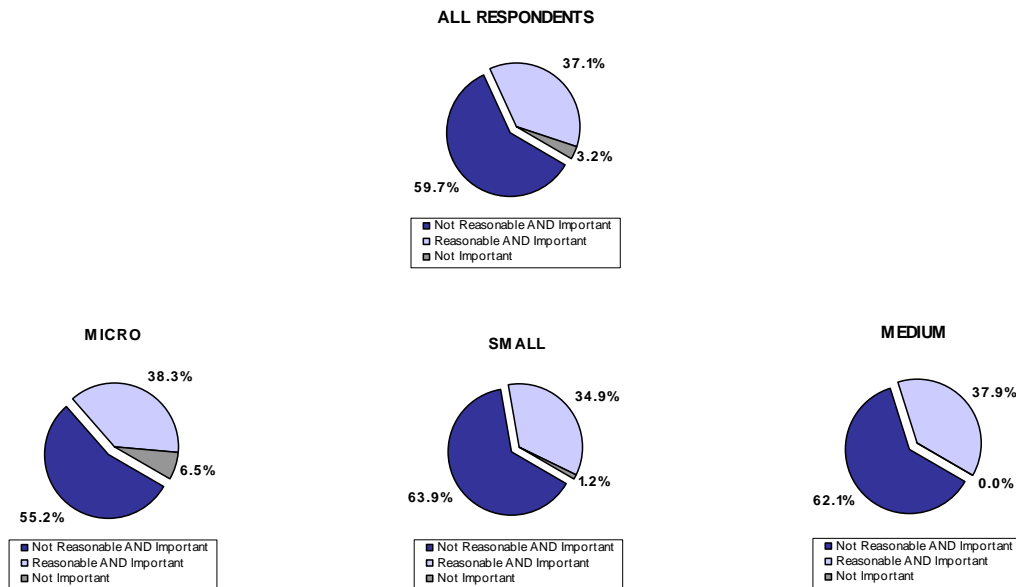
#### QUESTION

Do you *agree* or *disagree* that the securities regulatory requirements of your organization are reasonable? Would you say this issue is *important* or *not important*?

#### RESULTS

The following figures represent SME views regarding the reasonability and importance of securities regulations, broken down by size of SME. In each figure, the percentage of respondents that view securities regulations as *not reasonable AND important* are represented in dark blue, while the percentage that feel these regulations are *reasonable AND important* are represented in light blue, and those that feel the issue is not important are represented in grey.

Figure 41: SME Views Regarding the Reasonability and Importance of Securities Regulations, by SME Type



#### KEY FINDINGS

- For SMEs of all sizes, Securities Regulations are considered *more unreasonable* than reasonable.
- The importance of Securities Regulations increases with size of SME (i.e., 100% of Medium entities consider the reasonability of applicable Securities Regulations as *important*, while the figure falls to 93.5% for Micro entities).
- Larger SMEs (i.e., Small and Medium entities with 10-50 and 50-250 employees, respectively) are more likely than Micro entities (i.e., less than 10 employees) to express concern with the reasonability of Securities Regulations.

## 6.4 REASONABILITY OF SPECIFIC SECURITIES REGULATIONS – BY SME SIZE

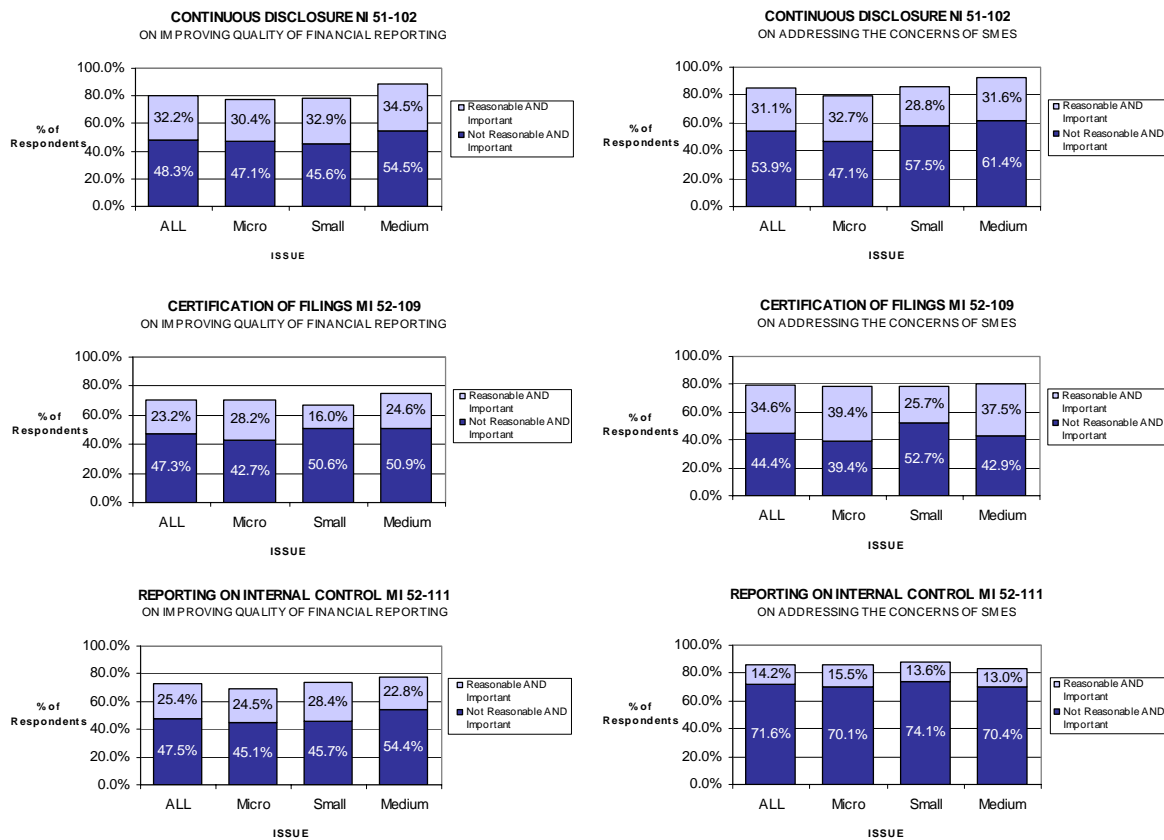
### SME VIEWS

#### QUESTION

Do you *agree* or *disagree* that National Instrument 51-102, Multilateral Instrument 52-109 and Multilateral Instrument 52-111 have improved/will improve the quality of financial reporting in Canada and have addressed/will address the concerns of SMEs? In addition, are these issues *important* or *not important*?

#### RESULTS

Figure 42: SME Views Regarding the Reasonability and Importance of Securities Regulations NI-102, MI 52-109 and MI 52-111, by SME Type



#### KEY FINDINGS

- Overall, all three regulations and related issues are considered *more unreasonable* than reasonable to SMEs in each size category.
- For the most part, the impact of all three regulations on the quality of financial reporting is *more important* and is considered *more unreasonable* (i.e., *not reasonable AND important*) as the size of SME increases.
- Small entities are *more likely* to disagree that Certification of Filings MI 52-109 and Reporting on Internal Control MI 52-111 appropriately address the concerns of SMEs, while Medium entities are *more likely* to disagree that Continuous Disclosure NI 51-102 appropriately addresses their concerns.



# APPENDICES

Appendix A – Recently Introduced Securities Regulations

Appendix B – SME and Practitioner Surveys

Appendix C – SME and Practitioner Survey Participation

# APPENDIX A

## RECENTLY INTRODUCED SECURITIES REGULATIONS

The following is a summary of the requirements for National Instrument 51-102 – Continuous Disclosure Obligations, Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and Multilateral Instrument 52-111 – Reporting on Internal Control Over Financial Reporting, as they apply to the TSX and TSX-V companies surveyed in this study<sup>1</sup>.

### **Continuous Disclosure Obligations** National Instrument 51-102 (NI 51-102)

#### **TIMING & HISTORY**

Although specific provisions have different effective dates, companies were expected to comply with the new filing deadlines and Management Discussion and Analysis (MD&A) requirements starting the first interim period for financial years beginning on or after January 1, 2004.

In conjunction with the release of NI 51-102, securities regulators also introduced the following rules:

- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*
- National Instrument 52-108 *Auditor Oversight*
- Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*
- Multilateral Instrument 52-110 *Audit Committees*

#### **APPLICABILITY**

Adherence to NI 51-102 is required of all companies other than investment funds. As a national instrument, the regulation is applicable in all jurisdictions in Canada.

#### **REQUIREMENTS**

This regulation harmonizes and expands on previously existing continuous disclosure requirements. The regulation includes new filing deadlines and delivery requirements, changes to content of some disclosures, and new continuous disclosure reporting requirements. Of particular interest are changes to financial statement and MD&A filing deadlines and approvals, as well as changes to the content requirements of the MD&A.

### **Certification of Disclosure in Issuers' Annual and Interim Filings** Multilateral Instrument 52-109 (MI 52-109)

#### **TIMING & HISTORY**

The current form of MI 52-109 (Current Certification Instrument) came into effect in all jurisdictions except British Columbia and Quebec on March 30, 2004. The Certification Instrument came into force in Quebec on June 30, 2005, and in British Columbia on September 19, 2005.

On February 4, 2005, in conjunction with Proposed Multilateral Instrument 52-111, a new form of MI 52-109 (Revised Certification Instrument) was proposed by all jurisdictions except British Columbia. Public comments related to the proposed requirements under the Revised Certification Instrument are currently under review.

#### **APPLICABILITY**

Adherence to the Current Certification Instrument MI 52-109 is required of all companies other than investment funds. Revised Certification Instrument MI 52-109 also applies to all companies other than investment funds.

<sup>1</sup>This Appendix is meant only as a summary of the requirements that would apply to a majority of the TSX and TSX-V companies surveyed as part of this study and does not consider specific exemptions (i.e., companies cross-listed in the US and foreign issuers) or other special circumstances. For more details, please consult the Rules and Policies of the Canadian Securities Administrators.

# APPENDIX A

## RECENTLY INTRODUCED SECURITIES REGULATIONS

### Certification of Disclosure in Issuers' Annual and Interim Filings

Multilateral Instrument 52-109 (MI 52-109) *continued*

#### REQUIREMENTS

##### ***Current Certification Instrument***

Under the Current Certification Instrument, a company's CEO and CFO must certify annual and interim financial statements and MD&A as well as the annual information form<sup>2</sup> as follows:

FINANCIAL YEAR <sup>3</sup>	REQUIREMENTS
Financial years ending on or before March 30, 2005	<ul style="list-style-type: none"> <li>• The certifying officers have reviewed the annual filings</li> <li>• Based on the certifying officers' knowledge, the issuer's annual filings do not contain any misrepresentations</li> <li>• Based on the certifying officers' knowledge, the financial statements and other financial information in the annual filings fairly present the financial condition, results of operations and cash flows of the issuer</li> </ul>
Financial years ending after March 30, 2005, but on or before June 29, 2006	<p><i>In addition to the requirements above, companies must add:</i></p> <ul style="list-style-type: none"> <li>• The certifying officers are responsible for establishing and maintaining disclosure controls and procedures and have designed (or caused to be designed) such disclosure controls and procedures</li> <li>• The certifying officers have evaluated the effectiveness of disclosure controls and procedures and caused the issuer to disclose their conclusions</li> </ul>
Financial years ending after June 29, 2006	<p><i>In addition to the requirements in both boxes above, companies must add:</i></p> <ul style="list-style-type: none"> <li>• The certifying officers are responsible for establishing and maintaining internal control over financial reporting and have designed (or caused to be designed) such internal control over financial reporting</li> <li>• The certifying officers have caused the issuer to disclose certain changes in internal control over financial reporting</li> </ul>

##### ***Revised Certification Instrument***

Under the Revised Certification Instrument MI 52-109, a company's CEO and CFO would have to certify annual and interim financial statements and MD&A as well as the annual information form in the same manner as just presented for the Current Certification Instrument. The only exception is that companies required to comply with Proposed Multilateral Instrument 52-111 on Internal Control (i.e., TSX entities) would have to, for financial years ending after June 29, 2006, add the following representation:

- Based on their evaluation of internal control over financial reporting, the certifying officers have disclosed to the issuer's auditors and the audit committee certain significant deficiencies in internal control over financial reporting and fraud.

This additional disclosure would bring the requirements under the Revised Certification Instrument in line with those found in section 302 of the *Sarbanes-Oxley Act* of 2002 in the US.

<sup>2</sup>The annual information form is not a requirement of TSX-V companies or "Venture Issuers".

<sup>3</sup>Requirements listed here are annual requirements. For interim reporting requirements, please consult the Rules and Policies of the Canadian Securities Administrators.

# APPENDIX A

## RECENTLY INTRODUCED SECURITIES REGULATIONS

### **Reporting on Internal Control Over Financial Reporting**

Multilateral Instrument 52-111 (MI 52-111)

#### **TIMING & HISTORY**

Originally, requirements under MI 52-111 were to come into effect over four years, beginning with financial years ending on or after June 30, 2006.

In the original proposal, staggered implementation was proposed to provide relief to smaller entities. Under the original proposal, compliance requirements are as follows:

<b>Market Capitalization</b>	<b>Compliance Date</b> <i>Fiscal Year Ending on or before:</i>
\$500,000,000+	June 29, 2006
\$250,000,000 to \$500,000,000	June 29, 2007
\$75,000,000 to \$250,000,000	June 29, 2008
less than \$75,000,000	June 29, 2009

However, the timeline has been extended to allow the regulatory authorities sufficient time to assess the potential impact of the developments in the US related to the implementation of section 404 of the *Sarbanes-Oxley Act* of 2002, and to give these authorities time to review comments and concerns regarding the proposal. As a result, the new proposal calls for companies to comply with the requirements no earlier than in financial years ending on or after June 30, 2007<sup>4</sup>.

#### **APPLICABILITY**

Adherence to MI 52-111 would be required of all companies other than investment funds and venture issuers<sup>5</sup>. The regulation, as it is currently proposed, would apply in all jurisdictions other than British Columbia<sup>6</sup>.

#### **REQUIREMENTS**

The proposed internal control instrument will impose the following requirements:

- an evaluation of the effectiveness of internal control over financial reporting against a suitable control framework;
- maintenance of evidence providing reasonable support for the evaluation of the effectiveness of internal control over financial reporting;
- reporting of material weaknesses in internal control over financial reporting; and
- an audit of internal control over financial reporting.

The requirements under MI 52-111 are similar to the requirements found in section 404 of the *Sarbanes-Oxley Act* of 2002 in the US.

<sup>4</sup>Canadian securities administrators have not indicated whether this extension will also apply to the staggered implementation dates under the original proposal.

<sup>5</sup>This regulation, as it is currently proposed, would not apply to TSX-V companies, as securities regulations have defined a "venture issuer" as an issuer that, as at the applicable time, does not have any of its securities listed or quoted on any of the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the Pacific Exchange or a marketplace outside Canada or the US.

<sup>6</sup>The BC Securities Commission has indicated that it believes existing financial reporting requirements effectively require companies to maintain appropriate control over financial reporting and that the requirements here would be too costly relative to the benefits. Although the Alberta Securities Commission and the Manitoba Securities Commission support the objectives of the Proposed Internal Control Instrument, these organizations have also expressed concerns with the requirements and are considering whether any of the alternative scenarios outlined in the proposal may be implemented.

# APPENDIX B

## SME SURVEY

1. How many employees (i.e., full-time equivalents) does your organization employ?

- a. <10
- b. 10 to 50
- c. 50 to 250
- d. 250 +

2. What are your annual gross revenues (most recent year or estimated current year)?

- a. Less than \$3 Million
- b. \$3 Million to just less than \$15 Million
- c. \$15 Million to just less than \$75 Million
- d. \$75 Million or more

3. What is the value of your total balance sheet assets (ie. from most recent balance sheet)?

- a. Less than \$3 Million
- b. \$3 Million to just less than \$15 Million
- c. \$15 Million to just less than \$65 Million
- d. \$65 Million or more

*If respondent is an SME (i.e., answers a, b or c for #1 AND a, b or c for #2 OR #3), go to question 4, otherwise end interview.*

4. For each of the following statements, please tell me if you agree or disagree and whether the issue or statement is important or not important?

TOPIC	STATEMENT	Agree or Disagree?	Important or Not Important?
TAXATION ie. Corporate tax, GST/PST	i. The tax filing requirements of your organization are reasonable		
HR/PAYROLL ie. ROE, Payroll Remittances (tax, CPP, EI), Annual RPP and Remuneration Summaries	ii. The human resource and payroll filing requirements of your organization are reasonable		
SECURITIES REGULATIONS ie. Financial statements, MD&A, AIF, Information Circulars, Audit, CEO/CFO certification	iii. The securities regulatory requirements of your organization are reasonable		
EMPLOYMENT STANDARDS ie. Vacation, Overtime, Statutory holidays, Notice Requirements	iv. The employment standards that relate to your organization are reasonable		
ENVIRONMENTAL ie. Waste disposal, Care/use chemicals, recycling, transportation of harmful materials, water/sewage treatment, air quality, packaging requirements, wildlife/habitat protection	v. The environmental regulations that relate to your organization are reasonable		

5. Are you very concerned, somewhat concerned, not very concerned or not at all concerned about each of the following as they apply to the regulations that pertain to your organization.

- a. Complexity – ease of understanding regulations
- b. Quantity – the number of regulations
- c. Change – staying up-to-date with new or changing requirements
- d. Timing – the timing of requirements is in harmony with your business cycle
- e. Duplication – same information required by more than one government department
- f. Inequity – the cost of the regulations in proportion to the size of your business

6. Within the last year, for which of the following regulatory areas, if any, did you require the assistance of an external accountant or accounting firm? Did the external accountant or accounting firm have the primary role in ensuring compliance with the applicable regulation, or a secondary role?

- a. Taxation
- b. HR/Payroll
- c. Securities Regulations
- d. Employment Standards
- e. Environmental Regulations

## APPENDIX B

### SME SURVEY

If required assistance in #6, go to #7, otherwise go to #8:

7. Using a scale of excellent, good, average, below average or poor, how would you rate the service provided by the external accountant or accounting firm you used in the past year in each of the following areas:

- a. Technical understanding of the regulatory requirements that apply to your organization
- b. Understanding of your business and its operations
- c. Explanation of work performed
- d. Value of service provided considering fees charged
- e. Responsiveness of service

8. Do you agree or disagree with the following statements related to recently introduced securities regulations? Are these issues important or not important?

a. New continuous disclosure obligations (i.e., National instrument 51-102), which include new deadlines and disclosure requirements for the filing of financial statements and the MD&A.

STATEMENT	Agree or disagree	Important or Not important
i. This regulation has improved the quality of your organization's financial reporting		
ii. The additional costs required to comply with this regulation are justified given the need to enhance investor confidence in the integrity of Canada's capital markets		

b. New certification requirements over annual and interim filings (ie. Multilateral instrument 52-109), which requires CEO and CFO certification of annual and interim financial statements and the MD&A, as well as the Annual Information Form.

STATEMENT	Agree or disagree	Important or Not important
i. This regulation has improved the quality of your organization's financial reporting		
ii. The additional costs required to comply with this regulation are justified given the need to enhance investor confidence in the integrity of Canada's capital markets		

c. Proposed securities regulations related to the reporting on internal control over financial reporting (i.e., proposed Multilateral instrument 52-111), which proposes CEO and CFO certification of a company's internal controls similar to that currently required in the US.

STATEMENT	Agree or disagree	Important or Not important
i. This regulation is necessary to improve the quality of financial reporting in Canada		
ii. In developing this regulation, securities regulators have appropriately dealt with the concerns of smaller entities		

9. What suggestions, if any, do you have to improve any of the regulations mentioned in this survey so that they better address the concerns of smaller entities?

10. Would you like to be provided with a copy of the results of this survey?

1. Yes
2. No

*Thank you for responses today. They will be of great assistance to CGA Canada.*

## APPENDIX B

### PRACTITIONER SURVEY

1. Based on your understanding of all existing regulatory requirements applicable to businesses in Canada, what best describes your general view of these regulations as they apply to small or medium-sized entities?

- a. Fair
- b. Somewhat fair
- c. Somewhat unfair
- d. Unfair

2. Using the same scale of *fair, somewhat fair, somewhat unfair* or *unfair*, how would you rate the requirements of small or medium-sized entities for each of the following regulations?

- a. Taxation
- b. HR/Payroll
- c. Securities Regulations
- d. Employment Standards
- e. Environmental Regulations

3. Based on your experience, do you think small and medium-sized entities are very concerned, somewhat concerned, not very concerned or not at all concerned about each of the following when dealing with their respective regulatory requirements.

- a. Complexity – ease of understanding regulations
- b. Quantity – the number of regulations
- c. Change – staying up-to-date with new or changing requirements
- d. Timing – the timing of requirements is in harmony with their business cycle
- e. Duplication – the same information required by more than one government department
- f. Inequity – the cost of the regulations in proportion to the size of their business

4. For which of the following regulatory requirements have you provided advice or assistance to a small or medium-sized client in the last year?

- a. Taxation
- b. HR/Payroll
- c. Securities Regulations
- d. Employment Standards
- e. Environmental Regulations

5. In which area would you say you are the most qualified to provide advice or assistance to a small or medium-sized entity? And in which area would you say you are the least qualified to provide advice or assistance to a small or medium-sized entity?

- a. Taxation
- b. HR/payroll
- c. Securities regulations
- d. Employment standards
- e. Environmental regulations
- f. All equally
- g. None

6. Do you agree or disagree with the following statements related to recently introduced securities regulations? Are these issues important or not important?

a. New continuous disclosure obligations (i.e., National instrument 51-102), which include new deadlines and disclosure requirements for the filing of financial statements and the MD&A.

STATEMENT	Agree or disagree	Important or Not important
i. This regulation has improved the quality of financial reporting in Canada		
ii. This regulation has sufficiently addressed the concerns of small and medium-sized entities		

## APPENDIX B

### PRACTITIONER SURVEY

b. New certification requirements over annual and interim filings (ie. Multilateral instrument 52-109), which requires CEO and CFO certification of annual and interim financial statements and the MD&A, as well as the Annual Information Form.

STATEMENT	Agree or disagree	Important or Not important
i. This regulation has improved the quality of financial reporting in Canada		
ii. This regulation has sufficiently addressed the concerns of small and medium-sized entities		

c. Proposed securities regulations related to the reporting on internal control over financial reporting (i.e., proposed Multilateral instrument 52-111), which proposes CEO and CFO certification of a company's internal controls similar to that currently required in the US.

STATEMENT	Agree or disagree	Important or Not important
i. This regulation is necessary to improve the quality of financial reporting in Canada		
ii. In developing this regulation, securities regulators have appropriately dealt with the concerns of smaller entities		

7. What suggestions, if any, do you have to improve any of the regulations mentioned in this survey so that they better address the concerns of smaller entities?

8. What is your current position?

- a. Sole owner
- b. Partner
- c. Manager
- d. Staff accountant
- e. Other (specify)

9. How many designated accountants are employed at your firm?

\_\_\_\_\_ (accountants)

10. What is your organization's primary source of revenue?

- a. Audit
- b. Other assurance
- c. Taxation
- d. Bookkeeping/financial statement preparation
- e. Business consulting
- f. Other (specify)

11. Which of the following are represented in your client base?

- a. Organizations with less than 10 employees
- b. Organizations with 11 to less than 50 employees
- c. Organizations with 50 to less than 250 employees
- d. Organizations with 250 or more employees
- e. Publicly listed companies

12. Would you like to be provided with a copy of the results of this survey?

- a. Yes
- b. No

*Thank you for responses today. They will be of great assistance to CGA Canada.*

## APPENDIX C

### SURVEY PARTICIPATION

#### SME SURVEY PARTICIPATION

CATEGORY	BC	Alberta	Prairies	Ontario	Quebec	Atlantic	Totals	%
<b>EXCHANGE</b>								
TSX	18	11		25	14	2	70	28.0%
TSX-V	70	43	6	38	19	4	180	72.0%
<b>Totals</b>	<b>88</b>	<b>54</b>	<b>6</b>	<b>63</b>	<b>33</b>	<b>6</b>	<b>250</b>	<b>100.0%</b>
<b>SME TYPE</b>								
Micro	49	18	3	23	11	4	108	43.2%
Small	22	21	2	22	15	1	83	33.2%
Medium	17	15	1	18	7	1	59	23.6%
<b>Totals</b>	<b>88</b>	<b>54</b>	<b>6</b>	<b>63</b>	<b>33</b>	<b>6</b>	<b>250</b>	<b>100.0%</b>
<b>INDUSTRY</b>								
Mining	55	6	3	19	12	3	98	39.2%
Oil & Gas	8	25	1	3	2	2	41	16.4%
Technology	7	7		13	5		32	12.8%
Financial & Other Business Services	6	3		13	2		24	9.6%
Manufacturing	6	5	1	3	6		21	8.4%
Retail, Food & Beverage		2		4	1		7	2.8%
Medical & Health Care	1			1	2		4	1.6%
Pharmaceutical	1	1		2			4	1.6%
Biotechnology				1	2		3	1.2%
Real Estate			1	1		1	3	1.2%
Media	1	1					2	0.8%
Utilities	1			1			2	0.8%
Other	1	2					3	1.2%
Unclassified	1	2		2	1		6	2.4%
<b>Totals</b>	<b>88</b>	<b>54</b>	<b>6</b>	<b>63</b>	<b>33</b>	<b>6</b>	<b>250</b>	<b>100.0%</b>

#### ACCOUNTING PRACTITIONER SURVEY PARTICIPATION

CATEGORY	BC*	Alberta	Prairies	Ontario	Quebec	Atlantic	Totals	%
<b>POSITION</b>								
Sole Owner	70	32	9	84	61	11	267	76.3%
Partner	25	4	5	17	10	2	63	18.0%
Manager	2	1	1	4	1	3	12	3.4%
Other	2	1		2	2		7	2.0%
Unknown		1					1	0.3%
<b>Totals</b>	<b>99</b>	<b>39</b>	<b>15</b>	<b>107</b>	<b>74</b>	<b>16</b>	<b>350</b>	<b>100.0%</b>
<b>DESIGNATED ACCOUNTANTS IN FIRM</b>								
One	65	29	10	79	58	10	251	71.7%
Two	15	3	1	17	11	5	52	14.9%
Three	9	3	1	8	4		25	7.1%
Four or more	10	4	3	3	1	1	22	6.3%
<b>Totals</b>	<b>99</b>	<b>39</b>	<b>15</b>	<b>107</b>	<b>74</b>	<b>16</b>	<b>350</b>	<b>100.0%</b>
<b>FIRM'S PRIMARY REVENUE SOURCE</b>								
Bookkeeping/FS Preparation	33	17	4	34	57	3	148	42.3%
Taxation	38	9	6	58	10	4	125	35.7%
Other Assurance	21	9	1	5	5	4	40	11.4%
Business Consulting	2		3	5	2	2	14	4.0%
Audit	3	2	1	1	2	1	10	2.9%
Other	2	1		3	2	2	10	2.9%
Unknown		1		1	1		3	0.9%
<b>Totals</b>	<b>99</b>	<b>39</b>	<b>15</b>	<b>107</b>	<b>74</b>	<b>16</b>	<b>350</b>	<b>100.0%</b>
<b>SIZE OF CLIENT(S) SERVED BY FIRM (multiple responses allowed)</b>								
< 10 employees	76	28	10	95	63	11	283	80.9%
11 to 50 employees	53	12	6	70	31	8	180	51.4%
50 to 250 employees	15	5	1	27	3	2	53	15.1%
250+ employees / Publicly-traded	4				1		5	1.4%

\* Includes practitioners residing in the territories