

YOUR GUIDE TO UNDERSTANDING FINANCIAL STATEMENTS

4,175	18,600	22,814	5,450	92,851	72,416
7,652	7,524	599	42	173,189	132,564
2,852	28,998	27,202	7,974	276,890	215,669
7,500	3,209	860	335	52,368	66,852
9,254	36,547	15	-	581,564	575,421
6,754	39,756	875	335	633,932	642,273
2,562	3,256	2,256	875	42,500	33,054
5,689	39,456	16,523	842	92,165	54,265
2,837	\$ 387,528	\$ 256,855	\$ 67,919	\$ 3,035,614	\$ 2,990,790

	Specific allowance		General allowance		Net amount	
2007	2008	2007	2008	2007	2008	2007
1,025	\$ 16	\$ 3	\$ 16	\$ 26	\$ 535,005	\$ 64,589
1,065	2	3	330	356	38,652	34,709
1,265	160	135	550	509	61,885	56,325
1,562	-	-	-	-	38,956	32,562
1,917	178	141	896	891	674,498	188,185



**CERTIFIED
GENERAL
ACCOUNTANTS**

Fiscal 2008	Fiscal 2007	Fiscal 2008	\$	%	Fiscal 2008	Fiscal 2007	Fiscal 2008	\$	%
3,125	3,259	2,785	(134)	-4%	750	730	723	20	3%
1,789	1,652	1,590	137	8%	173	180	166	(7)	-4%
4,765	4,590	4,350	175	4%	905	909	879	(4)	0%
343	316	280	27	9%	42	32	35	10	31%
2,750	2,587	2,564	163	6%	797	692	679	105	15%

We see more than numbers.

In an audit engagement, the Certified General Accountant provides an Independent Auditor's Report. The report provides reasonable assurance by stating that the financial statements are, in all material respects, fairly presented. It is important to note that an audit does not provide absolute assurance as this would be virtually impossible and the cost of the audit would be prohibitive. The auditor does

not present a statement of facts but rather an informed professional opinion based on an assessment of internal controls and an examination, on a test basis, of the entity's records and other supporting evidence.

In a review engagement, the Certified General Accountant attaches a Review Engagement Report. This report provides negative assurance by stating that nothing has come to the CGA's

attention to cause him or her to believe that the financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting procedures. It is important to note that a review provides less assurance than an audit as the work performed is not as extensive. This type of report is useful when a company does not need audited financial statements.

Please note that both audit and review engagement reports refer to the term "in all material respects." This term informs the reader that the records of the entity may include minor or small immaterial errors or adjustments which may not be identified or reflected in the financial statements. Such minor adjustments would not affect the decisions of the readers of the financial statements. This is the highest level of assurance available.

In a compilation engagement, the Certified General Accountant attaches a Notice to Reader communication. This communication provides no assurance to the reader of the financial statements by stating that the accountant has not audited, reviewed, or attempted to verify the accuracy or completeness of such information. But rather the accountant compiles information provided by management and arranges the information into the form of financial statements. These financial statements cannot be false or misleading to the reader. This type of engagement again would be used in circumstances when audited financial statements and assurance are not required.

Whichever type of engagement that you may need, the most important factor is that you engage a Certified General Accountant. That designation tells the reader that the person or company who audited, reviewed or compiled the statements meets the highest professional standard of performance. It means that they have the breadth of experience in business and have been professionally accredited by B.C.'s leading accounting Association.

WE SEE MORE THAN NUMBERS

As an independent business owner or a busy professional you need accurate information and financial advice to support your success. Whether it's a statement of earnings for your bank or detailed information for investors, you need information that is respected and credible. That's why it is so important to engage a CGA — a qualified and trusted accounting professional.

When it comes to financial statements, it is important to know that there are three standard types of reports or communications which could be attached to your financial statements: an Independent Auditor's Report, a Review Engagement Report, or a Notice to Reader, which is attached to a compilation engagement. Each communication attached to the company's financial statements provides a different level of assurance to the reader of the work performed on the financial statements.

AUDIT ENGAGEMENTS

According to the *Business Corporations Act of British Columbia*, each incorporated company is legally required to have an audit. The law does allow companies that have shares that are not traded on the public market to waive the requirement for an audit provided that certain conditions are met. It is important to note that some companies may be exempted from the audit requirement if all shareholders agree, in writing, to waive the appointment of an auditor.

Audited financial statements are the accepted means by which most business corporations report to their shareholders, to bankers, to creditors and to the government. Federal and Provincial legislation in Canada generally requires a limited company to prepare annual financial statements for audit by a qualified independent auditor. Specific legislation may also require the auditor to provide other information in the report.

The key concept is “reasonable” assurance. The auditor does not provide absolute assurance, because this is not attainable due to factors like the need for judgment, the use of testing, the inherent limitations of internal control and the fact that audit evidence is generally persuasive rather than conclusive.

The objective of an audit engagement is to enable an independent public accountant to form an opinion on whether your company’s financial statements present fairly, its financial position, which are the results of operations and cash flow. This opinion is given in the form of a written report which normally consists of three paragraphs. The first, or introductory paragraph, identifies the audited statements and sets out the responsibility of management and the auditor; the third, or scope paragraph, concisely states the scope or extent of the audit and informs the reader that professional standards were used in the audit and that evidence is acquired through

inspection, observation, enquiry, confirmation, computation and analysis. The last paragraph summarizes the auditor’s opinion based on his or her examination.

The audit consists of an examination of the accounting records and other evidence supporting those financial statements. Through the study and evaluation of the company’s system of internal control, and by inspection of documents, observation of assets, making of enquiries within and outside the company, and by other generally accepted auditing standards, the auditor will gather the evidence necessary to determine whether the financial statements present fairly, in all material respects, the financial position of the company and are in accordance with Generally Accepted Accounting Principles during the period being audited.

If, in the CGA’s opinion, the financial statements depart materially from the applicable financial reporting framework, this fact is disclosed in the auditor’s report.

INDEPENDENT AUDITOR’S REPORT

Previously, financial statements had to be in compliance with Generally Accepted Accounting Principles (GAAP). Now, there is new terminology that breaks down GAAP into different sections. Depending on your type of entity, you may have to comply with:

- the Accounting Standards for Private Enterprises (ASPE),
- the Standard for Not-For-Profit,
- the International Financial Reporting Standard (IFRS), or
- the Public Sector Accounting Board Reporting Model.

Please discuss which framework is appropriate for your needs with your CGA.

A standard sample audit engagement report would appear as follows:



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of _____
(Company Name)

We have audited the accompanying financial statements of _____
(Company Name), which comprise the balance sheet as at _____
(Date), and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of _____
(Company Name), as at _____
(Date), and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

City _____ (signed) _____
Certified General Accountant

Date _____

REVIEW ENGAGEMENTS

The objective of a review engagement is to review financial statements to ascertain whether the statements are plausible. Where an audit is not required or the shareholders have waived the appointment of an auditor, financial statements may be prepared on a review basis. This degree of assurance is less than that resulting from an audit and is expressed as negative assurance that nothing has come to the accountant's attention that would indicate the financial information is not presented in accordance with the appropriate accounting standard.

In performing a review, the Certified General Accountant would acquire sufficient knowledge of

the client's business to make informed enquiries and an assessment of the information obtained. The review would include enquiries concerning all relevant information, comparisons of financial data for the current and prior periods and discussion governing the information received. In addition, the financial statements are critiqued with the responsible and appropriate level of management.

If, after reviewing the financial statements, the accountant is satisfied that the financial statements are in accordance with the appropriate accounting standard, a review engagement report would be attached to the financial statements.

A standard sample review engagement report would appear as follows:



REVIEW ENGAGEMENT REPORT

To _____
(Person Engaging the Public Accountant)

I have reviewed the balance sheet of _____
(Company Name) as at _____
(Date) and the statements of income, retained earnings and cash flows for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to me by the company.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

City _____

(signed) _____

Certified General Accountant

Date _____

COMPILATION ENGAGEMENTS

The objective of a compilation engagement is to compile financial information into financial statement format based on financial information supplied by the client. It is not necessary to adhere to an appropriate accounting standard.

A Notice to Reader communication, which is stamped or printed on each page or attached to the financial information, is a clear warning as to the limited use of the compilation engagement. If the Notice to Reader communication is not stamped or printed on each page of the financial statements, then each page of the financial information or statements should identify the nature of the engagement by carrying the following reference: “Unaudited – See Notice to Reader.”

A compilation engagement is appropriate only where the client and other users do not need financial information that:

- conforms in all respects to Canadian generally accepted accounting principles,
- audit or review assurance is not required, and

- all users of the information understand and accept its limitations.

A compilation may be applicable when management does not require information derived from the entity’s financial statements to assist in informed decision making.

The *Code of Ethical Principles and Rules of Conduct* for CGAs requires that the CGA disclose in the Notice to Reader, the nature of any activity, or relationship, and the nature and extent of any interest, in respect of the compilation engagement, which would be seen by a reasonable observer to impair independence.

It is important to note that Certified General Accountants must not be associated with financial statements which they know, or have reason to believe, are false or misleading.

A standard sample compilation engagement report would appear as follows:



NOTICE TO READER

On the basis of information provided by management (or the proprietor), I have compiled the balance sheet of _____ (Company Name) as at _____ (Date), and the statements of income, retained earnings and cash flow for the _____ (Period) then ended.

I have not performed an audit or a review engagement in respect of these financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

City _____

(signed) _____
Certified General Accountant

Date _____

PROFESSIONALS YOU CAN TRUST

The *Certified General Accountants Association of British Columbia* (CGA-BC) is B.C.'s largest accounting Association. Founded in 1951, the Association represents nearly 15,000 CGAs and CGA students. Under provincial legislation, CGAs have full rights to audit reporting companies, the highest professional authority granted to any accounting body.

As a self-regulating professional body, one of CGA-BC's prime roles is to regulate its members and protect the public interest. To meet this goal, CGA members are obliged to adhere to a comprehensive code of ethics and professional conduct. CGAs must

also undergo a strict program of professional development and continuing education to maintain their professional certification. In addition, members in public practice must undergo an additional mandatory practice review every three years to ensure that they are in compliance with recognized standards of performance.

The practice review process is an integral component in maintaining the integrity and high standing CGAs enjoy in B.C.

A HIGHER STANDARD

Prior to certification as a CGA, our students undergo a rigorous and comprehensive education. The program provides the highest standard in leading edge financial management competencies, advanced computer integration and independent learning support. And all CGAs are also required to have a university degree prior to earning their certification.

MORE THAN JUST TAXES

CGAs offer more than just advice on income and business taxes and making your numbers balance at the end of each month. CGAs are business advisors who are equipped to help you make your business successful. They can assist you with a wide range of activities: starting a business, strategic planning, business valuation, information systems design and management, risk assessment, problem analysis and profitability improvement, forensic accounting financial litigation report, and much more.



COMPLIMENTS OF :



300-1867 West Broadway
Vancouver, B.C.
V5J 5L4

Phone: (604) 732-1211
Toll free: (800) 565-1211
Website: www.cga-bc.org