LAST YEAR'S CONFERENCE ASSESSED
FAIRNESS OF THE TAX SYSTEM

The Sixth Annual Conference of the Centre discussed the ability of the Canadian tax
system to meet the challenges facing the system. Themes addressed included the need to
address issues such as:

- a tax system based on income and sales
taxes may not make much sense in future
years, when more income will be generated
by technology and capital;
- the need for Canada to harmonize its tax sys-
tems with those of major competing nations in
response to the globalization of financial and
product markets;
- the determination of residency status for tax
purposes of corporations engaging in elec-
tronic commerce; and
- the continued appropriateness of tax incen-
tives for investments in tangible assets in an
increasingly knowledge-based economy.

The first of the speakers at the Conference, Allan Maslove, Dean, School of Public
Administration, Carleton University, presented the public policy perspective of the taxing sys-
tem. He stated that the design of any good tax system should aim at being predictable, efficient
and equitable.

To those ends tax reform in the mid-1980s focused on efficiency because of the impacts of
global markets and the attendant mobility of capital.

Public perceptions about the tax system are very important in formulative tax strategy. As if
to demonstrate this, Professor Maslove suggested that the next tax reform agenda would
aim at equity. That this is a desirability was stressed by the next speaker, Walter Robinson,
Federal Director of the Canadian Tax Payers' Federation.

As the representative of an organization made up of some 55,000 tax payers he stressed the
need for surveillance of, and consent to, the tax system. While stressing the need for fairness in
taxation, he also stated that the major issue in any future tax policy reform is the need for gov-
ernment to reduce its appetite. Expenditure reform must come before tax reform.

John Sargent, Executive Director, Technical
Committee on Business Taxation, Department
of Finance, Canada, presented a briefing on
some of the preliminary work done by his com-
mittee. That committee's objective is to assess
the tax system with a view to making it simpler
and fairer.

In assessing the tax system, their study is look-
ing at all taxes paid by business. The mix of
taxes includes those on income, payroll, capital
and insurance premiums and property taxes. One feature of this mix of taxes is that some of them
have counterparts or are linked to specific gov-
ernment programs e.g. benefit-related taxes
such as CPP. Other taxes, such as capital taxes
are not so linked but must still be harmonized as
between federal and provincial governments.

Finally, Paul Seltkree, Partner, Stikeman-Elliot,
presented his comments on the international developments in taxation. To achieve his aim he
centred his discussion on a comparison of the
tax results in Canada with those in other
countries for particular investment and business
situations.

(Continued on page 4)
UPCOMING CONFERENCE WILL LOOK AT THE CHALLENGES OF MANAGING BY PERFORMANCES

The Seventh Annual Conference of the CGA-ARC will be held in the Parcarama Room of the National Arts Centre at 8:00 a.m., 22 October, 1998.

In today's complex environment, organizations find that they can no longer operate effectively with an exclusive focus on financial results. Other indicators of performance are now being required to adequately evaluate organizational performance.

This conference will examine the emergence of supplemental performance measures from a variety of perspectives. Both conceptual and as pragmatic issues will be looked at. The development, implementation, employment and assessment of these new evaluation tools will be examined.

Topics to be addressed at the Conference include: how performance indicators can help your organization achieve its objectives; what criteria to use in selecting performance indicators or how to develop effective performance indicators; how and where to report the results of supplemental performance measures; how to evaluate results or trends in performance; and how to incorporate the use of performance indicators in managerial decision-making, policy formulation and organizational governance.

The speakers for the conference will be: Dr. John Waterhouse, Dean, School of Business, Simon Fraser University; Dr. Noel Hyndman, Professor of Accounting, The University of Ulster Ireland; David Ratray, FCGA, Assistant Auditor General, Auditor General of Canada; Michael R. Park, Vice President, Bell Canada. The keynote speaker will be the minister of Public Works and Governmental Services, the Honourable Alfonso Gagliano.

Publications


"Is the Canadian Tax System Up To Its Challenges?", by Daniel Zeghail Editor, CGA-Canada, 1999.


(Continued on page 4)

The authors examined the harnessing of information in corporate annual reports from major industrialized countries by reviewing the reporting practices of 84 companies from nine countries (United States, Canada, United Kingdom, Germany, France, Japan, Korea, New Zealand, and Australia). The examination covered over 55 items in the following categories of information: form and presentation, corporate profile, review of operations, financial analysis, and supplementary information. An electronic executive summary of this research is available at the following address: http://www.eja.cga.org/cga_puweb/ncriindex.htm


There is an international concern to control the rate of growth in healthcare expenditures while still delivering good health care. In absolute terms, spending on health care in the UK (at just six percent of GDP) is still less than half that of the U.S., with Canada occupying an intermediate position at about 8.8 percent. However, the rate of growth in expenditure on health care is the same in all three countries at about eight percent per year.

Control over the rate of growth in health care costs while maintaining or improving service provision alone only come from improvement over the way health care expenditures are allocated and managed. In turn, improving the financial management of health care depends on knowledge of current resource allocation patterns, and an awareness of the possibilities for change in these allocations. In this respect, trans-national comparisons in resource allocation patterns are particularly valuable. This study is designed to contribute to knowledge of international patterns in resource allocation and management in the following ways:

i. By establishing a control basis for comparing the cost structures of the Basic and Canadian hospital systems;

ii. By exploring the nature of the incentives inherent in these systems, incentives which may explain differential cost patterns;

iii. By making a comparison between the British and Canadian hospital systems, a basic resource allocation characteristic - the proportionate netprivate alcoholic among the direct and indirect costs. Specifically, based on the differing incentives in the system, the study tested the hypothesis that on a cost per care basis, the study's findings and comparisons in the Canadian hospitals will be higher.


The research on the length and organization of the Auditor's Report is based on a random selection of ten reports for each of the following countries: Australia, Belgium, Canada, France, Germany, Italy, Japan, United Kingdom, and United States.

The results show an average of 1.61 pages, 4.06 paragraphs, 1.0 introductory paragraph, 1.48 paragraphs of scope limitation, 0.91 paragraph expressing an opinion and 0.75 other type of paragraph. The German report is the shortest (1.2 paragraphs) while the Italian report is the longest (5.8 paragraphs). The order of presentation for all countries is: (a) introductory paragraph, (b) Paragraph of scope limitation; (c) Paragraph expressing an opinion; (d) Other paragraphs. Belgium is the exception to this order. Anglo-American reports are more uniform in terms of their organization compared with their Continental counterparts.


With special operating agencies and other government departments operating on a cost recovery basis, an information system that allows managers to determine the cost of products and services more accurately has become essential to their success. Professor Adenso outlines the merits of activity-based costing and its corollary, activity-based management, and describes how they can help public sector managers with strategic decision making.


This study describes a method of using information contained in annual reports to assess the degree to which organizations are market oriented. The twelve market orientation variables coded from the annual reports are based on a synthesis of the Nornberg and Slater (1990) framework and the Kohli and Jaworski (1990) framework. The sample of annual reports spans two industries, consumer goods and services, and electrical and electronics, and six countries: Australia, United Kingdom, Canada, Germany, Japan, and United States. In order to assess the feasibility of the annual report data, tests are conducted to determine if there are any sector or country differences in market orientation. The two hypotheses put forward are consistent with empirical laws conducted in the literature. Results indicate that, for a higher level of market orientation in the electronics sector, as compared to the consumer sector, approaches a significant difference, and (2) Australia and United Kingdom have significantly lower levels of market orientation as compared to the other four countries. Post hoc analysis indicates that sector and regional differences clearly emerge in a 2x3 ANOVA.

Participants exchanging “tax tips” during the break at the Annual Conference.
Executive Director’s Activities

Daniel Zeghal served on a CGA Canada Committee established to submit an Association’s position paper to the Government of Canada on its “New Initiatives on Financial Information Strategy”.

He also met the Board of CGA Ontario to report on this Centre’s activities.

Annual Reports on CD-ROM

The Accounting Research Centre has a large number of 1995 Corporate Annual reports on CD ROM. They are as follows:

- Canada
  - 142 reports
- United States
  - 206 reports
- Germany
  - 69 reports
- France
  - 89 reports
- Switzerland
  - 90 reports
- United Kingdom
  - 403 reports
- Australia and New Zealand
  - 145 reports
- Italy
  - 39 reports
- Japan
  - 81 reports

Continued from page 1

Last Year’s Conference

The investment scenarios presented by Mr. Sethukwe illustrated the complexity of the rules respecting the international flow of investment. The tax treatment afforded subsidiary and parent company income and investment depends on a plethora of rules, precedents and agreements.

The moderator for the conference was Kathryn Pedwell, a professor at the Faculty of Administration, University of Ottawa.

Continued from page 2

Publications


CITATION OF EXCELLENCE

Professors Fodi Adjou CGA, and Abdul Rahman of the University of Ottawa were cited with the “Highest Quality Rating” by ANBAR Electronic Intelligence. The Editorial Board of ANBAR awarded its citation of Excellence to these two researchers in recognition of the outstanding contribution to the literature and body of knowledge. Of their paper “A Note on the Temporal Variability of Canadian Financial Services Stock Returns”. This paper was supported by the CGA Research Centre.

Distinguished Speaker Series

The Accounting Research Centre sponsored two presentations by distinguished speakers:

- Mango Wade of Canberra University, Australia on “The Credibility of Performance Audit”.
- Dr. Bill Rentz, chairman of the University of Ottawa Pension Fund Management Committee on “The University of Ottawa Pension Fund”.

NEWSLETTER

This is the sixth of a series of Newsletters to be published by the CGA ARC. The objective of the Newsletter is to keep the academic and accounting community and other interested persons aware of the activities of the Centre.

To know more about the CGA ARC you are invited to visit our web site at the following address: www.cgarc.ualberta.ca.

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