The accounting structure in canada

Business, Accounting

Over the past years, there has been an interest in the analysis and the general study of the culture of the Canadian people, though not very clear, the Canadian culture is pegged to paintings and works of architecture done by different artists. The art history also points to works of weaving, paintings, building and also sculpture making, further still, poetry and writing of novels and plays and making of plastic materials are part of the culture; all these works of art are preserved in galleries and museums.

It is however not practicable to adequately discuss Canadian cultural heritage without considering the social aspect of the society, this is because no artist can manage to work solitary without the support of the society at large, the analysis and the mutual relationship between the two is however a bit complex (Lerner. L. R , 1991, PP 1-2). Canada stands out among the members of the G7 as a country that relies on her natural resources; research identifies five major natural resources in Canada that act as the raw materials for her export products.

Among these are the processing materials of the first stages of production and are: metals, petroleum and forest products; these account for sixty-two percent of Canada's export products, there are also consumer products in the market and these are fish and grain. Canada also has another cluster of products that are; automobiles, trucks and parts, aircraft and urban mass transit equipment and this explains why the market is a combination of final consumer products and services.

The economic development policies in Canada have always been focused on diverting away from extraction of resources and processing of the same and instead concentrated on creating a modern economy where secondary manufacturing and service industry takes precedence. In two regions in Canada -Southern Ontario and Southern Quebec- this change in economic policies has achieved significant impact on the economy; this means that any significant destabilization on Canada's natural resources industries would mean a serious threat to these regions.

Of significance in evaluating Canada's arsenal in the industrial sector is the fact that she is a major importer of technology: patents, parts, licenses, specifications and finished products, all this is in the quest to maintain her living standard high and the employment structure. To a large extent, foreign trade has altered the geography of Canada, changed the general reproduction of the Canadian society and affected the Canadian psyche: these factors have in turn effected the investment in fish drying flakes, fishing boats.

Fur trading posts, sawmills, wheat elevators, port infrastructure, oil and gas pipelines and coupled with the development of technology, supplementary industries have sprouted. Fundamentally, the Canadian government is characterized by democracy: this means that the government reflects the voices of the subjects and rests on the will of the people hence representing their opinions. There is an electoral system responsible for segregation of the country in constituencies and supervising the voting system, counting of votes and providing forums where the citizens can air their views and deliberate/discuss on issues affecting them.

This ensures that the government decisions are made as per the wishes of the majority. Democracy as a characteristic of the Canadian government has ensured freedom of expression, criticism and of religion to thrive and hence has ensured the rule of equality and equity: the minority also has rights and privileges and these are taken care of in putting the policies into effect (Bliss, H. 2007 pp 61-62).

Another outstanding feature about the Canadian government is that it is built on the majority of the people: the representatives take part in the direct governance and are also elected to represent a group of voters as well as those chosen from other areas of the country. In Canada, people elect representatives to act on their behalf and these form the house of Commons, the provincial legislatures and the municipal councils.

This government has closely followed the British structure in the divisions of the cabinet, parliamentary systems and the responsive governments: there is however a remarkable difference in the way the parliament and the cabinet operate. The parliament that makes and amends laws acts in close association with the cabinet-which effects laws and ensures that laws are implemented, the two functions can therefore be said to be interrelated (Ault, H. J, Arnold, B. J. 2004 PP 32).

There is a prime minister and the other members of the executive who sit in parliament and supervises the activities of the government; to make this effective, they supervise the House of Commons and should they lose confidence in the house, they could dissolve the parliament with authority from the governor general or the cabinet ceases power to give way for a fresh executive through a general election.

Against this background therefore, the prime minister and the members of the executive normally need to have a majority in the house to ensure adequate support for policies to be passed in the legislature; this policy does not change even if no political party holds a majority in the house. Another important feature of the Government is that it exhibits a federal structure: under this, the supreme power is concentrated on a central point and is delegated to smaller areas which operate dependently on the central authority and are created by it.

The federal government therefore has the authority to deal with matters at a national level (such as controlling the flow of money in the economy) and at the same time to have monopoly over certain activities (state corporations): the provincial governing bodies on the other hand deal with matters of local nature. This kind arrangement is not very easy to manage from a central point but on the other hand, it gives the provincial administration the ample environment to formulate laws and policies that are relevant at local levels.

Overall, the Canadian Government takes the rule of the law to be supreme: there are no excesses by those in authority since they also operate under the rule of law; it therefore follows that for the law to be enforced, the citizens have to have faith in the judiciary for assurance and for delivery of justice, this explains why in Canada, the judiciary is independent. Canada is also-as a sovereign republic-a member of the Commonwealth of nations.

The process towards the achievement of this has been characterized by reforms on the constitution and attainment of independence from Britain (Robert, A, Dawson, M, 1989, pp 1-13). The major industries in Canada are manufacturing and mining: the country is rich in minerals such as gold and iron and trees from the forests make products such as paper and lumber; in Canada, cars and automobile parts are also manufactured. Among the major industries are farming and fishing; farmers grow wheat and grains in general and they also rear pigs and cows.

Canada remains a major exporter of steel and this has helped her maintain a competitive edge over other players in the history of the whole world; she exports almost seventy percent of her steel to the United States and receives most of her imports from the United States. Wheat remains the highest export of Canada among other agricultural produce followed by red meats, fresh fruits and vegetables. Corn and oil seeds come from the United States into Canada.

There is a strong economic relationship between the United States and Canada; this has thrived particularly due to the Auto pact that was signed in 1966 that allowed the two countries to trade in motor vehicles without tariffs. The United States imports Canada's minerals and oil products and this makes the two countries good trade partners, apart from these, the United States has heavily invested in Canada and especially in the energy sector and also owns a chain of businesses in Canada, Canada on the other hand has heavily invested in the United States and this means a strong bilateral trade relationship.

In New York, Canadian investments translate into five billion dollars and the very companies have employed a large number of more that fifty-thousand employees in the New York, and produce exported into Canada have employed over one-hundred and thirty- two thousand people in the New York state. All in all, it would be impractical to substantially analyze the economical and political prosperity of Canada without putting the United States into the picture, this is because of the mutual relationship between the two countries and the political and economic ties that exist (Edwin, D, 2000, PP122-123).

The largest corporations in Canada are Petro-Canada, CN-Railway and Ontario Hydro and they are known as Crown Corporations and they hold a large amount of the country's assets in several sectors: agriculture, energy, transportation, banking and finance. In the banking sector, the Canadian Imperial Bank of Commerce, the bank of Nova Scotia, the Royal Bank of Canada, the bank of Montreal and the Toronto Dominion Bank control over eighty-percent of the financial arsenal in Canada.

The corporations that are not private and are members of the business council are like the Canadian National and the Ontario Hydro and the Alberta Government Telephones. In the mining and the metal sectors are the Alcan Aluminum, Noranda and the Inco companies while in the energy sector, the top largest companies are the Imperial Oil, Shell, Texaco and Gulf. Manufacturing sector has Ford, Canada Packers and Seagram as the leading firms, the United States again has a big financial stake in these companies, Canada on the other hand has stronger stake on the resource sectors.

The first time the tax act was enacted was in 1917 but this was done purposefully to finance the World War 1 since before then, only customs and excise duties existed. This saw a breakthrough in the country's tax system until reforms were made to adopt a comprehensive tax system after the current system became less popular in the eyes of the populace in 1962. This system was more complicated and difficult to manage, a factor that led to its revision in 1987 and this was also due to a worldwide phenomenon of reforms of tax systems at this point in time.

The Canadian constitution does not give the federal government a free hand to levy taxes on the population, instead, the provincial administration levies taxes directly on the income earned in the provinces. There is however a consensus on tax administration between the federal government and the provincial governments: the federal government collects taxes on both corporations and the general subjects of the republic and the provincial administration applies the rates of tax on the already agreed tax base.

Quebec being the most independent of all the provinces in Canada collects her own personal income taxes and the rest of the provinces collect their own corporate taxes. Even though the federal governments pass down the tax bases to the provincial governments where they are implemented, the tax rates and brackets are a bit different if we are to consider one province to the next. The provinces levy taxes on an ascending fashion, the tax brackets ranging from three to five with an exception of Alberta that levies a flat rate of ten percent.

In Ontario and British Columbia, the tax rates vary from 6. 05% to 24%in Quebec (that is from the lowest tax bracket to the highest tax bracket respectively). The combined tax rate for both the provincial administration and the federal governments are in variation from thirty-none percent in the Alberta province to 48. 22 percent in the Quebec state; for the people who are not natives, the tax rate is flat and is 42. 92 for both the provincial and the central government (Pagell, R. A. 1998, pp 152-159).

Generally Acceptable Accounting Principles (GAAP) refer to a set of rules and regulations that have been agreed upon to govern the accounting profession in terms of proper disclosure in the financial statements, a language familiar to accountants and auditors. Under Canada's generally accepted accounting principles (GAAP), differed income taxes are considered as tax existing at a certain period in time, say, the fiscal year or the accounting period and provisions are also made for such that are reflected as expense in the said period.

Initially, way before the introduction of Handbook section 1100, section 1000. 60(a) was used by various investments funds industries: these accounting principles were applied not because of their practicability but owing to the fact that they had previously been used in the same circumstances and by a large number of firms in Canada that are considered outstanding. This however changed by the introduction of section 1100 which now requires that all primary sources of Canadian Generally Acceptable Accounting Principles be put to use on condition that they are relevant and applicable to each unique case.

Should there be no principle applicable to a certain case; the Accounting Guideline 18 Investment Companies has guidelines on specific issues: still when there is no relevant policy in the Accounting Guideline or any primary source, professionals normally gives guidance in formulating policies that are in line with the Generally Acceptable Accounting Policies in Canada.

Section 2. 2 of the Handbook of the Generally Acceptable Accounting Principles addresses the submission of the annual returns and the preparation of the audit reports: under this section, the returns are submitted after the audit report has been issued and certified. Section 1751 of the handbook addresses the preparation of the financial statements in such a way as to reflect the true position of the company and to ensure they are complete and accurate including the adequate disclosure to explanatory notes to the accounts.

On the same section, the length of a fiscal year is stipulated, generally and unless otherwise clearly mentioned, the length of an entity's financial year especially when newly created is from the date that it was incorporated to the end of the year. It is normally important -in accounting for securities-to determine whether a transaction is material in nature or not: this is by establishing that either the risks or rewards in the transaction are transferable. To ensure this, the investment fund records the transaction in its books to reduce the risks of the securities being transacted (Robinson J. B. 2007. pp 139-140).

The Generally Acceptable Accounting Standards prohibit the auditors from expressing opinions (about the financial statements) that would be considered reserved (such as qualified opinions). There are exceptional case where the reservations can be accepted, that is if: the financial statements are not prepared according to the generally acceptable accounting principles or are violating the provisions of these principles, the auditors work is frustrated by lack of co-operation from the company by not providing adequate information for the auditor to form an opinion.

Section 2. 12 requires that the company or the investment fund reveals- in their reports -whether an interim review of the financial statements was done and to disclose what the auditors opinion was in such a case(was is qualified or unqualified) and if there are reservations, are they on the grounds mentioned above.

From time to time, the stake holders in the entities would require that the financial statements be delivered to them for assessment on whether their securities are safe or not and also to evaluate the management of the investment funds, this entity is obliged to do at the request of the security owners (Sadler, S. D, 2007, PP 237-245). There are similarities as much as difference in the way Canada and the United States account for items in their financial statements: one outstanding similarity is that both countries levy taxes in similar duration's gaps and in both countries, non-permanent allocations are considered.

In Canada (in accounting for income tax), certain state regulated companies can be exempted from tax allocations in certain special circumstances. Some differences are however apparent: in Canada, the differed tax criteria is used; under this method, the tax rate in operation is used to account for the taxes that have not been paid and the differed taxes are not recognized unless it is certain that they will be realized.

In the United States on the hand, the liability method is used: hare, where the tax rates change say due to change in tax laws, differed taxes are adjusted to that effect and any losses due to such changes are carried forward to the next financial period even if the chances of recovery are slender. This is an optimistic approach since the system is to anticipate some future benefits while in Canada, the benefits has to be reasonably practical in order to be recognized in the financial statements.