

Spring 2018

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the newsletter of Prentice Yates & Clark

Retirement Announcement

The firm wishes to announce the retirement of Charlie Petralito effective December 31, 2017.

Charlie obtained his CA designation in 1985 after starting at the firm as a student when it was called Hutchins, Mullin & Blair. After a brief foray at other firms, Charlie returned in 1989 and was admitted to partnership in 1990. For 32 years he has provided professional service to his many clients as a chartered accountant.

Charlie's role for many years was the mentorship, supervision and training of CA students. He helped create a collegial atmosphere at the firm where the students could be successful academically, professionally and socially. Charlie took responsibility for reminding us that a healthy work place includes having fun once in a while. Organizing the annual golf tournament is but one example of this. The continuing partners have all benefitted from Charlie's sense of humour and mentorship and are dedicated to following his example.

Charlie has agreed to stay on to facilitate an orderly transition of responsibilities with a well-deserved and reduced workload.

Charlie has developed many lasting relationships and friendships with clients, colleagues and students. He wishes all of them every success in their future business and charitable endeavours both on a personal and professional level.

Everyone at the firm would like to congratulate Charlie on his many achievements and wishes him a happy, healthy and rewarding retirement. ♦



Inside PYC

We would like to welcome **Joseph Marchand**, **Ricky Wu** and **Samantha Roscetti** as new members of our professional staff.

Congratulations to **Kathleen Hull-Vessey**, Co-ordinator, Mountmuir Co-operative Housing. Ms. Hull-Vessey won the Niagara Presents gift basket courtesy of Prentice Yates & Clark at the recent GHCHF AGM/Winter Workshops Supplier Expo in St. Catharines.

The annual Institute of Housing Management (IHM) educational conference will be held April 11th to 13th in Oakville where **J.J. Pauze** and **Viola Bardhoshi** will be at the Trade Show.

For the Record

Good record keeping today can prevent CRA penalties tomorrow.

We live in a digital world where everything is captured electronically in real time. Paper financial statements have become relics from the past; unfortunately, the requirement to produce evidence for the Canada Revenue Agency (CRA) for HST or income tax has not.

The CRA accepts records in:

- paper format
- paper format later converted to and stored in an accessible and readable electronic format
- an accessible and readable electronic format.

As explained on the CRA website, *Keeping Records*: “We consider you to have electronic records if you create, process, maintain, and store your information in an electronic format. You are required to retain these records in an electronically readable format, even if you have paper printouts of these records. If any of your source documents are initially created, transmitted, or received electronically, they must be retained in an electronic format. Scanned images of paper documents, records, or books of account that are maintained in electronic format are acceptable if proper imaging practices are followed and documented.” (Canada Revenue Agency, *Keeping Records*, <https://www.capacitycanada.ca/wp-content/uploads/2014/09/CRA-Record-Keeping-Guidelines.pdf>)

For complete details of what is required, see Information Circular IC78-10R5, *Books and Records Retention/Destruction*, and GST/HST Memorandum 15.1 *General Requirements for Books and Records* and Canadian General Standards Board (CGSB) publication, CAN/CGSB 72.11 *Microfilm and Electronic Images as Documentary Evidence*, and its latest amendment.

Orderly Fashion

Both corporate and individual tax payers should be aware of the following:

1. Records must be kept at your place of business or residence. They may not be kept outside Canada unless you receive CRA permission. This suggests that Cloud accounting to servers outside Canada does not meet the CRA's criteria and that businesses need to keep the general ledger in CSV (comma-separated values) or PDF format on their own computers.
2. Bank statements and credit card statement amounts, with the exception of bank charges and overdraft interest, will not satisfy the CRA. Original source documents that support e-transfer, cheque or deposit information are required.
3. Payments of credit card balances are often lumped together with other expenditures when payments are made to the credit card company. In the event of a review, not only will you be required to produce the statements, you will have to produce the backup (i.e., invoices) for amounts shown on the credit card. Thus, original purchase invoices will be required.
4. Receipts for debit card purchases for small items are often discarded. Without an original source document, these expenditures may be disallowed by the CRA.
5. Accounting programs are available that attach the original electronic invoice to the specific purchase or sale. This is helpful when backtracking to the original electronic invoice. But what about purchases made off the business premises? Documents for these



purchases should be scanned or photographed and placed into an appropriate folder that establishes the date of the transaction, the amount, and a description of the item(s). If using PDF software, indicate the journal entry on the PDF so that a review of the general ledger can quickly source the document.

Keep all original copies in case of a lawsuit.

Retention of Legal Documents

Documents such as purchase contracts, financing covenants, shareholder agreements, etc., should be scanned and saved in perpetuity. Hard copies of such documents should also be kept because the original source document will be required in the event of a lawsuit.

Since source documents must be maintained for a minimum of six years, it is advisable to:

- ensure all records are electronically copied to an external hard drive stored off-site
- back up data to a local offsite facility or the Cloud as well as an external hard drive
- ensure data is stored in a format useful if you need to produce historic financial records. Because some software providers can only provide backup of financial data in CSV, charts, formulas, row styling, images, and other presentations will not be forthcoming when using a CSV data dump.
- back up on a regular basis. Software is available that will automatically back up data as frequently as you need.
- ensure that a new computer, software or operating system will allow updating of the old database. It may be advisable to hold onto the older computers to ensure access to old records if required. Ensure that all old passwords are stored with the old devices.
- ensure computers used in discontinued operations are not discarded and data stored in the Cloud is recovered and stored on an external hard drive and/or payments for the Cloud service are maintained.

Failure to record and retain records properly can be costly. Consider this: if a business spends \$1,000 and does not have the supporting receipt, not only has the business lost the income tax deduction, it has also lost the ITC charged on the purchase. Self-employed individuals in Ontario could lose \$430 if they are in a 30% tax bracket and entitled to an ITC of 13%. An incorporated business would suffer similar losses in tax advantage and ITC refund, depending on the business's province or territory.

Check Your Record Keeping with Your CPA

Your CPA understands the need for record retention to satisfy not only business needs but also CRA requirements. Your chartered professional accountant should review your accounting and record-keeping system to determine whether improvements could be made to ensure your business is ready and able to provide the information required in a CRA review. ♦

New WSIB Rules for Workplace Stress

New legislation facilitates workplace stress claims.

The Canadian Centre for Occupational Health and Safety defines workplace stress as the “harmful physical and emotional responses that can happen when there is a conflict between job demands on the employee and the amount of control an employee has over meeting these demands.”

The growing recognition of the problem of workplace stress has led the Ontario government to pass the *Stronger, Healthier Ontario Act (Budget Measures) 2017* last May that amended the *Workplace Safety and Insurance Act, 1997* to entitle workers to benefits as a result of mental stress. These amendments are effective January 1, 2018. Most other provinces already have or are in the process of initiating legislation that recognizes how mental stress impacts workers.

WSIB Adds Two New Policies

Since then, however, the Workplace Safety and Insurance Board (WSIB) of Ontario has sought input from worker and employer stakeholder groups as to how these amendments should be best implemented. The result is the creation of two stand-alone policies related to workplace stress: “Traumatic Mental Stress” and “Chronic Mental Stress.” These policies will be effective January 1, 2018.

Traumatic Mental Stress

Traumatic mental stress arises when, in the course of employment, a traumatic event has occurred such as a criminal act, horrific accident involving death or threatened death or serious harm to the worker, co-worker, a worker's family or others.

Chronic Mental Stress

To receive benefits for chronic mental stress, an employee must have suffered “an appropriately diagnosed mental stress injury . . . caused by a substantial work-related stressor arising out of and in the course of the worker's employment.” A stressor is considered to be substantial “if it is excessive in intensity and/or duration in comparison to the normal pressures and tensions experienced by workers in similar circumstances.” Harassment is considered a substantial stressor, but interpersonal conflicts between workers and their superiors are not, unless the conflict rises to the level of harassment a reasonable person would consider to be abuse. An employee is not entitled to benefits as a result of stress caused by an employer's decisions such as termination, demotion, transfer, discipline, change in working hours, or productivity expectations.

Adjudication of a chronic mental stress claim must be preceded by a diagnosis of chronic mental stress according to the *Diagnostic and Statistical Manual of Mental Disorders* (known as DSM-5), a publication of the American Psychiatric Association that defines and classifies mental disorders.

Management should create an environment that reduces stress.

Workplace Guidelines

Owner-managers should read the relevant material on the WSIB website and consult a labour lawyer as to how this new legislation will apply to their particular workplace. Naturally, it is in management's best interest to create an environment that lessens stress. This can be achieved by a review of existing workplace practices to determine what needs to be changed, phased out, or added.



The workplace should be not only safe but also an ergonomically comfortable place to work. Compensation should be competitive and the jobs should be enriched by rotation and opportunities for advancement. Hiring practices should be fine tuned to the culture of the company so that new employees will be selected to fit comfortably with the existing staff.

Encourage employees to provide feedback about their job and responsibilities. To do a good job and for the company to achieve its strategic goals, employees need training. Employees should know what you expect from them and understand what they are expected to contribute to the growth of the company. There must be no room for harassment and plenty of room for thanks and appreciation when the job is well done.

Know When an Employee Is under Stress

Determining whether an employee is under stress is difficult. Even more difficult is determining whether the stress is job related or created by personal matters happening off the job. Regardless of the source, stress will impact the functioning of the employee and management should be attuned to signature signs of stress. Here are a few indicators to watch for:

- regular absenteeism
- a pattern of arriving late, leaving early, taking longer breaks than allotted
- avoiding responsibility
- an increase in mistakes
- forgetting to attend meetings
- late or poorly done assignments
- constant arguing during meetings
- abnormal frustration with clients or other staff members
- short temper
- overreaction to comments by other employees.

Understand Your Workplace

It is important for owner-managers to be aware that the legislation recognizing job-related stress will impact their workplace and that stress-related claims are going to be part of the cost of doing business. Management must take employees' concerns seriously and work to minimize stress-related claims that will impact not only the morale of all employees but also the bottom line. ♦



Jet Lag

A little adjustment to your sleep schedule before you travel can make you alert and ready for business when you reach your destination.

Despite the ease and relatively low cost of modern telecommunications, it is still necessary for business people to travel to be onsite. This is especially true for business owners who want to grow their businesses internationally and need to meet suppliers and customers to establish the personal connections that will be the foundation of future success. Flying to remote suppliers or clients makes jet lag a reality that should be factored into travel plans.

Body Rhythms

Jet lag or “circadian rhythm desynchronization” results when high-speed travel from east to west or west to east through multiple time zones interrupts the 24-hour or “circadian” rhythm that regulates our sleep-wake cycle and controls the biochemical, physiological and behavioural activities in our bodies.

Symptoms of Jet Lag

The following are the classic symptoms of jet lag:

- headaches, inability to sleep and irritability
- lethargy, fatigue
- mild depression
- shortened attention span
- loss of appetite
- minor confusion
- gastrointestinal disturbances

Facts about Jet Lag

The effects of jet lag vary from person to person and the distance and direction travelled:

- symptoms become more severe once two time zones have been crossed
- symptoms are more severe flying west to east
- upsets patterns for sleeping, eating and working
- older people take longer to get back to normal circadian rhythm
- cabin air pressure and reduced amount of oxygen reaching the brain may increase the severity of jet lag in some travellers
- flying north/south within the same time zone will not cause jet lag
- north/south travel may exacerbate symptoms if also combined with travelling through multiple time zones (e.g., Vancouver to Sydney, Australia).

Adjust your sleep patterns before you leave home.

Combating Jet Lag

There are several ways to minimize jet lag but they are not always effective. Suggestions made by researchers include the following.

- Do not consume alcoholic or caffeine-based beverages during the flight.
- Stay hydrated by drinking water.
- Be physical fitness regime since physically fit persons suffer less from jet lag.
- Before your flight, adjust your sleep pattern based on the direction to be travelled. If travelling from west to east, accustom your body to the destination by getting to bed *earlier* and getting up *earlier*. Research suggests that going to bed one hour sooner for each of

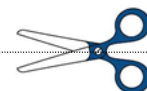
the three days prior to your trip and exposing yourself to bright lights (at least 5000 lux) for at least 3.5 hours when you wake up will help. Thus, on day one of the three days, go to bed at 10, the next day at 9 and the next day at 8 and get up one hour earlier and expose yourself to bright lights or bright sunlight depending on the season.

- If travelling from west to east, reverse the sleep pattern adjustment by going to bed *later* and getting up as if you had had your normal number of hours of sleep.
- When arriving at your destination, adapt to the local timetable. For instance, if you arrive at 11 a.m. local time but it is really 6 p.m. at home, adjust your schedule and habits as if it were 11 a.m.

If you cannot prepare for the time zone of your destination, you may want to consider arriving two or three days earlier to give your body the opportunity to adjust. Not only will this tactic increase your level of performance, it will also enable you to learn about points of interest, the culture and the people at your destination, all of which can be topics for discussion when meeting with your new contacts.

The Final Analysis

Business travellers want to make the most of their time, establish solid personal relationships with their business peers and negotiate the best possible deal with new suppliers or clients. To do so it is in the best interests of your company to minimize the impact of jet lag so you and your staff are at the top of your game when you represent your business whether it is on the other side of Canada or on the other side of the world.



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If you would like to contact us by e-mail, we can be reached at *info@pyc.net*. Some of the articles appearing in this issue of *info@pyc.net* were prepared by the Chartered Professional Accountants of Canada for the clients of its members.