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May 2008, Volume 2 Issue 5

www.accountingworld.ca

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Interest rate dropped to 3%



The Bank of Canada has cut interest rate by one-half of a percentage point to 3 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank Rate is now 3 1/4 per cent.

Growth in the global economy has weakened, reflecting the effects of a sharp slowdown in the U.S. economy and ongoing dislocations in global financial markets. Growth in the Canadian economy has also moderated as buoyant growth in domestic demand, supported by high employment levels and improved terms of trade, has been substantially offset by the fall in net exports. While both total and core CPI inflation were running at about 1.5 per cent at the end of the first quarter, the underlying trend of inflation is judged to be about 2 per cent, consistent with an economy that was operating just above its production capacity.

The Bank is now projecting a deeper and more protracted slowdown in the U.S. economy. This has direct consequences for the Canadian economic outlook, with declining exports projected to exert a significant drag on growth in 2008. In addition, tightening credit conditions and softening sentiment are expected to moderate business investment and consumer spending. Nevertheless, domestic demand is projected to remain strong, supported by firm commodity prices, high employment levels, and the effect of cumulative easing in monetary policy.

The Bank projects that the Canadian economy will grow by

1.4 per cent this year, 2.4 per cent in 2009, and 3.3 per cent in 2010. Consistent with this growth profile, the economy moves into excess supply in the second quarter of 2008, and spare capacity continues to increase through early next year. However, a gradual recovery in the U.S. economy, a return to more normal credit conditions, and accommodative monetary policy should generate above-potential growth and bring the economy back into balance around mid-2010.

The recent price-level adjustments for automobiles and the effect of past changes in indirect taxes will keep measured inflation below target through 2008. The emergence of excess supply in the economy should keep downward pressure on inflation through 2009. Both core and total inflation are projected to move up to 2 per cent in 2010, as the economy moves back into balance. There are both upside and downside risks to the Bank's new projection for inflation; these risks appear to be balanced.

In line with this outlook, some further monetary stimulus will likely be required to achieve the inflation target over the medium term. Given the cumulative reduction in the target for the overnight rate of 150 basis points since December, the timing of any further monetary stimulus will depend on the evolution of the global economy and domestic demand, and their impact on inflation in Canada.

Publications Mail Agreement # 41388532

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Alliance Extends CGA-Canada's Global Reach



An agreement between CPA Australia and the Certified General Accountants Association of Canada (CGA-Canada) has extended the global reach of both organizations into new continents, it was announced.

The mutual recognition agreement (MRA) identifies areas for joint initiatives, including research and advocacy and gives members enhanced international mobility.

CPA Australia President Alex Malley said the new partnership highlights the increasingly global nature of the accounting profession.

"Opportunities for accountants are no longer constrained by

national borders," Mr. Malley said. "We believe that partnerships with influential accounting bodies, such as CGA-Canada, allow us to strengthen our position through knowledge-sharing and collaboration, which benefits our members and the profession."

Ron Colucci, Chair of CGA-Canada's board of directors, said the alliance offers significant benefits to members, notably those who work internationally or for multinational firms. It will also raise the profile of both designations.

"This agreement will substantially increase the global reach of both of our organizations," Mr. Colucci said. "CGA-Canada

has a long and proud history of delivering outstanding value to its members and advancing the profession internationally. Along with our distinguished new partner, CPA Australia, we can accomplish even more on the world stage."

The agreement details how members of CPA Australia and CGA-Canada can gain reciprocal membership. Complete information is available at cga.org/canada/alliances.

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