

## IN THIS ISSUE

### TOP STORIES

[CPCAF Posts Calendar of SEC Filing Dates](#)

[Efficient Markets or Not?](#)

[Report Identifies Tax Revenue Opportunities](#)

[Fiduciary Boot Camp and Ongoing Sox 404 Compliance](#)

[Best Practices in Loss Prevention](#)

[ABC or Intuitive Decision Making](#)

[AICPA and DOL Partner to Promote Financial Literacy for Women](#)

### CAREER CORNER

[Generational Differences: More Myth than Reality](#)

[Liberal Arts Education the Key to Success?](#)

### AICPA CAREER RESOURCES

[FOR YOUR LIBRARY  
PCOAB Standards and Related Rules](#)

[Driving Value Using Activity-Based Budgeting](#)

### LEARNING LINKS

[Featured Self-Study CPE  
Tax Update for Controllers](#)

[Free CPE: The AICPA's Financial Literacy Program](#)

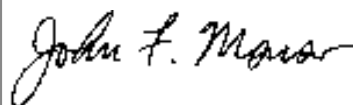
### UPCOMING WEBCASTS

[The SEC Quarterly Update](#)

## DEAR MEMBERS

I must apologize for the lateness of this issue. I had to take two weeks off due to a family emergency. Though my colleague Ken Witt, who writes most of this newsletter, prepared it on time, I was not able to review and add my comments. Ken is also working on the next issue which I expect you will have very soon.

AICPA members still have the opportunity to make their views known on whether peer results should or should not be made more readily available to regulators or the public. Whether as a member in business and industry you are a consumer of audit services or simply as a member of the profession it is important to provide your input on this very important topic for the profession. You can access an online poll — which takes just 5 minutes to complete — at [Peer Review Survey](#). For additional resources on the peer review transparency issue, visit [AICPA — Transparency](#).



John F. Morrow, CPA  
AICPA Vice President  
The New Finance

## TOP STORIES

### CPCAF Posts Calendar of SEC Filing Dates

The AICPA Center for Public Company Audit Firms has posted all primary SEC filing deadlines for both accelerated and non-accelerated filers in the calendar on their web site which can be accessed at [CPCAF Calendar](#).

### Efficient Markets or Not?

The cover story of the February issue of [CFO Magazine](#) titled “Big Ideas” is a fascinating summary of the work of seven academics whose research and ideas in an area called behavioral finance are beginning to change some thinking about some long held assumptions in the corporate finance arena, most notably the efficient markets hypothesis.

In contrast to the efficient markets hypothesis which asserts that markets rapidly adjust to provide correct valuations, behavioral finance theorists assert that systemic psychological biases cause problems with asset pricing. The article highlights seven different manifestations of this ranging from the implications of misvaluation in takeover strategies to performance evaluation of fund managers.

One notable finding of Professor John Graham at Duke was that rather than doing something illegal in this post-Enron era, CFOs readily admitted to making decisions that sacrificed cash flows, “burning economic value”, in favor of meeting earnings goals.

A separate comprehensive study by Professor Elroy Dimson at the London

## [Webcast Series](#)

[CFO Roundtable Webcast Series — Transforming 404 Compliance Efforts Into Business Value](#)

## [CONFERENCE SPOTLIGHT](#)

[Roger Staubach Keynote at Spring 2005 B&I Financial Executive Forum](#)

[11<sup>th</sup> XBRL International Conference – Boston, April 26-29<sup>th</sup>, 2005](#)

## UPCOMING CONFERENCES

Mark Your Calendars and Plan to Attend! Visit the AICPA Web site for more information on any other programs. Bear in mind that we have a variety of industry-specific conferences that you may be interested in; you can find out about these when you [visit the CPA2Biz Web site](#)

### [AICPA/CAM-I Cost Management Advanced Practices Symposium](#)

Tempe, AZ  
5/11/2005 – 5/12/2005

### [AICPA Spring Business and Industry Financial Executive Forum](#)

Dallas, TX  
5/12/2005 – 5/13/2005

### [AICPA Controllers Workshop](#)

Las Vegas, NV  
7/21/2005 – 7/22/2005

### [AICPA Fall Business & Industry Financial Executive Forum](#)

October 27 – 28, 2005  
Pre conference optional workshops: October 25 and 26, 2005  
Post conference optional workshops: October 29, 2005  
Marriott Marquis

Business School on global market returns over a 103 year period suggests that an equity risk premium of 3-5% might be much more appropriate than the standard textbook recommendation in the 7-9% range. In addition to excessively high equity risk assumptions causing CFOs to turn away from many worthwhile investment projects, the implications for defined benefit pension funds using unreasonably high equity return assumptions is potentially huge.

### **Report Identifies Tax Revenue Opportunities**

A recent report prepared by the Joint Committee on Taxation, the nonpartisan Congressional agency that estimates the cost of proposed tax laws found that the federal government could raise an additional \$311 billion over the next decade if it eliminated the hundreds of ways people and companies use to avoid paying their taxes.

One finding of the report, requested by the Senate Finance Committee, was that the system for taxing income earned overseas by U.S. companies is so fraught with problems the country could save \$55 billion by getting rid of the entire system. For more detail click on the following link to the [AccountingWeb.com](#) article.

[Back to Top](#)

### **Fiduciary Boot Camp and Ongoing Sox 404 Compliance**

An interesting article on [BusinessFinanceMag.com](#) highlights some things that companies are doing to reduce the compliance burden in future years, making the point that especially small and medium sized companies cannot afford the people cost involved in treating SOX compliance projects like one-off projects.

One of the approaches highlighted is the very popular Sun Microsystems “fiduciary boot camp” which is their way of drilling “tone at the top” down through the ranks. Importantly, they have realized that it is in the gray areas and sticky issues that difficult decisions are made every day and that the “most effective way to train people on compliance-related subjects is to engage them in a dialogue rather than bombarding them with slides.”

A related idea in terms of getting compliance training on the ground is credited to John Hall a fraud expert and frequent presenter at AICPA conferences. John makes the point that internal controls expertise is a much more concrete skill than, say, tone at the top and that compliance and related skills training should be tailored to job function. He argues that it is not important that everyone know the finer points of fraud prevention and detection but shipping and receiving clerks, for example, need to be aware of five things that they should be looking for and whom to report every time they encounter one of those five things.

A final point has to do with technology as a solution, especially for small and medium sized companies that can ill afford the human capital demands of compliance efforts. Using technology solutions to take control activities away from people allows for a more concentrated focus on the areas where human judgment comes into play.

### **Best Practices in Loss Prevention**

In our last edition we highlighted a couple of articles related to commercial insurance and disaster recovery. February’s edition of [BusinessFinanceMag](#) has an article titled “Best Practices in Loss Prevention” that advocates a proactive approach to loss prevention, emphasizing that 70-90% of the cost of insurance premiums varies based on loss experience.

Drawing on enterprise risk management and business continuity planning concepts, the article’s best practices include developing loss allocation

Marriott Marquis  
New York, NY

[AICPA National  
Conference on Employee  
Benefit Plans](#)

Las Vegas, NV  
5/16/2005 – 5/18/2005

[AICPA National Not-For-  
Profit Industry Conference](#)  
Washington, DC  
6/22/2005 – 6/24/2005

[TECH 2005: The AICPA  
Information Technology  
Conference — Celebrating  
25 Years](#)

Las Vegas, NV  
6/27/2005 – 6/29/2005

systems within your company to increase accountability for risk, identifying creative operational opportunities for transferring risks and looking into your supply chain to determine what critical vendors are doing with respect to loss prevention and business continuity planning.

[Back to Top](#)

### ABC or Intuitive Decision Making

In our last issue we directed your attention to a *Harvard Business Review* article that outlines a more user-friendly approach to activity based costing/management or ABC/M. Providing a bit more support for the resurgent interest in ABC/M, a recent CIMA Insight article reports on the ALG Software's recent Enterprise Performance Optimisation (EPO) survey that a quarter of managers openly admit to making key decisions intuitively. Additional findings included:

- 53 per cent of business managers say that, although they have a good understanding of their business's direct costs, indirect costs are a black hole making it difficult to achieve cost savings for support functions and shared services departments
- Only 22 per cent of managers know which products and customers are profitable
- Only 18 per cent of companies routinely measure costs of key business processes.

Utilizing as a case example Fortis Healthcare's use of ABC/M in their budgeting and forecasting processes, the article highlighted different types of decisions that may benefit from the insight that ABC can provide and the differing levels of detail:

- At the higher levels of an organization, the board and senior executives might want to address strategic issues, such as which products and markets to focus on
- Further down the organization, managers will be looking for support to make decisions about things such as pricing and discount negotiations with intermediaries
- At the operational level, managers in production and administrative areas will be looking to eliminate activities that do not add value and identify opportunities that will improve the efficiency of processes and reduce costs.

To read the article, use this link to [CIMA Insight](#), the newsletter of the Chartered Institute of Management Accountants in the UK, an organization that we partner with.

[Back to Top](#)

### AICPA and DOL Partner to Promote Financial Literacy for Women

The U.S. Department of Labor's Women's Bureau and the AICPA have formed a partnership to help educate American women of all ages about personal financial management.

The partnership will combine the outreach efforts of both organizations — the Women's Bureau's Wi\$e Up financial literacy program and AICPA's 360 Degrees of Financial Literacy — to create an all-inclusive financial education program for women. This is information for you to pass on to women that you know, whether they are friends, sisters, cousins, aunts, co-workers, etc. — I will certainly pass on to my sister who often struggles with financial decisions.

For more information about the partnership or other Women's Bureau programs,

please visit [www.dol.gov/wb](http://www.dol.gov/wb) or call 1-800-827-5335. Click on the following link for more information or to register as a volunteer in the AICPA [360 Degrees of Financial Literacy Campaign](#).

[Back to Top](#)

## CAREER CORNER

### **Generational Differences: More Myth than Reality**

The February issue of the Center for Creative Leadership's "Leading Effectively" e-newsletter highlights the results of their research conducted to take a closer look at some of the assumptions that have evolved around generational differences in the workplace.

Their findings, outlined in a series of short articles accessible at [CCL Newsletter](#), suggest that "much of the common wisdom about generational differences is more myth than reality." In fact a close look at the assumptions reveals "striking similarities" and differences "not as stark as you might think" in areas such as values, work ethic, loyalty, generational conflict, motivation and learning and development.

Perhaps most important were the two articles in the newsletter that focused on the impact of having 30 million fewer workers in the workplace in ten years' time, that will not be able to be replaced by the much smaller Generation X. Their recommendations for what organizations need to do to attract and retain the best of this small pool of future leaders are bulleted as follows:

- Give them choice
- Reward and recognize
- Let them know where they stand
- Encourage entrepreneurs
- Look out for your people
- Create a fun, relaxed environment
- Share the spotlight
- Help others learn
- Recognize value
- Forget about "face time"
- Don't mistake age for experience

### **Liberal Arts Education the Key to Success?**

A recent "Herman Trend Alert" reports on an interesting development in a similar vein. According to their work, while liberal arts graduates used to be perceived as unprepared for any career requiring expertise, they are now sought-after because of their abilities to be flexible, adaptable, and look at things from different perspectives. They respond more effectively to changing conditions because they have a broader foundation and have been challenged to explore possibilities.

[Back to Top](#)

## AICPA CAREER RESOURCES

To make sure you have the competencies needed to take charge of your career and keep you on the learning curve, assess your own proficiencies using the AICPA [Competency Self-Assessment Tool](#). Remember, this is FREE to AICPA members. Also consider using this tool with non-CPAs in your organization for only \$49 per user per year.

Looking to make a career move? Need to find someone with CPA skills for your staff? Or, just want to learn more about career issues? Visit the [CPA Career Center](#).

## FOR YOUR LIBRARY

### ***PCOAB Standards and Related Rules***

In response to the needs of its membership, the AICPA has taken the standards originally adopted by the PCAOB and integrated those standards with the PCAOB's newly issued standards through December 1, 2004 in a desktop resource.

*PCAOB Standards and Related Rules* includes the professional standards and staff guidance, all of the conforming amendments, original PCAOB releases containing the rules adopting the interim standards and the original auditing standards of the PCAOB, a detailed reference table and narrative explaining the applicability of the PCAOB standards and generally accepted auditing standards — and the differences between the two sets of standards, and PCAOB staff guidance.

This publication is available for purchase through [www.cpa2biz.com](http://www.cpa2biz.com) or through the AICPA Service Center at 888-777-7077. The product code is 057195. It is priced at \$84.00 for AICPA members, \$105.00 for nonmembers.

### ***Driving Value Using Activity-Based Budgeting***

If the ABC/M items we have featured recently have caught your attention you may also want to consider this valuable resource by Jim Brimson and John Antos also available at [www.cpa2biz.com](http://www.cpa2biz.com).

[Back to Top](#)

## LEARNING LINKS

### **Featured Self-Study CPE**

[Tax Update for Controllers](#) — **Finally, a tax course designed to meet the unique needs of the Controller!** Get just the latest information on tax developments which will impact your company. Controllers will find this tax update provides only valuable information for their business. Recent tax legislation, regulations, cases and rulings will be presented from the controller's perspective.

### **Free CPE: The AICPA's Financial Literacy Program**

This free program lays the groundwork for success as a community financial literacy volunteer. Access it on the CPA Financial Literacy Resource Center at [www.aicpa.org/financialliteracy](http://www.aicpa.org/financialliteracy).

For more self study courses, please visit [www.cpa2biz.com](http://www.cpa2biz.com) or call 888-777-7077.

[Back to Top](#)

## UPCOMING WEBCASTS

**The SEC Quarterly Update Webcast Series** — brought to you each calendar quarter by the AICPA and CFO.com — showcases the profession's leading experts on what's "hot" at the SEC. The first quarter update with John Compton and John Murray is scheduled for March 16.

The next webcast in the **CFO Roundtable Webcast Series — Transforming 404 Compliance Efforts Into Business Value** on May 4 will focus on the question of "*how can organizations extract the maximum amount of business value from these monumental compliance efforts?*"

By registering for all four of either series you can save \$67.

For all of your continuing education needs from AICPA Info Bytes and Self-Study to Webcasts and On-Site Training go to [AICPA Learning](#).

[Back to Top](#)

## CONFERENCE SPOTLIGHT

### **Roger Staubach Keynote at Spring 2005 B&I Financial Executive Forum**

This Spring's Financial Executive Forum to be held in Dallas in collaboration with the Texas State Society May 10-14 is shaping up to be a terrific event, featuring Roger Staubach as the keynote speaker. In addition to a packed two-day conference agenda, exceptional pre- and post-conference sessions are being offered.

*Beyond Disaster Recovery: Business Continuity Planning*, will be offered as a full day session on Tuesday May 10. This "conference within a conference" on this topic you will be hearing more about if you have not already, will include a panel of leading experts from regulatory agencies and industry who will share their experiences as pioneers in this arena, in addition to an interactive application case study.

We also have a new full day leadership program developed by Bill Bryan and Alan Patterson — *Tools for Effective and Ethical Leadership*, and a half day session in collaboration with the Balanced Scorecard Collaborative, *Align Planning and Budgeting To Your Strategy*. More to follow — mark your calendars now.

### **11<sup>th</sup> XBRL International Conference – Boston, April 26-29<sup>th</sup>, 2005**

The 11th XBRL International Conference will focus on the ways that XBRL can improve the business reporting process with a theme of "**Better, Faster, Smarter Business Reporting Using XBRL.**" As evidence of the maturing of this technology, the conference will include demonstrations of real products providing real solutions using XBRL, showing the advantages of using XBRL technology to preparers, regulators, and analysts with special insight into the SEC XBRL Voluntary Filing Program.

To register for this conference click on this [XBRL International Conference](#) link to the website for the XBRL International consortium, of which AICPA is a sponsor and host.

[Back to Top](#)

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