

BUSINDNEWS

E-NEWSLETTER FOR AICPA MEMBERS IN BUSINESS & INDUSTRY

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DEAR MEMBERS

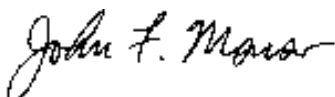
Welcome to the New Year — with one month gone we are well into 2006. Where does the time go?

Lots of good information in this issue. Notably, the AICPA Economic Outlook Survey: December 2005 results are in, and highlighted in this issue. With over 1900 members responding we are very pleased with the result, and we are hoping to leverage the survey into much more than it is currently — and we will need your help in doing so, so when the e-mail comes, we hope you will continue to respond in the future. In addition, we include a story on our continuing relationship with CIMA, based in the U.K. and the Developments in Management Accounting Series we make available to you as a result of this collaboration.

You will also see a reference to the Controller's Workshops in the Conferences section of this issue. We are expanding to two Controller's Workshops this year, one in Spring and the other in Summer at its usual time (late July in Las Vegas).

Continuation of our *Developments in Management Accounting Series* from our friends at CIMA, as well as some surprises about China are also included in this issue. We hope you enjoy it.

Best regards,



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

TOP STORIES

Paper Five in CIMA Series Now Available

Paper five in the *Developments in Management Accounting Series* brought to you in collaboration with the Chartered Institute of Management Accountants based in the U.K. (CIMA) is now available at [CIMA Developments in Management Accounting Series](#).

Management Accounting Change begins with an overview of effective change management, a philosophy that, if successfully implemented, should permeate an organization's culture. Two case studies highlight the key role of management accountants in the change management process of today's dynamic business environment.

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In our last issue we featured papers three and four. ***Multidimensional Performance Management*** provides an overview of several alternatives to traditional performance management systems and also introduces the CIMA Strategic Scorecard, a tool for helping maintain effective board oversight over strategy. ***Multinational Performance Management*** delves into the issues of organizational structure and tackles the complicated issues of transfer pricing and broader control over subsidiaries in multinational enterprises.

These and the first two papers —***Corporate Performance Management***, and ***Financial Performance Measurement***, can be downloaded free by AICPA members from our Financial Management Center website at the link above.

We would appreciate any feedback you may have on this Series and also any suggestions you may have for exploring similar topics as part of our collaboration with CIMA. Send us an email at BusIndNews@aicpa.org.

Business and Industry Economic Outlook Survey Results In

The results of the December 2005 Business and Industry Economic Outlook Survey have been posted to our Financial Management Center website. The response in December was tremendous with **1903** CEOs, CFOs, Controllers and other CPA decision makers providing their perspective on the economy and on the prospects for their own companies. Summary results are as follows:

- The results of December 2005 show a very similar pattern that was revealed in the June 2005 Survey with more optimism being expressed about the prospects for respondents' own organizations than for the economy as a whole.
 - With respect to individual companies, 74% continue to be **optimistic** or **very optimistic** about the prospects of their own organization over the next six months.
 - However, consistent with our finding in June 2005, this sentiment did not translate directly to the same level of optimism for the economy as a whole; only 60% of respondents continue to be **optimistic**, or **very optimistic** about the economy at the macro level; up slightly from 57% in June 2005, but down from 71% in Dec 2004.
- Growth, spending, financing and workforce plans continue to support the strength represented by this positive outlook across companies of all sizes.
 - While there is some concentration of growth from non-US market sources in the largest companies, over 60% of companies in each of the four size categories expect either moderate or substantial increases in growth from US market sources over the next six month period.
 - Spending for IT continues to be strong across the board as well, with 55% of all companies expecting to increase IT spending as compared to only 5% expecting IT spending reductions; 10% expect their IT spending to increase **substantially**.

- Workforce increases are also expected to continue; 45% of all companies anticipate increases in total workforce size in the next six months, compared to 40% who were anticipating increases as of June 2005. Only 11% of all companies surveyed anticipate workforce reductions in the next six months with somewhat higher frequency among companies in the over \$1 billion category.
- More than 50% of the respondents indicated being more concerned in December 2005 than six months prior about 1) energy costs, 2) employee costs, and 3) materials, supplies or equipment costs. Concern about energy costs topped the charts with 85% of all respondents being more concerned about energy costs than they had been six months earlier.
- As with past surveys, we also queried members on a few policy issues.
 - With regard to monetary policy - CPAs continue to be more concerned about the impact of changes in short-term interest rates on inflation than unemployment.
 - When asked about proposals for US trade policy with China:
 - 70% indicated support for the current US policy of supporting gradual revaluation of the Chinese yuan vis-à-vis the US dollar;
 - 23% support treating currency manipulation as a trade violation and imposing sanctions;
 - 7% support imposing sanctions without declaring currency manipulation as a trade violation.
 - When asked about the President's Advisory Panel on Tax Reform's recommended plans:
 - 55% indicated a preference for the Simplified Tax Plan (primarily impacting individual taxes);
 - 45% indicated a preference for the Growth and Investment Tax Plan (including more significant changes in business taxes).

China's Five Surprises

Companies doing business in China, intending to do so, or otherwise interested in the impact of China on the global economy will find the recent Resilience Report from Booz Allen Hamilton of interest. The article challenges assumptions about the rapidly transforming Chinese economy that are based on the past 10 years of experience and argues that the lessons learned may not necessarily be relevant for the next 10 years. The article suggests five surprises in China's future. These surprises are:

"Why not me?" The intensity of Chinese entrepreneurialism is propelling many companies, even now, beyond a role as producers of low-cost commodities.

Fearless experimenters: China's emphasis on rapid-fire research and development makes it a seedbed for original products and services in the future.

China's "brain gain": The ability to attract and retain executives from around the world has provided a higher level of competence for China's enterprises.

Out from Guanxi: Outsiders still view China as a largely patronage-based economy, in which connections and ethnic background determine success, but increasingly (at least in some sectors), high-quality management and transparent governance structures count more.

China's overseas ambition: The country is taking on a role as a catalyst of sustained economic growth in the emerging markets of the developing world.

To read the complete article that expands considerably on these five surprises, click on [Booz Allen Hamilton Resilience Report on China](#). While I have not been to China, I was in Hong Kong less than a year ago, and I can tell you that buzz of the developments in China is deafening. So many accounting professionals that have done well in Hong Kong over the years are now taking their skills and expertise to China, and are being welcomed — including hundreds of AICPA members. It is exciting!

SEC Proposes New Executive Compensation Disclosure Rules

On January 17 the SEC proposed new rules for disclosure of executive compensation. They have also recently proposed tender offer rules intended to reinvigorate the use of this two-step acquisition process and rules governing the distribution of proxy materials on the internet. Fried Frank has prepared summaries of each of these proposed rule changes which are available by clicking on the following links. [Executive Compensation](#); [Tender Offer Rules](#); [Proxy Materials](#).

Defined Benefit Plans: One Alternative Emerges as the Big Freeze Continues

A recent article on [Business Finance Mag.com](#) features an analysis conducted by Watson Wyatt highlighting the increasing number of defined benefit plan terminations and plan freezes. The unpredictability of defined benefit plan contributions is a major factor that troubles CFOs. There is also an increasing realization that these very valuable and costly benefit plans do not provide significant competitive advantage in the marketplace for talent, especially among younger workers. The article also emphasizes the likelihood that proposed pension reforms will add fuel to the fire, or should we say Freon to the freezer.

After touching on some of the reasons for limited alternatives to defined benefit plans, the article describes a retirement shares plan recently designed by Mercer that is similar to the type of variable benefit plan that is used primarily by educational and not-for-profit organizations. The retirement shares plan promises the sponsor stability by transferring to the employee the investment risk that drives the volatility of defined benefit plan contributions. The sponsor retains the demographic and mortality risks, which are essentially when employees retire, and how long they live. Click on the link above for the full article. The pension issue is one we are watching closely —as are many of you.

Impact of Benefits Problem Extends Beyond Direct Costs

Another article on [CFO.com](#) summarizes a gloom and doom scenario presented by Dallas Salisbury, president and CEO of the Employee Benefit Research

Institute, a prominent Washington think tank. According to Salisbury, the macroeconomic impact on sales and profits from reduced consumer demand will be greater than the direct impact of cuts in benefits from increased demands on governments and increased taxes for employers and individuals. The article concludes with Salisbury predicting that "Wal-Mart has become the exemplar" and businesses will provide the minimum that will get them the workforces they want.

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TECH CENTER

SEC Offers Incentives for Companies to File Reports with XBRL

The SEC recently announced that the Commission staff will offer expedited reviews of registration statements and annual reports to companies that volunteer for a test group as part of the Commission's interactive data initiative for receiving financial information using eXtensible Business Reporting Language (XBRL). For further details click to view the [SEC XBRL](#) press release.

AICPA Enters Into Marketing Agreement with XBRL Software Provider

To continue XBRL support and learning for members, the AICPA has entered into a marketing agreement with Rivet Software™. This agreement allows you to order Rivet's Dragon Tag™ and Dragon View™ via an AICPA-specific email address (aicpa@rivetsoftware.com).

As an AICPA member you receive a free support incident phone call valued at \$120 when you purchase Dragon Tag for \$295. You can also try Dragon Tag before you buy with a free, 30-day trial period. Dragon View is available in "preview" format at no charge. Free trial versions are available at Rivet's web site (www.rivetsoftware.com). When you are ready to order, please send an email to aicpa@rivetsoftware.com with your contact information.

New! Ask the Tech Expert Service

Rich Lanza has started an Ask the Expert service on the Store's home page which allows you to direct specific questions to him at rlanza@cpa2biz.com.

CAREER CORNER

High Demand for Finance Staff Creates Challenges for Smaller Companies

A recent [CFO.com article](#) paints a positive picture for finance professionals as about 80 percent of small to mid-size companies indicating plans for growth in their finance staffs, according to an Ajilon Finance exec quoted in the article. The downside for smaller companies is that the increased demand for finance professionals, attributed primarily to SOX, makes it difficult for smaller companies to compete with larger companies able to provide more attractive benefit packages etc. In favor of small companies is the opportunity for more rapid increase in responsibilities, control, title, etc. Click on the link above to read the article which includes some interesting compensation data from Ajilon.

Stewards of the Profession: Promoting Interest in Accounting as a Career

In our last issue of *BusIndNews* we spoke about our plans to feature a number of things that we hope will foster the all-important process of mentoring young people who work in business and industry and encouraging them to pursue the CPA credential. We provided links to the [Computerized CPA Exam](#) website, and to the membership page of our [Financial Management Center](#), and touted the incredible value of the AICPA CPA Exam Candidate membership at \$35 per

year for recent graduates who are preparing for the Exam.

Obviously, long before the important decision to pursue the CPA credential, there must be interest in pursuing accounting as a college major. This is where the AICPA's [Start Here Go Places](#) campaign is a shining star. One of the many creative things this initiative has done to stimulate interest in the accounting profession is to develop a series of online games, the most recent of which is [The Turnaround Game](#), which challenges its players to "save a failing record company in the name of all that rocks." This game was created by our very own Business and Industry Executive Committee alum, Patricia Bowen "kudos to Trish for another of many terrific contributions to our profession.

So, if you know young people who are thinking about their futures (or just need a diversion from the year-end toil yourself) click on the link above and share the fun.

360 Degrees of Financial Literacy CPA Mobilization Kits Available Online

The "Couples & Marriage," "Home Ownership," "Life Crisis" and "Retirement" CPA mobilization kits are now available for download on the CPA Financial Literacy Resource Center. Mobilization kits for each life stage of the 360 Degrees of Financial Literacy program, from Childhood to Retirement, have resources to support CPAs and State Societies in their volunteer outreach efforts. The eleven mobilization kits were developed in partnership with the California Society of CPAs. To view the kits, visit http://www.aicpa.org/financialliteracy/life_cycle_resources.asp. These kits are available for free, so download and find ways to use them in your company, or in some community group you might be part of to promote financial literacy. Think about siblings, in-laws, nieces & nephews, employees and so many others that might not have easy access to a financial professional that can help them navigate through the different financial challenges of the various stages of life.

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LEARNING LINKS

Financial Training Decision-Makers: For information on in-house training and tools to manage professional development, go to [AICPA Learning](#) or call 1-800-634-6780, Option 1

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UPCOMING WEBCASTS

CFO Roundtable Series Q4 2005 — February 22

The SEC is talking about it ... so is the FASB ... so is the AICPA ... Simplification and transparency in business reporting is in your future. Join leading experts as they discuss the movement towards simplicity in business reporting and what's in our future. Speakers include:

- **Bob Laux** , CPA and Director, Technical Accounting and Reporting of Microsoft
- **Colleen Cunningham** , CPA, President and CEO of Financial Executives International.

Click on the title link to register for this webcast, Register for the whole series—and save \$\$.

SEC Quarterly Update Series 2006 -1st Quarter - March 15, 2006

Mark your calendar for the first in this series — details coming soon.

Financial Fraud & the FBI: Small Company Frauds

If you missed this interesting webcast focusing on fraud in smaller companies, the archive CD is now available. Also, stay tuned for the sequel this Spring focusing on fraud in larger companies.

All webcast information can be accessed at [AICPA Learning](#).

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CONFERENCE SPOTLIGHT

Fraud — Can Audit Committees Really Make a Difference?

The AICPA just held (January 31) a one-day briefing at the Princeton Club in New York on the audit committee's responsibilities under SOX, internal controls, how to deter and detect management override of an otherwise effective system of internal controls, and procedures to be considered once the audit committee detects management override.

Whether or not you were able to attend, we'll take the opportunity to remind you that the AICPA monograph ***Management Override: The Achilles Heel of Fraud Prevention*** is available as a free download, along with a great number of other resources including our Audit Committee Toolkits, from the [Audit Committee Effectiveness Center](#). We will report back on key take-aways from the event in the next BusInd E-News.

AICPA Controller's Workshop — Two Offerings in 2006

Our Controller's Workshop held in Las Vegas in July has been a sell-out for the past several years. Since it has been so well received we have decided to offer two Workshops this year.

The [2006 Spring Controller's Workshop](#) will cover most of the key topics included last July and will be held in **Orlando, March 22-24** at Disney's Contemporary Resort. Click on the link above to download the brochure.

If you are a regular at the Controller's Workshop or the timing of this Spring Workshop does not work for you, you can attend the [AICPA Controller's](#)

[Workshop Conference 2006](#) being held in Las Vegas at the Bellagio, July 19-21, 2006. The agenda for this conference has been set and the brochure is being finalized as we go to press. Mark your calendars and register early to avoid being disappointed.

AICPA/Balanced Scorecard - Strengthening the Finance Function

This new program jointly-sponsored by AICPA and Palladium Institute (Balanced Scorecard Collaborative) will be held in the **AICPA Boardroom in New York City, April 10-11**. This small forum intended specifically for CFOs, Controllers, and other finance professionals in business and industry will cover the increasing challenges and pressures of CFOs and their teams to deliver on strategic development and to equip their organizations with new and more impacting methodologies and tools to help drive those strategies. To register, click on the following link to the [AICPA/Balanced Scorecard Forum](#).

Construction Industry Executive Forum

This conference is a brand new forum for the construction industry focusing on a combination of topics for the owners, COOs and CFOs. This symposium, being held at the **Hilton La Jolla Torrey Pines on July 20-21**, offers trending issues, more opportunity to network with peers and excellence of speakers in the industry. The session lengths also are a great way for allowing a more in-depth discussion of the various topics. For more details, click on [Construction Industry Exec Forum](#).

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