

In This Issue

[SEC Releases Final Rule on Management's Assessment of Internal Control](#)

[Private Company Committee to Address FIN 48 & FIN 46\(R\)](#)

[SEC Establishes Advisory Committee on Improvements to Financial Reporting](#)

[IRS Guidance re: FIN 48 Workpapers](#)

[Tax Gap Survey Results](#)

[Principles into Practice Summary Report Published](#)

[Projected Healthcare Cost Increase Highest in Four Years](#)

[Health Care's Retail Solution](#)

[IIA Publishes Study Forming "Common Body of Knowledge"](#)

[Changing Faces for Small Business in 2017, According to New Report](#)

[McKinsey Research Reveals Opportunities for Reducing Global Energy Demand](#)

[Business Leaders Adopt Declaration on Responsible Business Practices](#)

Career Corner

Dear Members



Dear Members

We hope you are enjoying your Summer! As we go to press with this issue of *BusIndNews*, our annual Controllers Workshop is underway in Las Vegas where we will be presenting our 2007 AICPA Hall of Fame Awards to three of your truly outstanding colleagues. We are also in the field with our Q3 Business and Industry Economic Outlook Survey. Once again, your response has been terrific and we thank you for providing your valuable perspective on the economy.

Through the spring, we have been calling your attention to the first annual [International Financial Executives Leadership Forum](#) that we are hosting in collaboration with CMA Canada and CIMA in Montreal, October 3-5. With a superb array of speakers and panels, this promises to be an exceptional event. Wednesday afternoon opens with futurist Jim Carroll and closes with a panel of the profession's international leaders, followed by a reception hosted by the panelists and other senior leaders of the hosting organizations. Thursday continues with sessions on sustainability, M&A, private equity, technology and risk among others. The Forum will close on Friday with a panel whose task will be to reflect on the learning of the previous two-days in the context of the future of the finance function. If you are a senior finance executive you won't want to miss this one-of-a-kind opportunity to discuss and debate the challenges of doing business in today's global economy with your peers from around the globe.

Finally, we encourage you to take note of the "Don't Miss" section that highlights the dates and topics for our Fall 2007 Management Accounting Infocast Series.

Best regards,

John

A handwritten signature in black ink that reads "John F. Morrow".

John F. Morrow, CPA
AICPA Vice President
Business, Industry & Government

----- Don't Miss! -----

Fall Management Accounting Infocast Series

Again this fall we will be offering a series of free infocasts. Produced in collaboration with CMA Canada and CIMA and sponsored by SAP, these infocasts provide up-to-date information on strategic management accounting topics. Mark your calendars today for 12pm ET for the following "third Thursday" programs and take advantage of this valuable member benefit:

- **September 20** - CIMA Strategic Scorecard™: Engaging Boards in Strategy
- **October 18** - Finance and Accounting Outsourcing: Minimizing Risks, Managing Relationships
- **November 15** - Managing Customer Value: Not all Customers are Created Equal

[Finance and Accounting Specialists Play Key Role in M&A](#)

[Breaking the Straightjacket of Routine Accounting](#)

[CPA Marketplace Resources Updated](#)

Tech Center

[Can SEC Mandate XBRL](#)

Learning Links

[New! COSO Guidance for Smaller Public Companies Self-Study Video](#)

[Free Test Drive for New AICPA CPEXpress](#)

Conference Spotlight

[Register Now! International Financial Executives Conference – Oct 3-5 Montreal](#)

[AICPA Controllers Workshop East – November 8-9, Kissimmee, Fla.](#)

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Top Stories

SEC Releases Final Rule on Management's Assessment of Internal Control

On June 20, 2007, the SEC issued its [final interpretive guidance for management on internal control over financial reporting](#) and related rule amendments, as well as a proposed rule seeking comment on the definition of "significant deficiency" with respect to the internal control reporting rules. The guidance sets forth an approach by which management can conduct a top-down, risk-based evaluation of internal control over financial reporting. The final rule also amends SEC rules to define the term *material weakness* and to revise the requirements regarding the auditor's attestation report on the effectiveness of internal control over financial reporting.

[Back to top](#)

Private Company Committee to Address FIN 48 & FIN 46(R)

At its second meeting scheduled to be held in Denver on July 25-26, the [Private Company Financial Reporting Committee](#) is slated to take up key issues of FIN 48, *Accounting for Uncertainty in Income Taxes*, and FIN 46(R), *Consolidation of Variable Interest Entities*. The agenda for the meeting includes a review of draft questions that the Committee anticipates using in outreach to determine the costs, benefits and impact of both these standards on private company financial statement preparers and their users.

Both days of the meeting are open to the public.

[Back to top](#)

SEC Establishes Advisory Committee on Improvements to Financial Reporting

On June 27, 2007, the SEC [announced](#) the establishment of the SEC Advisory Committee on Improvements to Financial Reporting (the Advisory Committee). The Advisory Committee was established to examine the U.S. financial reporting system with the goals of reducing unnecessary complexity and making information more useful and understandable for investors.

The Advisory Committee will focus on the following areas before making recommendations to the Commission:

- the current approach to setting financial accounting and reporting standards;
- the current process of regulating compliance by registrants and financial professionals with accounting and reporting standards;
- the current systems for delivering financial information to investors and accessing that information;
- other environmental factors that drive unnecessary complexity and reduce transparency to investors;
- whether there are current accounting and reporting standards that impose costs that outweigh the resulting benefits; and
- whether this cost-benefit analysis is likely to be impacted by the growing use of international accounting standards.

The Advisory Committee will also focus on how technological advances, such as XBRL and hyperlinks, can help address accounting complexity by making financial information more useful to a greater number of investors.

IRS Guidance re: FIN 48 Workpapers

A recent AICPA Tax Alert from the AICPA [Tax Center](#) reported that the IRS has provided guidance as to how it will deal with certain FIN 48 workpapers. The IRS continues its voluntary policy of restraint and will not routinely request audit and tax accrual workpapers, but in [Chief Counsel Notice 2007-015](#), the IRS said it did not consider tax rate reconciliation workpapers to be tax accrual or audit workpapers (because, in IRS's view, they are prepared by the taxpayer, not the auditor), and therefore they may be routinely requested.

[Back to top](#)

Tax Gap Survey Results

The Tax Center has also published the results of its recent [Tax Gap Survey](#). Principle findings from 1290 respondents summarized at the link are that:

- 48.7% believe small business and the self-employed are responsible for creating the tax gap
- 54.9% believe the underreporting of income is the major component of the tax gap, and
- 48.4% believe that the intentional disregard of the law is the primary contributor

[Back to top](#)

Principles into Practice Summary Report Published

The July issue of JoA includes an interview with the International Accounting Standards Board chair [Sir David Tweedie](#), exploring a variety of issues ranging from fair value measurements, XBRL, and private company standards to principles-based accounting and convergence, which might be considered his hallmark messages.

Tweedie, along with AICPA President Barry Melancon, were speakers at [Principles Into Practice](#) a conference held in New York in April 2007. The key points of the conference have been summarized in a document published by the Institute of Chartered Accountants of Scotland, available at the link above. In addition to introductory comments by Melancon who focused on the challenges for principles-based standards in the US regulatory and legal environment, topics covered in the conference included:

- Why Principles not Rules – Hugh Shields
- The Role of Principles in the Current Convergence Process – Sir David Tweedie
- How to Make a Principles-based Environment Work for Investors – James Kroeker
- How Could a Principles-based Environment Stand up to Litigation – Michael Young
- The FASB Perspective on the Workability of Principles in the US Environment - Bob Herz

[Back to top](#)

Projected Healthcare Cost Increase Highest in Four Years

A preliminary report from Hewitt Associates reported on in by [CFO.com](#) projects a 14.1% increase in HMO rates for 2008 based on rate information from 160 companies representing more than 1 million employees. The overall projected increase is attributed primarily to significant increases by a few large

providers. While the information is preliminary and subject to negotiations and plan changes, final increases may well be in the double-digit range.

As this edition goes to press, our Summer 2007 Controllars Workshop is taking place in Las Vegas. In addition to the annual presentation of our AICPA Business and Industry Hall of Fame Awards, we will be conducting a short survey about expectations for health care cost increases and strategies that participants are considering for managing costs in their companies. We will report the results of that survey in the August *BusIndNews*.

[Back to top](#)

Health Care's Retail Solution

While some may despair about this seemingly intractable health care problem, Booz Allen Hamilton, in their May [strategy+business Resilience Report](#), argue that the future is not so bleak as it may have once appeared. They point to a number of developments in the "retail" market for health care, including the increased use of consumer-directed health plans (CDHPs), usually coupled with health savings accounts (HSAs) or health reimbursement arrangements (HRAs).

Booz Allen Hamilton acknowledge that not all of the pieces of the puzzle have fallen into place, but point to a study they conducted in 2006 that provided insight into the factors that will enable the system to work well. They argue that the keys to a successful system in which competition and innovation flourish are

1. **Engaged, informed consumers** - who have incentives for healthy behavior, a
2. **Restructured supply side** - with new channel and format innovations and alignment of supplier incentives, and
3. **New intermediaries** - to align supply and demand, all supported by a
4. **Regulatory and legal environment** - that enables competition and innovation.

The goals of such a retail solution, argue the authors, are to not only improve health care but to transform traditional health insurance into a lifelong benefit with real wealth building potential over and above near-term risk management features.

In their July [Resilience Report](#), Booz Allen takes a deeper dive into how health care and financial services can converge to revolutionize employee benefits. The key for health-wealth industry players lies in the framework of the financial planning life cycle, which has long driven the creation and marketing of consumer and business banking products. The four stages of that framework are transact (to enable purchases when income is low), borrow (to finance purchases), accumulate (to ensure long-term security), and protect (to pay now to avoid a big hit later). Booz Allen argues that this framework can be used as a guide for designing new products that will help consumers, employers and providers navigate the life-long health-care challenge.

[Back to top](#)

IIA Publishes Study Forming "Common Body of Knowledge"

At its annual international conference in Amsterdam, the Institute of Internal Auditors released the results of a comprehensive global study of the internal audit profession, commissioned by the IIA Research Foundation.

At the core of the study results: a majority (82 percent) of internal auditors are following (at least partly, if not entirely) the *International Standards for the Professional Practice of Internal Auditing (Standards)*; internal auditors will work more in the areas of risk management and governance (80 percent and 63 percent, respectively); and internal audit activities are perceived as effective and adding value to their

organizations (mean of responses above 4, on scale of 1 through 5).

A comprehensive report on the complete findings of the [IIA research study](#) will be published in October, further analyzing the data on various cultures throughout the world

[Back to top](#)

Changing Faces for Small Business in 2017, According to New Report

According to the [Intuit Future of Small Business Report™](#), the face of small business is changing. The report, authored by the Institute for the Future, is a three-part study that examines significant trends affecting small business over the next decade.

Phase One of the study focuses on the changing face of entrepreneurship. A much more diverse pool of entrepreneurs is emerging--seasoned baby boomers, kids fresh out of high school, mid-career women, "mompreneurs" and new immigrants are changing the entrepreneurial norms. Phase Two of the study explores the technologies that will drive small business in the future as the promises of technological innovation become more fully realized for smaller enterprises. Phase Three will look at decentralization and changes in industry structure. Click on the link above for the Phase One and Two reports. Stay tuned for Phase Three.

[Back to top](#)

McKinsey Research Reveals Opportunities for Reducing Global Energy Demand

Research presented in an article in the July issue of [McKinsey Quarterly](#) shows that “the growth of worldwide energy demand can be cut in half or more over the next 15 years, without reducing the benefits that energy’s end users enjoy—and while supporting economic growth.”

The key to accomplishing this, according to McKinsey is a “concerted global effort to increase energy productivity (the amount of output achieved from each unit of energy consumed).” The article contains exhibits that focus on the four sectors that represent 98% of global energy demand- residential buildings, commercial buildings, transportation and industry. While focusing on energy productivity will create business opportunities in new markets for demand-side innovation, McKinsey points out that market forces alone will not produce the desired outcomes.

In order to overcome barriers such as market distorting subsidies and misaligned incentives, policy makers must terminate distorted policies, make the price and use of energy more transparent, create new market-clearing and financing mechanisms, and selectively implement demand-side energy policies. Acknowledging that removing these obstacles will be difficult politically, capturing productivity of existing energy supplies would also be the most economically attractive way of reducing greenhouse gas emissions.

[Back to top](#)

Business Leaders Adopt Declaration on Responsible Business Practices

At the second United Nations [Global Compact Leaders Summit](#), top executives adopted a 21-point Geneva Declaration, which spells out concrete actions for business, governments and Compact participants. Some 4,000 organizations from 116 countries -- among them trade unions, non-governmental organizations (NGOs) and some 3,100 businesses -- have so far subscribed to the Global Compact, pledging to observe ten universal principles related to human rights, labor rights, the environment and the struggle against corruption.

[The Geneva Declaration](#) expresses the belief that “globalization, if rooted in universal principles, has the power to improve our world fundamentally -- delivering economic and social benefits to people, communities and markets everywhere”. Nine of the 21 points address the role of businesses, their investors and lenders. Stating in the preamble that “business, as a key agent of globalization, can be an enormous force for the good,” the action points for companies to focus on the relationship between business in society and the governance issues that are created as a result of increasing interdependencies of markets and communities. Actions for governments outlined in the declaration include cultivating effective economic institutions and supportive policies, encouraging an open international trading system and discouraging protectionism.

[Back to top](#)

Career Corner

Finance and Accounting Specialists Play Key Role in M&A

A [PwC Silicon Valley Roundtable](#) recently explored the evolving role of finance and accounting specialists in the acquisition process as technology companies continue to rely on M&A as a central growth strategy.

Rather than relying totally on corporate finance staffs for resources, companies are increasingly forming teams of finance and accounting specialists who are dedicated to the M&A process. In addition to advising on the financial and accounting implications of proposed deals and providing a counter-balance to “deal fever”, these M&A finance and accounting teams are increasingly being relied upon to assist with aspects of post-merger integration and performance measurement of the deal.

[Back to top](#)

Breaking the Straightjacket of Routine Accounting

A recent article in [CIMA Insight](#) bearing this title offers some advice for the accountant who feels trapped by the mundane aspects of reporting and compliance, and the seemingly never-ending cycle of changing standards and regulations.

The author offers the following three suggestions for escaping from the predicament:

1. Broadcast your enthusiasm to do something non-routine.
2. Demonstrate your open-mindedness in tackling the problems.
3. Operate on the basis that you don't already know the answer.

Especially if you are following in the footsteps of someone who did not share your enthusiasm for taking on something other than the routine you may have some work to do to change the pre-conceived notions about the finance function and your role.

Points two and three are the “inside job” of getting outside of your office and partnering with others to solve business problems, and getting outside of your comfort zone of financial data and into the uncomfortable arena of uncertainty.

[Back to top](#)

CPA Marketplace Resources Updated

The [CPA Marketplace](#) resources on C2B have been updated along with the rest of the C2B website. If you are in the job market, seeking to hire a CPA, or looking for professional development guidance, click on the link above to access these member benefits.

[Back to top](#)

Tech Center

Can SEC Mandate XBRL

In case you missed it, the AICPA [Corporate Finance Insider](#) published an article posing the question whether the SEC can mandate XBRL and outlining the following five key steps that XBRL must overcome before it can be mandated successfully:

1. Strong governed consortium that produces credible results and act as the neutral facilitator of its members.
2. Key stakeholders support the standard.
3. **Technical specification delivers reliable product to the market.**
4. **Commercial strength taxonomies fully integrated into business reporting applications.**
5. **Users achieve cost savings creating industry wide adoption.**

While acknowledging that there is a ways to go, the article argues for adoption on the basis that XBRL is a global initiative and a platform that represents the whole financial reporting supply chain for business reporting information.

[Back to top](#)

Learning Links

New! COSO Guidance for Smaller Public Companies Self-Study Video

In July 2006, COSO issued [Guidance for Smaller Public Companies Reporting](#) on Internal Control Over Financial Reporting to provide guidance to smaller company board members, senior management, other company staff and external auditors in cost-effectively applying *Internal Control — Integrated Framework* for assessing and reporting on the effectiveness of internal controls. This course will complete your understanding of the new COSO document.

Free Test Drive for New AICPA CPEXpress

The AICPA's popular online learning library has a new name and enhanced functionality.

A 30 day free trial of CPEXpress, formerly known as InfoBytes, is being offered to introduce the new features and appearance of the product. For more info click on

[CPEXpress](#) and register for your free trial.

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

[Back to top](#)

Conference Spotlight

Register Now! International Financial Executives Conference – Oct 3-5 Montreal

The agenda has been set, the brochure finalized and registration is now open for the [2007 International Financial Executive Leadership Forum](#). This one-of-a kind forum features a terrific array of speakers and panelists and will be held at the [Intercontinental Hotel](#) in Montreal, Canada **October 3-5**. Sponsored by the AICPA, CMA Canada, and CIMA this conference offers senior executives and their high-performing staff members an opportunity to expand networks and knowledge beyond local borders.

Register today and mark your calendars to join an international group of colleagues in this exploration of business challenges and opportunities in our increasingly global economy.

AICPA Controllers Workshop East – November 8-9, Kissimmee, Fla.

Couldn't make the July Controllers Workshop in Las Vegas? No problem! The [Controller's Workshop East](#) is an encore presentation of that July 19-20, 2007 conference. There are only a few minor changes in session descriptions and speakers, and the venue is the [Gaylord Palms Resort and Convention Center](#) in Kissimmee, Florida in the heart of the Orlando attractions area. Mark your calendars and register today!