

# BusIndNews

E-NEWSLETTER FOR AICPA MEMBERS IN BUSINESS & INDUSTRY

February 18, 2009, No. 126

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Thank you!

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## Dear Members

*BusIndNews* was the first electronic newsletter that the AICPA provided its members. This month we mark our 126th issue of *BusIndNews*. We hope that over the 10+ years you have found this newsletter to be useful and informative.

We also know that *BusIndNews* is in need of an overhaul/update. So over the next several months we will be combining *BusIndNews* with the *Corporate Finance Insider*, a related newsletter also currently offered to our members in business and industry. The *Corporate Finance Insider* will be the new name going forward, but look for a more robust and easy to read newsletter with a new look and feel. It will be issued semi-monthly. We hope you will find this combined and updated newsletter to be a significant improvement that helps you cut through the clutter of so many sources of information that come your way on a daily basis.

Our first National CFO Conference in May 2009 is rapidly approaching. I invite you to consider participating even in these difficult times. It is more important than ever to network with peers in order to learn new ideas and to keep perspective on events in the world today. Details are available at [CFO Conference](#) and also appear later in this month's *BusIndNews*.

Taking just a few minutes to click on this link to review and update your member profile information ([www.aicpa.org/my+account](http://www.aicpa.org/my+account)) is a great help to us in determining how to best provide you with important programs and services.

Best Regards,



Christopher T. McKittrick, CPA  
Director of Members in Business, Industry & Government

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## Outlook for Economy Continues to Deteriorate

The results from our Q1 2009 Business & Industry Economic Outlook survey continue to confirm the bleak outlook for our economy that we saw in Q4 of 2008. In addition, the time horizon for expected recovery has extended further into the future.

Only 5% of our respondents indicate that they are optimistic about the economy over the next 12 months, while 83% responded as being *pessimistic or very pessimistic*, consistent with Q4 2008. Only 32% expect the economy to begin to recover in 2009; 41% do not expect improvement before the first half of 2010, and 8% are not expecting recovery until 2011. In Q4 2008 51% of respondents expected the economy to begin to recover later this year.

While respondents are still slightly more optimistic about their own organizations than about the US economy, the gap between the two is shrinking. And unlike past quarters not one of the industries analyzed has more optimistic than pessimistic respondents. This increased pessimism is supported by respondents declining expectations for revenue, profit and number of employees. Slightly over half the respondents expect these areas to decline. This quarter showed a significant increase in the number of organizations that have implemented or are planning layoffs, compensation freezes and hiring freezes.

For additional results of the Q1 2009 AICPA/UNC Kenan-Flagler Business and Industry Economic Outlook Survey go to [AICPA FM Center](#).

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## AICPA Launches Economic Crisis Resource Center and Free Job Finder Sites

The AICPA has launched a new [Economic Crisis Resource Center](#) that contains tools to help CPAs' employers and clients minimize the effects of the recession. The tools include webcasts, articles and CPE courses on strategic planning, budgeting, fraud detection, and maintaining the public trust. The Center includes targeted resources for [members in business](#) and will be continually updated to take the latest events and information.

The AICPA has also created a new [CPA Job Finder](#). This job board was created to help CPAs looking for new career opportunities - job seekers can post a resume or search active job listings for free. The job board is also available to CPA firms and employers looking to recruit qualified CPAs in specific disciplines or industries. And now, AICPA Member firms receive special benefits when posting available job openings to the [CPA Job Finder](#).

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## COSO Publishes Monitoring Guidance

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) released its *Guidance on Monitoring Internal Control Systems*. The guidance is designed to help organizations to better monitor the effectiveness of their internal control systems and to take timely corrective actions if needed.

The guidance consists of three volumes. Volume I, the [Introduction](#) can be downloaded free from COSO's web site; Volume II contains the principles and framework in greater detail; Volume III contains examples of effective monitoring. Electronic and hard-copy of the three volume set can be purchased [here](#).

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### **IFAC Best Practice Guidance on Governance**

The International Federation of Accountants Professional Accountants in Business (PAIB) Committee recently released International Good Practice Guidance (IGPG) *Evaluating and Improving Governance in Organizations*. An excellent reference resource, the Guidance sets forth definitions, a framework and key principles of governance that are widely accepted features of good practice.

The governance framework in the Guidance is composed of two dimensions: conformance and performance, which represent the value creation, resource utilization and accountability framework of an organization. The Guidance lays out 12 key principles, the first of which is that **“the creation and optimization of sustainable stakeholder value should be the objective of governance.”**

Appendix A of the Guidance provides examples of organizational principles and values, and includes a link to a related IPGP document *Defining and Developing an Effective Code of Conduct for Organizations*. Appendix B provides a number of additional resources on governance, internal controls, IT Governance, and pitfalls of governance for private companies among others.

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### **IFAC PAIB Launches Sustainability Resource Center**

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has developed a comprehensive [Sustainability Framework](#) to support professional accountants and their organizations in integrating a sustainable way of thinking and working in all business processes. The Framework illustrates how a commitment to sustainability can help to further improve an organization's products or services, motivate its people, lower its costs and enhance its reputation.

Designed from four different perspectives - business strategy, internal management, financial investors, and other stakeholders - the new Framework provides accountants in business with a practical framework and resources for tackling sustainable development issues within their own organizations.

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## AICPA Supports Global Financial Reporting Clarity Initiative

The AICPA announced support for the Global Accounting Alliance (GAA) [Clarity Initiative](#) and will be arranging one of several roundtables in New York this spring. The roundtables, to be held around the world, will begin to tackle the issues raised in a recently issued report, [Getting to the heart of the issue](#) – *Can financial reporting be made simpler and more useful?*

The report draws on interviews conducted in with financial regulators and representatives of the world's leading accounting and auditing practices. The GAA is was formed in 2005 and is headed by the CEOs of 10 leading accounting bodies who work to promote quality services, share information and collaborate on international issues.

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## Health Care – Why Americans Spend So Much

A recent [McKinsey Quarterly](#) article presented the results of their research into the cost of health care. Using a metric called estimated spending according to wealth (ESAW), the research concludes that Americans spend \$650 billion more than might be expected, based on its wealth and the experience of comparable members of the Organization for Economic Co-operation and Development (OECD). And, while we have world-class hospitals, cutting-edge drugs, and shorter wait times for treatments in the US, we lag behind other countries in terms of infant mortality and life expectancy, as well as equality in access.

According to the research the three primary drivers of our \$650 billion spending gap are:

1. **Outpatient Care** – while a shift from inpatient care to outpatient care has produced significant savings, several variables contribute to increased cost of outpatient services, including incentives to provide more care and more expensive treatments. Other countries with similarly low patient out-of-pocket costs use supply oriented controls to mitigate the lack of demand-side value consciousness on the part of the consumer.
2. **Pharmaceuticals** – after isolating frequently-cited factors for higher US prices, the article concludes that branded-drugs should carry a premium of approximately 30%, rather than 77%.
3. **Health Administration and Insurance** – the diversity and number of payers, combined with multi-state regulation result in a healthcare administration cost of \$486

per capita, compared with \$286 for France, the next highest spender, and \$103 across peer OECD countries.

The article concludes with some recommendations for health care reform, citing the necessity of a multi-faceted approach involving all stakeholders in order to effectively address:

- **Demand** – preventive efforts, and value-consciousness are essential to controlling demand for services; consumer education and incentives are the necessary levers to drive better decisions.
- **Supply** – one of the keys on the supply side will be to balance the need for innovation in medicine with the cost spiral that it creates.
- **Intermediation** – financing and payment approaches need to have the right incentives to drive the appropriate level of care. Public programs such as Medicare and Medicaid can lead the market towards rational pricing, but current dynamics bear investigation.

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## Career Corner

### Workforce Reductions – Getting it Right

The results of our Q1 2009 Business and Industry Economic Outlook survey indicate 42% of our CFOs, controllers and other CPA execs have already resorted to layoffs as a result of the economic crisis, and nearly 14% have had plant closings. Hopefully, all of you who will face this difficult task will have already done so. But, as a recent [CFO.com](#) article points out, CFOs are not trained in how to conduct layoffs, so their advice is probably worth passing along.

The article begins by contrasting an example of an effective process and one that could be described as “less so.” It then delves into the business, morale and legal reasons for proceeding cautiously with layoffs, outlining some of the basic provisions of the federal Worker Adjustment and Retraining Notification (WARN) Act.

Some of the key suggestions for making the decision include:

- Slow down and maintain perspective – hasty layoffs can lead to discrimination lawsuits.
- Be “surgical” where possible – maintain core business processes.
- Be systematic if an across the board or “peanut butter spread” approach is necessary so that all decisions are supported by a logical rationale.

Once the decision is made:

- Act quickly, get the bad news out at once, and avoid making cuts in waves if possible.
- Hold small group or team meetings followed by large group information sessions to clarify details and head-off destructive rumors and inaccurate assumptions.
- Work in pairs to conduct the layoff conversation – usually the direct reporting manager provides the information about the layoff and the rationale; a second person, usually HR, provides the details about the severance.

After the layoff is completed:

- Work quickly to reassure employees they are valued and necessary.
- Help identify opportunities to redistribute the workload.
- Communicate positively about the future of your company and the role employees have in securing that future.

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## Tech Center

### SEC Issues Final Rule Mandating XBRL

On January 30 the SEC issued its [final rule](#) requiring companies to provide XBRL financial statements with their filings. Under the three-year phase-in of the new requirements companies with a worldwide float of over \$5 billion will be required to provide XBRL filings for fiscal periods ending on or after June 15, 2009. All other issuers will be required to follow suit in 2010 and 2011.

On April 1st, join the live panel of CPAs for a special webcast - **XBRL – Transforming Financial Reporting**, as they discuss the impacts of the SEC rules on companies, accountants and investors and how this technology will change the way companies communicate and disseminate information to stakeholders. [Register Today!](#)

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## Learning Links

### New Risk Alert Focuses on Accounting Issues in Economic Crisis

Tough economic times have made accounting for transactions and auditing entities more challenging than ever and this alert is an important tool in helping you identify the significant risks that may result in the material misstatement of financial statements. This [Audit Risk Alert](#) can also be used by an entity's internal management to address areas of audit concern during these challenging and grave economic times.

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### Free Test Drive for New AICPA CPEExpress

The AICPA's popular online learning library has a new name and enhanced functionality. A 30 day free trial of CPEExpress, formerly known as InfoBytes, is being offered to introduce the new features and appearance of the product. For more info click on [CPEExpress](#) and register for your free trial.

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### 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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## Codification Corner

### FASB Accounting Standards Codification (TM)

On January 15, 2008, the Financial Accounting Standards Board (FASB) released the [FASB Accounting Standards Codification \(TM\)](#) (the codification) for a 1-year verification period. The codification is expected to go live and become effective on July 1, 2009.

As a service to our members in Business and Industry we have compiled resources about the Codification project on our [Financial Management Center](#). All of the AICPA resources are also located on the [AICPA Codification Website](#).

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## Upcoming Webcasts

### The New Stimulus Bill...and What You Need to Know Thursday, Feb 19, 2-4pm

The recovery and reinvestment measure passed by Congress last Friday is designed to create millions of jobs, put money in the pockets of consumers and businesses, make the country more energy efficient and improve the nation's infrastructure.

Just over one-third of the \$787 billion package consists of tax breaks for both individuals and businesses. Come listen to some of the country's leading experts discuss significant aspects of the new Stimulus Bill ... things you need to know to better serve your clients, your employer and yourself - [Register Today!](#)

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### Economic Crisis: Obsessing About Your Liquidity – FREE Tuesday, Feb 24, 2-3pm



This **FREE** live Infocast is the second installment in a year-long series - *Braving the Economic Crisis*. This series, targeted to senior financial executives is designed to help organizations survive the current economic



crisis. ***Obsessing About Your Liquidity*** will be held on **Thursday Feb 24 at 2pm ET and will feature leading national experts sharing** “economic crisis” tactics on liquidity. [Register Today!](#)

[Today!](#)

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## Conference Spotlight

### **New AICPA National CFO Conference to Launch May 14-15, 2009**

Mark your calendar now for the new AICPA National CFO Conference to launch May 14-15, 2009 at the Hilton La Jolla Torrey Pines. This conference event is targeted to CFOs and will feature thought leaders who will share their insights for leading through these challenging times.

The main conference agenda will include topics that are relevant and critical to your role as a key contributor to the ongoing success of your business including:

1. Resiliency and value creation
2. Managing capital needs in a post-credit crisis world
3. Business intelligence and benchmarking
4. Trends in compensation
5. Leveraging technology in your business
6. Corporate governance – working with audit committees

Two outstanding pre-conference workshops are scheduled for Wednesday May 13. Mark Beasley and his colleagues from the NC State Enterprise Risk Management Initiative will be conducting a full-day session ***Connecting Strategy & Enterprise Risk Management***. Alan Patterson, creator of the Controller to CFO session that has been a perennial favorite at Controllers Workshop will be leading a half-day session in the afternoon designed to develop your skills as ***The CFO as Business Partner & Strategist***.

[Register Today](#) to save your seat for this new CFO-level event.

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