

BUSINDNEWS

E-NEWSLETTER FOR AICPA MEMBERS IN BUSINESS & INDUSTRY

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Dear Members

It is the start of membership renewal season and on behalf of everyone here at AICPA ... thank you for your support! We are working hard to serve your needs and the needs of the CPA profession and look forward to continuing to do so in the upcoming year.

At this time I also want to call your attention to an upcoming change that will help us serve you better. The key to building strong programs, products, and services for you is to understand who you are and what you need and want from the AICPA. One place we get this information is from your member profile. We will soon be implementing some improvements to our on-line member profile screens by revising and streamlining the data points we ask you to provide us. We have updated our data categories for areas like company revenue, position, number of employees, industry codes and areas of interest to you. We believe that this updated information will help us focus our efforts to serve you to the best of our abilities, and provide you with what you need, when you need it. However for this to be effective we will need updated information and for this we will need your help. So please, when you receive the announcement of this new functionality, take a few minutes and update your profile and help us serve you better.

Please keep your thoughts, comments and questions coming to us via e-mail at cmckittrick@aicpa.org.

Best regards,



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

Save the Date:

[Lean Accounting Summit, Las Vegas, NV – September 17-18, 2008 \(AICPA members receive a \\$100 discount\)](#)

[International Financial Executives Leadership Forum, Washington, DC – Sept. 24-26, 2008](#)

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AICPA Calls for Three to Five Year Timeline for Reasonable Transition to IFRS

Barry C. Melancon, president and CEO of the AICPA, speaking at a forum of accounting and finance authorities on international accounting, called for a reasonable and clear-cut time frame of three to five years for the U.S. accounting profession to adopt International Financial Reporting Standards.

Melancon's comments came in remarks at a FASB forum on "High-Quality Global Accounting Standards: Issues and Implications for U.S. Financial Reporting" that was attended by 24 representatives from the U.S. and international accounting and finance professions as well as state and federal regulatory authorities.

AICPA members responding to an online survey conducted from April 24-May 12 said they believed it would take three to five years to prepare for IFRS. Thirty-four percent said they would need three years and 31.4 percent said they would need four or five years.

The AICPA has developed a new web site www.IFRS.com to help members and financial professionals learn about and stay informed on IFRS. Multimedia content on the new Web site includes informational videos, explanatory material about IFRS, training programs and links to useful resources.

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Small Companies get One-Year Reprieve from SOX 404 Attest Requirement

On June 20, 2008 the [SEC](#) granted an additional one-year reprieve from the attest requirement under SOX Section 404(b). The rationale for the deferral of the attest requirement is to allow for the completion of a study of the costs and benefits of Sec. 404 implementation focusing on smaller companies, which has also been approved by the OMB.

In 2007, the SEC issued new guidance for management's Section 404 assessment of internal controls and also replaced the dual opinion requirement previously required by PCAOB Auditing Standard #2 which has been replaced by AS#5. It is hoped that the data collected in the study under the new requirements will provide valuable insights into what drives costs, particularly for smaller companies, and where companies and investors derive the benefits from Section 404.

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IRS Increases Standard Mileage Rates

Effective July 1 [IRS Announcement 2008-63](#) provides higher mileage rates. The standard mileage rate was increased by 8 cents to reflect higher gas prices, to 58.5 cents for business

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mileage and 27 cents for moving and medical expenses. Those driving for charitable purposes give the extra measure, with a statutory rate that the IRS can't change continuing at 14 cents per mile.

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IRS Approves Use of Rolling Average for Inventory Valuation

In [Rev. Proc. 2008-43](#), the IRS changed its position on the rolling average method of inventory valuation. Traditionally, the IRS has rejected the use of a rolling average method of inventory valuation but will now approve it so long as it conforms to the taxpayer's method of inventory valuation used on its financial statements.

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New Guideline – “Managing the Business Risk of Fraud: A Practical Guide”

The AICPA, in collaboration with the Institute of Internal Auditors (IIA) and the Association of Certified Fraud Examiners (ACFE) has developed "[Managing the Business Risk of Fraud: A Practical Guide](#)".

According to the ACFE's 2006 Report to the Nation on Occupational Fraud, U.S. organizations lose an estimated 5 percent of their annual revenues due to fraud. When applied to the estimated 2006 GDP, those losses added up to approximately \$653 billion. The report also concluded that organizations without anti-fraud programs - such as fraud hotlines, internal audit departments, and anti-fraud training - lost approximately twice the amount of revenue to fraud when compared to organizations with anti-fraud programs. For example, organizations without an anonymous fraud hotline suffered a median annual loss of \$200,000, whereas organizations with hotlines suffered a median annual loss of only \$100,000.

The Guide outlines five key principles for establishing effective fraud risk management, regardless of the type or size of an organization. These five key principles address governance, risk assessment, fraud prevention and detection, investigation, and corrective action. Following the guidance will help ensure that there is suitable oversight of fraud risk management, that fraud exposures are identified and evaluated, that appropriate processes and procedures are in place to manage those exposures, and that fraud allegations are addressed in a timely manner.

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New AICPA Resources for 403(b) Retirement Plans

Under U.S. Department of Labor (DOL) regulations issued on November 16, 2007, retirement plans sponsored by charitable organizations and schools under Internal Revenue Code section 403(b) and covered under the Employee Retirement Income Security Act of 1974 (ERISA) will be subject to the same reporting and audit requirements that currently exist for section 401(k) plans.

If you work in an organization that sponsors 403(b) retirement plans, also known as TSAs (Tax Sheltered Annuity plans), a joint task force of the EBPAQC Executive Committee and the AICPA's Employee Benefit Plan, Not-for-Profit and Health Care Expert Panels has developed new resources that will help you navigate these new requirements.

The AICPA Employee Benefit Plan Audit Quality Center (EBPAQC) has made these available on a [403\(b\) Resource Page](#) on their website. You do not need to be a Center member to access these resources which include a [403\(b\) Plan Primer](#), [Form 5500 Filing and Audit Requirements](#), and a [Getting Started](#) document.

The [Employee Benefit Plan Audit Quality Center](#) was established to promote the quality of employee benefit plan audits, and also offers significant benefits to members including marketing resources and an online community for sharing best practices and discussing technical issues. We would also encourage you to make sure that the auditor for your employee benefit plans is a member of the EBPAQC.

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Cost Cutting Do's and Don'ts

In our [Q2 AICPA/UNC Kenan-Flagler Economic Outlook Survey](#) we asked whether our members were responding to economic conditions by implementing any of an array of cost-cutting initiatives. Capital spending cuts, hiring freezes and travel restrictions were the most popular measures identified. A bit surprisingly, less than 23% of our respondents had adopted even these most popular measures at that time. We will soon be in the field with our Q3 survey and will include this question again as a way to take stock of any improvement or deterioration of conditions.

For those who are faced with a need to cut costs, a recent [BusinessFinanceMag.com](#) article captures the essentials from a [Deloitte report](#) on cost improvement trends. Their five tips for "doing cost reduction the right way" are:

1. **Start with the obvious.** G&A savings and external spend are the obvious first targets, although the article highlights that some companies are unwilling to take a broad view of G&A and look at transformational solutions such as IT infrastructure or outsourcing rather than making incremental cuts.
2. **Take an enterprise view.** Sales and marketing, manufacturing, and supply chain costs are all pieces of the puzzle and may yield greater savings than potential savings from G&A cuts.
3. **Protect strategic investments.** While it is important to take a whole-company view of expenditures, areas that are essential to the company's future prosperity, such as

R&D and marketing, need careful treatment. But they can still yield savings.

4. **Balance short- and long-term improvements.** Rather focusing only on short-term projects some cost savings should be invested into mid- and long-term initiatives that will position the company to maximize opportunity when conditions begin to improve.
5. **Choose the right business model.** Decentralization offers advantages primarily for highly diversified or rapidly growing companies. A slow economic time offers an opportunity to look at the economies of scale and efficiencies that centralized models offer more mature companies.

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Pet Peeves of Poor Spreadsheet Practices

A recent CFO.com article entitled "[Spreadsheet Worst Practices](#)" apparently touched a nerve with many readers prompting many to add to the list of pet peeves about "[Sloppy Spreadsheets](#)".

The original article made some sound recommendations for improved practices after identifying a number of all-too-common problems with poor spreadsheet preparation including:

1. **Poor segregation of data.** Failure to isolate assumptions and algorithms used to produce results from input data was first on the list of efficiency killers.
2. **Poor Documentation of Assumptions.** This was second on the list. If you are creating a spreadsheet to begin with, it would be a good to assume that you might use it again and want to know what assumptions were used the first time around.
3. **Poor Documentation of Constraints.** Sales volume that exceeds production capacity? Documenting constraints and incorporating them into spreadsheet design is not only a time-saver but can be a "face-saver" as well.

The additional pet peeves that were triggered and reported on in the second article included:

1. **Printing Pratfalls and Formatting Flops.** Failure to set up the spreadsheet so that it will print properly, inadequate labeling of rows, columns and tabs, and use of multiple fonts fell into this category. One manager insists that every spreadsheet be prepared to print as though it were being sent to a senior executive.
2. **Heading Horrors and Labeling Lapses.** In addition to providing basic header, footer and labeling information, tips included under this category included using the "wrap text" and "Review/New Comment" commands to contain comments and prevent printing and pagination problems.
3. **Miscellaneous Miscues.** Hard coding of assumption data and improper use of hidden columns rows and sheets resulting in privacy breaches were collected under this rubric. Lookup features were suggested as a way of gaining efficiency by dumping recurring data from other software and incorporating it into analysis.

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The Change Management Imperative

Whether implementing cost reduction programs to address the effects of difficult economic conditions, implementing internal control or fraud prevention systems, or preparing your organization for conversion to IFRS, change management is an essential part of the financial executive toolkit.

Research studies have shown that business transformations often fail because employees feel they are not part of the change and therefore don't commit to it, and management has been trying to "get it right" for quite some time. This [booz & co. report](#) has some good news - paying attention to the people side of change is paying dividends.

According to a survey of executives who have carried out transformation programs, these campaigns are generally more successful than they used to be. More than 80% of respondents indicated that their program had a strong impact on performance and two-thirds reported that their programs were delivered on time and on budget. Key to this success is a shift from an "after-the-fact" communications campaign approach to a more programmatic, inclusive and adaptable approach to execution and alignment.

The article identifies the next step in the evolution to be for organizations to move from an episodic approach to a view of change management as an ongoing organizational capability that needs to be developed and "baked in" to the organization. This next stage is dependent on three core areas:

1. Understanding the emotional component of change and dealing with resistance effectively.
2. Engaging and coaching staff on essential behavior changes.
3. Building change skills into HR systems and structures.

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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.

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Tech Center

XBRL Workshop – AICPA Boardroom, July 22-23

The objective of this seminar, being held in the AICPA Boardroom in New York, will be to provide a hands-on, interactive approach to understanding the new emerging information standard that is about to impact your company. Participants will have direct access to subject matter experts on tagging financial statements in XBRL and will walk away with:

- A clear understanding of how to tag financial statements in XBRL
- The ability to navigate the US GAAP Taxonomies
- An awareness of XBRL tools and their function
- Hands-on experience with tagging and viewing XBRL documents utilizing the Rivet Software tools (with on-site representatives).

[Register today](#) to take advantage of the both the early bird and member discount for this unique workshop opportunity!

Learning Links

New NPO Financial Reporting Alert Available July 15

In our last few issues this space has contained a link to a new [2008 Financial Reporting Alert](#) for members in business and industry which we had billed as a “Cliff’s Notes” style alert that provides a quick overview of recently issued accounting standards and other developments

As part of a continuing effort to develop guidance and resources specifically targeted to our members in business our publications team has also developed a new FRA for not-for-profit organizations.

More than just a “Cliff’s Notes” version, This Financial Reporting Alert is intended to be used by members of an organization’s financial management and audit committee to identify and understand current accounting and regulatory developments affecting the organization’s financial reporting and includes information on:

- The state of the economy and its affect on not-for-profit organizations
- IRS activities that impact exempt organizations
- FASB pronouncements impacting NPOs,
- Audit and attestation developments affecting your organization’s financial statement audit

You will also find information on emerging issues such as:

- Convergence with International Financial Reporting Standards
- The FASB Codification Project
- The FASB exposure draft on UPMIFA

Click on the following link to order your copy of [NPO Accounting Issues and Risks 2008](#) today.

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

New Codification Website on AICPA.org

To help facilitate access to resources related to the codification, the AICPA has developed a [Codification Website](#) which features a link to the May 15 [AICPA webcast: *Understanding FASB's Accounting Standards Codification*](#), the May JofA article [Framing the Future: A First Look at the FASB's GAAP Codification](#), and other codification resources.

We have also compiled resources on our [Financial Management Center](#) for Members in Business, Industry and Government about the Codification project, including a [GAAP Codification Q & A](#), an archive of the recent FASB Webcast- [Move to Codification of US GAAP](#), and the FASB [Project Pages](#).

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Upcoming Webcasts

Fall 2008 Strategic Management Infocast Series - Save the Dates

The fall series will kick off with a presentation on Sep 17 by Robert Kaplan of Balanced Scorecard and ABC fame on Time-Based ABC, followed on Oct 16 by Steve Player from the Better Budgeting Roundtable. The third program of the fall series is scheduled for Nov 20 – topic TBD. Mark your calendars today for these free 75 minute programs at 12 noon ET.

SEC Quarterly Update Webcast Series

The SEC Quarterly Update Webcast Series showcases the profession's leading experts on what's "hot" at the SEC. The dates for this year's series have been set for June 18, Sept 17, Dec 10 and March, 2009. To register for this series, also at the member price of \$249, click on [SEC Quarterly Update](#).

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Conference Spotlight

2nd Annual International Financial Executives Forum – Sep 24-26

The second annual International Financial Executives Forum presented by the AICPA in collaboration with CIMA and CMA Canada will be held at the Gaylord National in Washington, DC on **September 25-26** with pre-conference workshops being offered on Wednesday September 24.

Building on the success of the first annual Forum held last fall in Montreal, this 2nd annual IFELF event provides an outstanding opportunity to learn what other successful company leaders have done to expand their reach, and deliver results in the face of the challenges of a turbulent global economy.

Presentations will cover a spectrum of new and emerging issues in the global business environment, such as leadership, communication, global supply chain decision-making, tax, risk and finance best practices and many other topics.

For additional information or to register and take full advantage of both early-bird and member discounts go to [IFELF](#).

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[AICPA Controllers Workshop East](#)

November 13-14, 2008

Hilton – Walt Disney World

With the same great agenda as the Controllers Workshop West, and an equally great location, the [AICPA Controllers Workshop East](#) is *developed by controllers for controllers* to help you expand your technical knowledge and know-how while enhancing your leadership skills.

Whether you're a CFO, a Controller, a Financial Manager or Staffer you will find many informative and useful sessions at this interactive, hands-on conference. This popular Workshop will equip you to successfully drive business, maintain results and handle today's challenges in your role as a key corporate decision-maker.

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Audit Committee and Risk Workshop – Repeat Performance October 23-24

If you missed the workshop that took place in March 2008, *The Board and Audit Committee's Role in Risk Oversight: Taking a Strategic View of the Enterprise* will be repeated in the AICPA Boardroom on October 23-24, 2008.

Presented by the AICPA in partnership with the Enterprise Risk Management Initiative faculty at North Carolina State University, this high-level forum offers attendees an interactive setting for dialogue with leading experts on emerging trends related to the intersection of ERM and audit committee governance and strategic planning.

Limited to 60 participants this unique workshop also provides an excellent opportunity for the exchange of ideas among other individuals currently serving in audit committee roles. Click on [Board and Audit Committee Risk Oversight](#) to register today.

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