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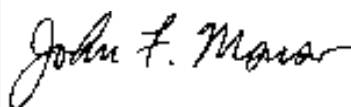
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DEAR MEMBERS

You may recall that last year we renewed a collaborative effort with CMA Canada to develop Management Accounting Guidelines in specific areas of interest to our members in business and industry. In 2004 we developed "Evaluating Performance in Information Technology," which will be available soon. We have contracted with the same author, Marc Epstein of Harvard Business School, to develop *Identifying and Measuring Risk for Improved Internal Control*. This Guideline will address this important issue and provide tools and techniques to identify and measure risks in organizations particularly in the area of internal control systems at the strategic and operational levels.

Our process for these is to convene a focus group comprised primarily of AICPA and CMA members to review the draft manuscript and provide feedback to the author in a one day meeting. This has proven to be a rich and rewarding exchange of ideas for those who have participated in previous MAG focus groups. **If you are willing to lend your experience to this effort please email us with a brief note indicating your interest and a bit of your relevant background at BusIndNews@aicpa.org.**



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

TOP STORIES

[SEC Chief Accountant Don Nicolaisen Interviewed by JofA](#)

An interview in the January issue of the Journal of Accountancy captures SEC Chief Accountant Don Nicolaisen's views on a wide range of topics from SEC to the future of the profession. If you missed it in hard copy, [click here](#). Several of his direct reports were interviewed as well and their comments are included in the February issue, which you probably already have in your IN box.

[AICPA to Update Analysis of Social Security](#)

In our Business and Industry Economic Outlook survey reported on in our last issue we asked our CPA decision makers to weigh their relative concern about Social Security Reform vis-à-vis expanding Federal deficits. At the time of the Survey the balance was tipped towards more concern about deficits than reform ([survey](#)). The AICPA is in the process of updating its non-partisan analysis *Understanding Social Security: The Issues and Alternatives*, initially released in 1998 which will include a section on privatization, the potential advantages and

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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](#)

disadvantages and the issues involved.

A CFO.com article looks at the issue of Social Security privatization from the perspective of the potential impact on the capital markets. In summary, privatization will result in huge additional flows into the capital markets increasing demand in both the fixed income and equity markets. On the other side of the equation, the borrowing by the Federal government required to finance the transition will likely impact the market for corporate as well as government bonds. Click on the following link to read the article bearing the title [Capital Ideas: A Social Security Bubble?](#)

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AICPA CPCAF Alert — SEC FAQs on Exemptive Order

On January 21, 2005, the Securities and Exchange Commission's (SEC) Division of Corporation Finance issued a series of frequently asked questions and answers to support the implementation and interpretation of the SEC's [Exemptive Order Under Section 36 of the Securities Exchange Act of 1934 Granting an Exemption from Specified Provisions of Exchange Act Rules 13a-1 and 15d-1](#).

The ten FAQs issued address questions such as how the Exemptive Order will affect the certification of officers' responsibility for establishing and maintaining internal controls; the filing of auditor consents; the ability for a company to still be eligible to use Form S-8 or to file a new registration statement on Form S-2 or S-3; and the amended Form 10-K.

The full text of the staff FAQs can be found at the following link:
<http://www.sec.gov/divisions/corpfina/faq012105.htm>.

Multi-Nationals Sign Anti-Bribery Pact

In an article excerpted from the *Wall Street Journal*, [CFO.com](#) reports that forty-seven companies have signed a "zero tolerance" pact being sponsored by a number of groups working with the World Economic Forum against paying bribes. Signatories are asked to set up elaborate internal programs to teach and monitor company executives and business partners. The principles also bar political contributions and charity paid to gain influence.

European Community Adopts International Standards

In January, some 7,000 listed European companies began the process of adopting a single set of international financial-reporting standards. Although the new IFRS rules must be adopted by year-end, [CFO.com](#) reports concern that many companies are not ready to make the shift and also that the investor and analyst communities are not fully prepared.

What the European experience will mean for the convergence of U.S. and international standards — slated to be in place between 2007 and 2008 — remains to be seen, but we will continue to monitor developments in this arena and pass along insights that become available.

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[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
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

New Risk Assessment Auditing Standards

The AICPA's Auditing Standards Board is poised to issue an exposure draft of five proposed statements and amendments to statements relating to auditors' risk assessment.

A recent [WebCPA article](#) provides the background and commentary on these proposed changes which were first issued in 2002.

The ASB stopped work on the project pending a decision on jurisdiction of auditing standards setting in the wake of the Sarbanes-Oxley Act. At roughly the same time, the International Auditing and Assurance Standards Board of the International Federation of Accountants continued work on similar risk assessment standards. When the ASB continued its work, it chose to adapt its proposal to more closely resemble that of the IAASB in the interest of the joint effort by the two bodies to converge U.S. and international standards,

The theory and methodology behind the expected proposals are similar to those of SAS 99, which deals with fraud. They require auditors to assess the risk to controls and the risks inherent in the company, independent of any presumption or evidence of risk. The international standards are effective for years beginning after Dec. 15, 2004. The ASB standards are expected to be finalized. For an overview of the standards or to download the exposure drafts go to [risk standards](#).

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Primer for Commercial Insurance Coverage

Readers having responsibility for risk management and commercial insurance coverage for their companies may find the following [Risk Management Magazine](#) primer on purchasing commercial insurance in to be helpful.

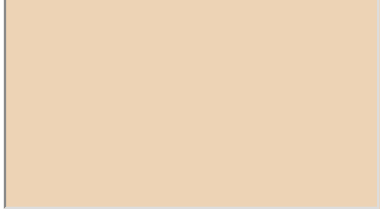
The article basically provides an overview of the involvement of commercial insurance brokers — what to look for, how the process works and how brokers get paid, including the controversial practice of contingent fee arrangements in the industry that have been one dimension of the scandals capturing the headlines in recent months.

A separate article in the same issue carrying the title *The End Analysis: When the Dust Settles* focuses on the importance of having insurance recovery procedures in business continuity plans that utilize a project management approach with critical phases of planning, implementation and deployment.

AICPA Develops Q&A Guidance on Insurance Contracts Used to Smooth Earnings

The AICPA staff has released a set of technical questions and answers (Q&As) related to accounting by non-insurance enterprises for property and casualty insurance arrangements.

The Q&As focus on certain aspects of finite insurance and reinsurance products utilized by non-insurance enterprises that have been the subject of investigations by the SEC, the New York Attorney General's Office, state insurance regulators



and the Justice Department. In certain instances the insurance industry's use and sale of "certain non-traditional, or loss mitigation, insurance products." have allowed customers to improperly smooth earnings when the products were more appropriately loans.

The Q&As which are designed to assist practitioners in identifying the relevant literature to consider in addressing their specific facts and circumstances will be located on the AICPA website at http://www.aicpa.org/members/div/acctstd/general/recent_tpas.asp).

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Framework for Evaluating China-based Sourcing

A recent article in the Resilience series from Booz Allen's Strategy & Business offers a framework for systematically assessing the fit between the requirements for purchased components and the realities of the China-based supply chain. Some commodities that are sourced in China, it turns out, can more wisely be procured from another low-cost region, or even from domestic sources.

Each of five critical dimensions must be examined for every prospective purchase of components and materials in order for a company to determine whether purchasing from China is the best decision. These dimensions include, naturally, manufacturing cost, but they add in transportation efficiency, lead time and scheduling stability, product design, and technical capabilities. Click on the following link to read [The China Syndrome](#).

Rethinking Activity Based Costing

For those of you who have considered ABC and found it to be too time consuming or cumbersome, you may want to take a look at this article by Robert S Kaplan and Steven R. Anderson that proposes a simplified alternative. In addition to offering a more straightforward and flexible way of developing cost factors, this new approach, dubbed Time-Driven ABC, does not assume that all capacity is utilized and yields an important variance measure of capacity used versus capacity supplied. Click on the following link for an excerpt of this [Harvard Business Review](#) article.

Document Destruction Law in Effect June 1

An AccountingWeb.com article highlights a far-reaching provision of the Fair and Accurate Credit Transactions Act that requires the destruction of personal information of all people you employ. The article makes the point that small businesses are most likely to be impacted if they have taken the approach of "flying under the radar" of previous provisions to protect employee information. Click [document destruction law](#) for the article.

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CAREER CORNER

Workers Question Morality of Managers

According to a survey reported on by [AccountingWeb.com](#) more than half of American workers question the basic morality of their organizations' top leaders and say that their managers do not treat them fairly. Only 36 percent of workers

said they believed top managers acted with honesty and integrity. Even fewer (29 percent) believe management cares about advancing employee skills, while one-third of all workers feel they have reached a dead end at their jobs. Click on the link above to read more about a number of findings that run counter to long-held beliefs in a number of categories.

A Counter-Intuitive Idea About Confidence and Leadership

As a possible antidote to those disturbing survey findings, an article by Rosabeth Moss Kantor of the Harvard Business School argues that confidence in other people, rather than self-confidence is the more essential ingredient to effective leadership. A sidebar summarizes the responsibilities of leadership as follows:

The job of leaders in every sector and system level involves:

- ☐ **Fostering straight talk** — An open discussion without obfuscation or cover-ups enables facts to be squarely faced and promises to be based on reality.
- ☐ **Creating humiliation-free zones** — Support objective discussion of strengths and weaknesses.
- ☐ **Encouraging information sharing** — Winning teams are data rich. With many facts on the table and many communication channels open, denial is difficult if not impossible.
- ☐ **Communicating expectations clearly** — Constantly repeating the standards to everyone and clearly articulating goals and priorities directs attention both to grand visions and to the details of execution, which ground visions in daily tasks. While holding other people accountable for living up to expectations, leaders also hold themselves accountable for whether people are in a position to meet expectations.
- ☐ **Making information transparent and accessible** — Widespread access to abundant performance data helps ensure that people get the information they need to guide their own performance and hold others — and the system — accountable.

Click on the following link for the article located on [Salesforce.com](https://www.salesforce.com/resources/articles/leadership/).

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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 [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](#).

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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.

For more self study courses, please visit www.cpa2biz.com or call 888-777-7077.

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UPCOMING WEBCASTS

Stock-Based Compensation Strategies — CFO Roundtable Webcast February 23

Join your fellow professionals for an informative discussion of the FASB's new accounting standard on fair value accounting for stock options. Statement No. 123 [Revised], titled "Share Based Payments," becomes effective for the first interim or annual reporting period beginning after June 15, 2005

This live and interactive AICPA webcast will focus on the significant implications this Standard has on executive compensation strategies. Beginning with a detailed technical discussion of the new standard and followed by a discussion of how compensation experts can begin to implement it, this Webcast promises to be jam-packed with "actionable" information.

This webcast is the first of the 2005 **CFO Roundtable Webcast Series** — brought to you each calendar quarter by the AICPA which are designed to cover a broad array of "hot topics" that successful organizations employ and subjects that are important to the CFO's personal success.

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.

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](#).

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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.

XBRL Conferences — 2004 & 2005

Under the rubric of “Financial Reporting Goes Global: XBRL and IFRS working together” the top ten findings of the 10th XBRL International Conference in Brussels, Belgium included the worldwide interest in XBRL with 450 delegates attending, representing 30 countries and the focus on business reporting rather than technologies.

For a complete list of the top ten findings and presentations from the conference go to [XBRL Conferences](#). There is also a link on that page to the [11th XBRL International Conference](#) to be held in **Boston April 25-29th, 2005**. A mailing list request is available on that upcoming events page. Information on joining the XBRL Consortium is available at <http://www.xbrl.org/HowToJoin/>.

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