

BusIndNews

E-NEWSLETTER FOR AICPA MEMBERS IN BUSINESS & INDUSTRY

November 15, 2007, No. 111

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Career Corner

Dear Members

As we go to press with this issue, we have just completed the encore presentation of our 2007 Controller's Workshop in Orlando. It was another great learning and networking opportunity for those who attended and for me to meet more of our Business & Industry members. It was my pleasure to talk with you about what the AICPA can do to serve everyone better. Thanks very much for your candor and feedback. It is always welcome.

This BusIndNews includes the results of our fourth quarter AICPA Business and Industry Economic Outlook Survey. We thank all of you who responded. The results reflect the insights of 1200 CFO's, controllers and other CPA decision makers in business. Despite what seems to be a never ending stream of negative news related to the "credit crunch", the majority of respondents continue to be optimistic about the prospects for their own companies. Let's hope this holds true as we turn the corner into 2008.

As December 31 is rapidly approaching, the year-end audit is likely on the minds of many of you. This issue also contains news about the new PCAOB guidance for audits of smaller public companies, the impact of the new audit risk standards for private companies and, perhaps most importantly, the FASB decision to defer implementation of FIN 48 for private companies, at the suggestion of the Private Company Financial Reporting Committee.

If you missed this week's free infocast - [Managing Customer Value: Not all Customers are Created Equal](#) then be sure to view the archive. Access to this Fall's other two Infocasts – Financing Outsourcing and CIMA Strategic Scorecard are available via the FMCenter. Be sure to take advantage of these great programs. Our next series of Infocasts will begin in Spring 2008 and will cover risk management, executive compensation and intellectual capital

And here's a tidbit about the AICPA for you. **Did you know** that over 40% of AICPA's members are people in Business & Industry? And **did you know** that the AICPA is a strong advocate for the accounting profession on many issues that impact all of us in Business & Industry such as tax policies and financial accounting and reporting standards? That is why YOUR needs and views are important to the AICPA. You can help influence the future. So please keep those e-mails coming to let us know what is on your mind!!!! I am always available at cmckittrick@aicpa.org

Our best wishes to you for a happy and healthy Thanksgiving!

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[AICPA National SEC and](#)

Best regards,



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

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

Christopher Cox to Keynote International Conference — Jan 10-11, Washington DC

This [AICPA International Issues Conference](#) at the JW Marriott in Washington DC January 10-11, 2008 will feature SEC Chairman Christopher Cox as keynote speaker on "International Business - An SEC Perspective." Register Today!

Breaking News

FASB Adopts PCFRC Recommendation to Defer FIN 48 for Private Companies

In last month's issue of BusIndNews we reported that the Private Company Financial Reporting Committee had recommended that FASB defer implementation for private companies of FIN 48, Accounting for Uncertainty in Income Taxes.

On November 7, FASB voted to defer the effective date of FIN 48 for all non-public companies for periods beginning after 12/15/07. The FASB instructed the staff to develop an FASB Staff Position (FSP) that will be exposed for a 30-day comment period. For more details see the [AICPA Update](#) from 11/7/07.

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Top Stories

Economic Outlook Survey Reveals Concern about the Economy

Confidence in the US economy plunged in the 4Q 2007 AICPA Business and Industry Economic Outlook Survey with over 60% of your fellow CPA decision-makers in business and industry indicating that they were less confident than in the past. While there were still slightly more optimists than pessimists, the gap between the two closed dramatically. In Q4 only 30% indicated that they felt optimistic about the economy for the upcoming 12 months, while 26% declared themselves pessimistic. In Q3, 47% expressed optimism and only 15% expressed pessimism. Changes in the outlook for individual state economies tracked very closely to the outlook for the national economy.

When asked to comment on why their outlook had changed, over half the comments cited the related impacts of sub-prime mortgage problems, the housing slowdown and the tightening credit market in general. Many expressed the belief that the economy had not yet absorbed the full impact of these problems. Other concerns mentioned were oil and gas prices and the weakening dollar. Almost gone from the comments were concerns about the Iraq war.

[PCAOB Conference - Dec 10-12, Multi-Location](#)

[Christopher Cox to Keynote International Conference – Jan 10-11, Washington DC](#)

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However, this decline in optimism about the economy did not translate fully into expectations for the respondents' own organizations. Although 17% now have a pessimistic view for their own company's prospects over the next 12 months, 59% reported that they continue to be optimistic.

Survey respondents also believe that the Fed made the right decision in reducing interest rates in September. (This survey was conducted in October prior to the most recent rate cut.) When asked to characterize their reaction to the rate cuts, 69% answered that reducing rates was necessary to prevent the credit crunch from stalling the economy, 25% felt it was not necessary and will only serve to reinforce poor risk decisions, and 5% felt that reducing rates was not necessary, because doing so would only add fuel to already existing inflationary pressures.

Detailed results of the [Q4 2007 AICPA Business and Industry Economic Outlook Survey](#) are available at fmcenter.aicpa.org

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AICPA Delivers Congressional Testimony on Convergence

AICPA Vice President Charles E. Landes supported international accounting standards for U. S. public companies in testimony before the U.S. Senate Banking Committee's Subcommittee on Securities. AICPA testimony supported the goal of a single set of high-quality, comprehensive accounting standards to be used by public companies in the preparation of transparent and comparable financial reports throughout the world. Read the [testimony](#) or access the [press release](#).

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PCAOB Issues Guidance for Audits of Internal Controls of Smaller Companies

On October 17, 2007, the PCAOB issued guidance for the audit of internal controls of smaller public companies. The guidance is captured in a document entitled [Preliminary Staff Views – An Audit of Internal Control That Is Integrated with An Audit of Financial Statements: Guidance for Auditors of Smaller Public Companies](#). It is open to comment for 60 days but is available for use immediately.

This document references the COSO Small Business Guidance and the SEC Guidance on Management's Report on Internal Control and provides guidance for applying PCAOB AS 5 audits of small companies. It addresses scaling the audit for smaller companies and covers a range of issues including entity-level controls and the risk of management override, segregation of duties and alternative controls, IT controls in a less complex environment, financial reporting competencies, less formal documentation, and auditing in environments where there may be pervasive control deficiencies.

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Implementation of Risk Standards Impacting Audits of Private Companies

For those of you in private companies, you may already be experiencing the impact of the new audit risk standards for private companies. Dubbed “Sarbox-lite” by this [CFO.com](#) article, one source quoted estimates the additional time required for first year implementation in the 10-25% range.

The new standards require auditors to gain a better understanding of their clients, including an understanding of the company’s internal controls. However, they do not require an audit of internal controls as does SOX Section 404. For a summary of the standards and what exactly your auditors are required to do click on the following link to the AICPA resource page for the new [Audit Risk Standards](#).

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CFOs Think CEO and Chair Roles Should be Separate

According to a recent [Grant Thornton Survey](#) , 79% of CFOs and senior controllers believe that the Chair and CEO roles should not be held by the same person. A full 75% also think that the SEC should revise its rules to require disclosure about auditor, dismissal, resignation, or refusal to stand for reappointment. More than two-thirds believe that small cap companies that test internal controls will be looked upon more favorably by investors than those who do not.

Click on the link for a summary of the results from their survey on issues ranging from the these governance issues to IFRS and complexity of accounting standard to the economy, which correlate very closely to our findings of some softening with continued optimism about respondents own company prospects.

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Transfer Pricing of Small and Midsize Companies Faces Increased Scrutiny

If you are a small or midsize company with cross-border inter-company transactions you need to take a look at this article on [WebCPA](#). Implementation requirements of FIN 48, and increased scrutiny of both the IRS and foreign taxing authorities is resulting in a lot of focus on an area that small and mid-size companies previously took a position of “flying under the radar” on. If this has been your strategy you might want to reconsider in order to be in compliance and keep income from being attributed to high tax jurisdictions.

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401(k) Tips Available on IRS Website

A recent AICPA Tax Alert issued by our [Tax Section](#) identified a resource the IRS has developed – a comprehensive checklist of [tips](#) on how to identify, correct and avoid common errors in administering 401(k) plans.

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Member Benefit

Spotlight

Accounting and Auditing Technical Hotline

Do you have a complex technical question about GAAP, other comprehensive bases of accounting, or other technical matters? If so, use the AICPA's Accounting and Auditing Technical Hotline. AICPA staff will research your question and call you back with the answer. You can reach the Technical Hotline at **(888) 777-7077**, select option 5 then select option 1. You can also reach the [Accounting and Auditing Hotline](#) on the web or via email at aahotline@aicpa.org.

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Career Corner

Is Your Brain Too Left-Sided?

A recent article in [CIMA Insight](#) poses this question with the following quiz:

You want to propose to your partner. Do you:

- burst into tears and fall at his or her feet in a spontaneous expression of devotion
- choose an upcoming romantic moment and pop the question with a few choice words
- plan the moment meticulously a year in advance, rehearsing the moment the guitarist pops up for a serenade and redrafting the ring design 16 times; or
- cost up the wedding using advanced 'what if' formulae in a spreadsheet and realise that the price of love is beyond budgeting?

While a bit extreme, the article illustrates a fundamental challenge that many organized finance professionals have when it comes to the broader range of emotional and intuitive skills necessary to function as an effective business partner. This challenge was highlighted in a related article on [transforming the finance function](#), which discusses a new CIMA report - [Improving decision-making in finance: the opportunity to transform finance](#). The report documents discussions at a recent forum of companies that have improved decision making in their organizations and the efficiency of their finance functions.

Key take-aways from the forum included:

- The major risk to the finance function is complacency – finance must be at the forefront of leading the changes necessary to confront the challenges of globalization.
- The finance function should be playing a role in strategy formulation and value creation as well as strategy execution.
- Most high performing finance functions have moved to Shared Service Centers (SSCs) and many are looking beyond SSCs to the potential benefits from business process outsourcing (BPO).
- The final key point relates to the quiz above and the potential for an impasse in the organization if the finance function does not have the requisite soft-skill set to achieve effective business partnering and lead the change management initiatives necessary for transformation.

The [transforming the finance function](#) article uses Unilever's Finance Academy as an example of how companies are tackling the challenge of developing their finance staffs and providing them with the tools to be effective business partners in its business units throughout the world.

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Today's Accounting Crop Spoiled Rotten?

As if transforming, or even just running your finance function were not challenging enough, the [CFO.com](#) article bearing this title highlights the dual challenges of recruiting and in a very tight market and retaining employees having significantly different expectations in the workplace.

While expressing a caveat about the dangers of stereotyping the article focuses on the "millennium generation" of accountants born after 1982. It characterizes this generation as resembling the Gen-xers that precede them with certain traits magnified, in particular, the expectation of significant interaction with their bosses and the need for immediate feedback.

In today's highly competitive job market, these "millenials" are also very mobile in the workplace and will change jobs on what seems like a whim to their senior counterparts if their expectations in the workplace are not met.

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The American Red Cross Seeks CPA Volunteers

When hurricanes, tornadoes, fires, floods, and other disasters occur, the American Red Cross is there to help. And now, CPAs can be there too. The American Red Cross has established a new Finance Disaster Response Team to ensure proper stewardship of donor dollars during large-scale disasters. Team member requirements include experience with internal control procedures, process management and financial operations, and the ability to travel from three to five nights with minimal notice. Contact Jacob Tudor at fdrt@usa.redcross.org to learn more about volunteer opportunities.

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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

IT Section Offers Free Web Seminars on Safeguarding Information Assets

The AICPA IT Section's is extending an invitation to all AICPA members in business and industry to participate in two critical web seminars being offered as part of their Top Ten Technologies Initiative for 2007.

In [Safeguarding Information Assets Part II](#) Thursday, November 14th at 2:00-3:30pmEST, CPA.CITP Bob Green, and attorneys Glenn Dickinson and Karen Gabler will continue their discussion of insider-borne risks to critical business information, and delve into technical and legal responses to threatened and actual workplace security breaches. Drawing on both legal and IT approaches, they map out a comprehensive strategy for managing the behavior of insiders from hire through day-to-day employment to help reduce the risk of loss, and ensure that valuable information assets are adequately secured.

You may also purchase optional CPE credit for this program for \$39.95.

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Learning Links

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

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Upcoming Webcasts

Fall Management Accounting Infocast Series

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

- **November 15 - [Managing Customer Value: Not all Customers are Created Equal](#)**

Infocasts are free, but pre-registration is required as space is limited. Participants may opt to receive one continuing professional education credit for each infocast attended. A fee of \$29.95 will be charged per CPE credit.

Archives of the September presentation [CIMA Strategic Scorecard: Engaging Boards in Strategy](#) and the October presentation [Finance and Accounting Outsourcing: Minimizing Risks, Managing Relationships](#) are available to members at the links. Copies of the Management Accounting Guidelines underlying the October and November presentations are available free to members from the AICPA [Financial Manager Center](#) for members in business and industry.

[SEC Quarterly Update Webcast Series - Fourth Quarter 2007](#)

Tuesday December 18 – 1 to 3PM ET.

From corporate accounting reform legislation and new regulatory initiatives to accounting & reporting requirements and CorpFin activities, this hard-hitting session will keep you "plugged-in" to what's important. A must preparers in public companies this is the place to be when it comes to knowing about the areas of current interest at the SEC. Registration is also open for the 2008 SEC Update Series.

Click on [AICPA Webcasts](#) to check all upcoming webcasts offered by the AICPA.

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Conference Spotlight

[National Conference on the Securities Industry - November 27-28, New York City](#)

Co-sponsored by the AICPA and the FMD division of the SIFMA (Securities Industry & Financial Markets Association) the [National Conference on the Securities Industry](#) is the most comprehensive update in accounting, tax and regulatory matters — delivered by key individuals and regulators of the SEC, NYSE, NASD and FASB.

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[AICPA National Conference on Banks & Savings Institutions - November 28-30, Washington, DC](#)

This is the only conference where both community banks and large banking institutions can acquire the critical understanding of current banking issues on emerging audit, accounting and regulatory developments. Speakers will focus on issues and updates as well as forecasts and trends in the banking industry.

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[National Construction Industry Conference - December 12-14, Las Vegas, NV](#)

If you're a CFO or controller in the construction industry, this highly focused, informative conference is for you. This conference offers a national perspective from industry leaders about the latest industry trends, as well as most recent compliance issues.

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[AICPA National SEC and PCAOB Conference - Dec 10-12, Multi-Location](#)

This conference occurs at five sites around the country and in London for the first time this year and provides comprehensive SEC and PCAOB updates directly from the regulators. This is the biggest AICPA conference of the year, and it always sells out. You won't want to miss the latest accounting and reporting issues that affect SEC reporting entities and their auditors. Click on the following links to register for the site most convenient to you:

[Washington DC](#)

[Chicago, IL](#)

[Houston, TX](#)

[New York, NY](#)

[San Francisco, CA](#)

[London, England, UK](#)

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Christopher Cox to Keynote International Conference – Jan 10-11, Washington DC

This [AICPA International Issues Conference](#) at the JW Marriott in Washington DC January 10-11, 2008 will feature SEC Chairman Christopher Cox as keynote speaker on "International Business - An SEC Perspective." Register Today!

Topics covered include:

- Accounting for income taxes (FAS 109/FIN 48) in international operations
- Country specific issues and solutions for doing business in Asia, Canada, Mexico and the EU
- A case study on IFRS conversion
- Current developments in transfer pricing
- International application of SOX 404
- And much, much more!

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