

IN THIS ISSUE

TOP STORIES

[Summary of the SEC's 404 Roundtable](#)

[COSO Small Business Task Force Seeks Internal Control Examples](#)

[Is Sarbanes-Oxley Destroying US Competitive Advantage?](#)

[Or, Is Sarbanes-Oxley Creating US Competitive Advantage?](#)

[Search Begins for Inc. 500 Fastest Growing Private Companies](#)

[Free Fiduciary Responsibility and Health Benefit Seminars](#)

[SEC XBRL Resources Available](#)

AICPA CAREER CORNER

[Managing Conflict](#)

AICPA CAREER RESOURCES

[Competency Self-Assessment Tool](#)

LEARNING LINKS

[Featured Self-Study CPE: The Fast Close, Soft Close, Virtual Close? Now Days, Not Weeks](#)

[Free CPE: The AICPA's Financial Literacy Program](#)

[Financial Training Decision-Makers](#)

UPCOMING WEBCASTS

[The SEC Quarterly Update](#)

DEAR MEMBERS

Thanks as always to my teammate Ken Witt, who put together a great issue of *BusIndNews*. There are a number of areas where we are asking for your help, so I hope you will come through for us as you always do and consider our requests for your input.

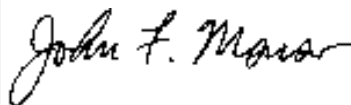
Included among our Top Stories is one about a COSO Project to look at internal controls for small business. Chuck Landes, our VP of Professional Standards and Services and the AICPA representative to the COSO Board, and Ken Witt are working with this COSO Task Force. The task force is seeking material for examples to incorporate into this new internal control guidance for smaller companies. If you have implemented controls in a smaller environment or otherwise have suggestions you would like to share, please respond to the link in the story.

We are rapidly approaching the focus group date for the next management accounting guideline (MAG) currently in development on business continuity planning. BCP is more than disaster recovery — it takes a look across the company at risks both internally and externally, including the supply chain, key customers, individual plants, etc. Task force members will be asked to read the draft MAG in advance, submit comments, and participate in an all-day session in NY with the author and others with experience with BCP to be held on Friday, June 10. If you have experience with BCP in your organization and would like to be a member of the task force, please write to us at BusIndNews@aicpa.org.

The final date for member applications for AICPA volunteer opportunities is May 1 though I am sure if nominations spill into the next week they will be accepted. If you are interested in serving as a member of the Business and Industry Executive Committee, one of our business and industry conference planning committees, or any of the other 200 AICPA volunteer groups, go to [AICPA Volunteer Central](#) and register your interest. I always hear from committee members that being on a committee is a valuable professional experience. If you can make time we encourage you to volunteer.

Finally, you have heard us talk about the AICPA Financial Literacy Program in this space and other AICPA publications. We would like to feature business and industry member participation in the AICPA 360 Degrees of Financial Literacy Campaign in *BusIndNews* and our supplement to [The CPA Letter](#). If you are involved in any financial literacy efforts in your workplace or your community please email us a brief description at BusIndNews@aicpa.org.

Best regards,



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

[CFO Roundtable Webcast Series — Transforming 404 Compliance Efforts Into Business Value — May 4](#)

[Form 5500 with DOL- Q's & A's — June 7](#)

[Not-For-Profit Organizations Strategic Briefing — June 14](#)

CONFERENCE SPOTLIGHT

[Roger Staubach Keynote at Spring 2005 B&I Financial Executive Forum](#)

[AICPA/Baruch College Private Company Forum — June 3](#)

UPCOMING CONFERENCES

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 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

TOP STORIES

Summary of the SEC's 404 Roundtable

On April 13 the SEC held a Roundtable on Implementation of Internal Control Reporting Provisions. The Roundtable was organized with six panels addressing specific issues. In anticipation of the Roundtable, the AICPA submitted a comment letter under the cover of the Center for Public Company Audit Firms, which also included the concerns raised from outreach that we conducted to members in business and industry. The CPCAF prepared a summary of the Roundtable which can be accessed at [SEC 404 Roundtable](#), which includes a link to the comment letter in the conclusions section. A synopsis of their summary follows:

Panel 1 — The First Year

- Section 404 of the Sarbanes-Oxley Act has substantial benefits however the costs exceeded expectations of many and the benefits varied from company to company.
- Officer certifications are now completed with much more confidence.
- Section 404 has taken time away from company strategy, innovation and global competition efforts.

Panel 2 — Reporting to the Public

- Consistency in the application of the definitions of significant deficiencies and material weaknesses is needed.
- Detailed disclosure is good and can be appropriately interpreted by investors.
- Section 404 will not prevent fraud.
- There should continue to be a “freeze” in the accelerated filer deadlines (i.e., they should remain at 75 days instead of 60 days).

Panel 3 — Planning and Design

- Emphasis on the need of a risk-based approach.
- Additional guidance to the profession is needed.
- The PCAOB's inspection process will help shape where too much or too little focus was spent.

Panel 4 — Documentation and Testing

- There is a need for more guidance on management's responsibilities under Section 404.
- Greater efficiencies are expected in year 2.
- Company cultures have changed and have become more focused on controls.
- Significant benefits were cited by the issuer panelists based on documentation and testing.

Panel 5 — Using Judgment in Communications and Conclusions

- Decline in communication between the auditors and management was an unfortunate consequence and has had a “chilling effect.”
- The strain in the auditor-management relationship has resulted in a stronger relationship between the auditor and the audit committee.
- Conservatism was exercised in the application of professional judgment.
- PCAOB inspections will define whether the level of professional judgment exercised was appropriate.

Panel 6 — Next Steps

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

- Best practices guidance should be developed by the PCAOB based on the results of their inspections.
- Year 2 audits will be more integrated and audit firms will look at ways to make their processes much more efficient.
- Companies should review their internal control business processes and strive to make them more efficient which will result in the audit becoming less costly.

Conclusions

SEC Chairman Donaldson:

- SEC will act immediately and consider whether and how they can improve the guidance available to management and auditors to improve the effectiveness of the process.
- SEC will continue its efforts with respect to concerns of Section 404 implementation to small companies through the Small Business Advisory Committee.

PCAOB Chairman McDonough:

- PCAOB has developed two 404 implementation task force working groups (one for auditors; and one for issuers).
- PCAOB has also developed a small firm implementation working group
- PCAOB will issue staff guidance by May 16, 2005 in response to the Roundtable recommendations.
- PCAOB's next Standing Advisory Group meeting (June 8-9, 2005) will be devoted entirely to a discussion regarding additional staff guidance necessary based on input received.

[Back to Top](#)

COSO Small Business Task Force Seeks Internal Control Examples

In addition to the actions being taken by the SEC and PCAOB noted above, COSO has undertaken a project to develop additional internal control guidance for smaller companies to assist in their compliance efforts. The subgroup focusing on the Risk Assessment and Control Activities components of the COSO I/C Framework is seeking case material that they can draw upon to develop examples of effective risk based control configurations and compensating control activities.

If you are willing to share examples of how you have met the challenge of implementing and monitoring effective internal controls in a small business environment please email us at BusIndNews@aicpa.org. Additionally if you have comments or concerns with respect to the challenges in achieving effective controls over financial reporting in a small business environment, we would also like to hear from you.

Is Sarbanes-Oxley Destroying US Competitive Advantage?

For an interesting international perspective on corporate governance you may want to click on the following link to the April edition of [Insight](#), the newsletter for professional accountants in business from the Chartered Institute of Management Accountants (CIMA) in the UK. Carrying the lead line "Governance structure gives the Europe the edge over the US", the article summarizes the proceedings from a recent Corporate Governance Conference hosted by the London Stock Exchange.

The article contains a number of thought provoking ideas. One speaker argued the point that the "very attempt to ensure zero failure in the capital markets was

a capital destroying activity”, and that promoting shareholder rights and their obligation to demand good corporate governance was a preferred policy route. A contrary view was expressed, raising the question of whether shareholders are adequately resourced to exercise their rights.

The case for Europe having a competitive advantage for equity fund raising was made based on increased confidence in European legal and governance structures relative to the burden of raising equity in the post-Sarbanes-Oxley US markets.

Most interestingly, keynote speaker Sir Derek Higgs (who was the author of a January 2003 report on the effectiveness of non-executive directors in the U.K.), questioned whether the existing model of capitalism based on shareholder supremacy is tenable over the long-term. He makes a very interesting argument based on the implications of the increasingly “knowledge-based” developed economies. He cites the huge transfer of resources from shareholders to directors and employees via stock options in the recent market bubble as evidence of a paradigm shift already underway.

[Back to Top](#)

Or, Is Sarbanes-Oxley Creating US Competitive Advantage?

In an article in the March 8 issue of Compliance Week (unfortunately available only to subscribers), Tim Leech takes the opposing view. Leech, citing the number of adverse opinions and increase in restatements in 2004 over previous years, argues these facts as evidence that SOX is working and that financial statements of US companies are more reliable than financial statements that have not been prepared under SOX requirements.

Leech contends the result should be that US companies will be rewarded in the marketplace vis-à-vis others because of the lower perceived risk. He takes it a step further and suggests that audit opinions should be graded based on the rigor of the regulatory context of the audit work.

Search Begins for Inc. 500 Fastest Growing Private Companies

Inc. Magazine has begun its search for the fastest growing private companies for their Inc. 500 list. Privately-held companies, based in the US, with four full years of operating history are invited to apply. Companies must provide their revenues for 2001, 2002, 2003 and 2004 to qualify for consideration. They can do that via the online application reached via Inc.com's front page at www.inc.com.

Free Fiduciary Responsibility and Health Benefit Seminars

The AICPA, state CPA societies and the US Department of Labor are expanding their nationwide campaign and offering approximately 14 seminars on fiduciary responsibility and health benefits to be scheduled in 2005 across the country. Upcoming, free compliance seminars include the following:

- May 18 – 19: Richmond, Virginia: Health Benefits Seminar
- May 26: New York, NY: Fiduciary Responsibility Seminar
- June 22 – 23: Little Rock, AR: Health Benefits Seminar
- June 28th: Chicago, Illinois: Fiduciary Seminar
- Early August – Cleveland, OH: Fiduciary Seminar
- August 17-18 – Jackson, MS: Health Benefits Seminar

The campaign also includes educational materials on topics such as understanding fees and selecting an auditor. These materials and more are featured on a dedicated Web page. The publications and information on the upcoming seminars is available electronically at www.dol.gov/ebsa or by calling toll-free 866-444-EBSA (3272). Give some thought to whom in your organization

should attend.

SEC XBRL Resources Available

The XBRL International Conference is taking place in Boston as we go to press with this issue. The XBRL- US has compiled a collection of resources for those interested in participating in the SEC Voluntary XBRL Reporting Program including SEC guidelines and FAQs, sample documents and a link to public discussion group dealing with XBRL filing issues. To access these resources click on the following link to [XBRL- US](#).

[Back to Top](#)

AICPA CAREER CORNER

Managing Conflict

This month's edition of the Center for Creative Leadership newsletter, [Leading Change](#) is devoted to conflict management. If you are conflict avoidant you may not have even noticed the link above. For the rest of you, CCL, as always, offers some good practical guidance in this always difficult area, drawing on guidebooks that they offer on managing conflict with direct reports, bosses, and peers.

Important concepts covered in a collection of articles include the importance of looking at your own conflict behaviors and responses, the role of power in conflict, how to manage a conflict resolution session, and seven constructive ways to respond to conflict:

- Take another perspective — *theirs*.
- Create solutions — *win-win alternatives*.
- Express emotions — *honestly and directly*.
- Reach out — *repair damage*.
- Reflect and think — *respond, don't react*.
- Delay your response — *call a time out*.
- Adapt — *look forward, not back*.

[Back to Top](#)

AICPA CAREER RESOURCES

Competency Self-Assessment

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](#).

[Back to Top](#)

LEARNING LINKS

Featured Self-Study CPE

The Fast Close, Soft Close, Virtual Close? Now Days, Not Weeks

If you are looking to improve your closing process, look here. This course will help you develop the skills and processes you need to revamp your closing. Click on the following link for this 8 CPE credit course and learn what it takes to implement a [Fast Close](#).

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.

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.

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

[Back to Top](#)

UPCOMING WEBCASTS

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.

The first quarter update with John Compton and John Murray was held on March 16. In addition to the normal discussion of SEC "Hot Topics," this edition included an informative discussion of the FASB's new accounting standard on fair value accounting for stock options, Statement 123(R) "Share Based Payments." The discussion focused on the significant elements of this new standard and its implications on executive compensation strategies. If you missed the broadcast and are interested in viewing it, [click here](#).

CFO Roundtable Webcast Series — Transforming 404 Compliance Efforts Into Business Value on May 4 this hard hitting webcast featuring CPA executives from Microsoft, PepsiCo Inc, American Electric Power and Resources Global Professionals will focus on the question of "*how can organizations extract the maximum amount of business value from these monumental compliance efforts?*"

You may also want to mark your calendars form the following webcasts:

- **Form 5500 with DOL- Q's & A's — June 7**
- **Not-For-Profit Organizations Strategic Briefing — June 14**

All webcast information can be accessed at [AICPA Learning](#).

[Back to Top](#)

CONFERENCE SPOTLIGHT

Register Now for 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 will be a terrific event, featuring a keynote presentation "The Heart of a Champion," by Roger Staubach and a panel discussion on important public policy issues led by AICPA Chair Bob Bunting and Texas Society CEO John Sharbaugh. In addition to a packed two-day conference agenda, exceptional pre- and post-conference sessions are being offered.

There still is space available for this program. To register, and claim \$100 off for reading this issue of BusIndNews, register at www.cpa2biz.com or call our Service Center on 1-888-777-7077 and use code PEER for the discount.

Beyond Disaster Recovery: Business Continuity Planning, will be offered as a full day session on Tuesday May 10. At this "conference within a conference" on this topic, you will be hearing from 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*. Click on the following link to [Spring B&I](#) to register.

AICPA/Baruch College Private Company Forum — June 3

The AICPA and The Robert Zicklin Center for Corporate Integrity at Baruch College of the City University of New York are offering a one-day private company reporting forum on June 3, 2005. The program features panels of leading practitioners from small and medium sized companies targeted to the needs of private companies and the users of their financial statements. For more information or to register, click on the following [Private Company Forum](#) link.

[Back to Top](#)

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