

BusINDNews

E-NEWSLETTER FOR AICPA MEMBERS IN BUSINESS & INDUSTRY

January 27, 2009, No. 125

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Dear Members

Now the real work begins. Our new President, Congress, and state and local officials have been inaugurated or installed in office and are starting the process of tackling the economic and political challenges facing our country and the world. We will all be watching closely to see how the actions they take will impact our organizations and each of us individually.

We at the AICPA continue to seek new ways to help our members in business during these trying times. One way we do this is through advocacy on important issues. In this newsletter you will read about our work in advocating with the US Congress for additional pension funding relief.

We also look to bring you resources and information that can help you better manage your business. In our Upcoming Webcasts section you will find information about a new series of free webcasts that we will be offering in 2009, beginning on January 28. Be looking for a new webpage on AICPA.org that will highlight these events and other resources the Institute offers to help you navigate choppy waters of the economic crisis in 2009 and beyond.

And finally, we develop conferences to help you continue to expand your professional success. Check out the details below for our first National CFO Conference which will occur in May of 2009. It has been developed by CFOs for CFOs.

Our goal is to serve you and if you have thoughts, comments, or questions on our services please e-mail me at cmckittrick@aicpa.org.

Lastly, if you have not done so, please remember to take a just a few minutes and click on this link to review and update your member profile information (<http://www.aicpa.org/my+account>).

Best Regards,



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

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AICPA Advocating for Additional Pension Funding Relief

In our November issue of BusIndNews we reported on our role in advocacy efforts to secure relief from the impact of adverse market forces on the minimum funding requirements for defined-benefit pension plans under the Pension Protection Act of 2006.

In December, Congress enacted the Worker, Retiree and Employer Recovery Act of 2008 (WRERA). Key provisions of the WRERA include:

- Elimination of the so-called "cliff" transition rule, allowing eligible plans that fall below the PPA's 92% target funding rate to amortize their calculated shortfall over seven years.
- A "look-back" provision for determining whether a plan must be frozen.
- Relief from Required Minimum Distribution (RMD) requirements.

While this is welcome relief, many companies are still left with large and unexpected contributions that they will struggle to meet, especially in the face of a difficult economy. A recent press release by pension consultancy [Watson Wyatt](#) summarizes the anticipated magnitude of shortfalls and options being proposed to Congress to alleviate this problem.

The AICPA continues to advocate for our members on this important issue. On Jan 16 we issued a follow-up letter with the US Chamber of Commerce and other trade organizations which "strongly urge(d) Congress to adopt follow-up, temporary provisions that will ease cash flow constraints and make contributions more predictable and manageable in 2009 and 2010."

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Year-end FIN 48-Disclosures Required, Even If You Are Deferring Application

On Dec. 30, the Financial Accounting Standards Board released [FSP FIN 48-3](#), *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. The FSP defers the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for certain nonpublic enterprises, including nonpublic not-for-profit organizations, for fiscal years beginning after Dec. 15, 2008. It is important to note that under FSP FIN 48-3, a nonpublic enterprise that elects to defer the application of FIN 48 must explicitly disclose that fact as well as disclose its accounting policy for evaluating uncertain tax positions for each set of financial statements where the deferral applies.

In a recent article available on Journalofaccountancy.com, William R. Stromsem, Vice-President of the AICPA's Tax Division suggests that the extension that FASB has offered to nonpublic companies on FIN 48 is nearing an end, meaning "company and outside tax and financial accountants should already be heavily involved in their FIN 48 analysis."

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Incoming SEC Chair Has Reservations about IFRS Timetable

Mary Schapiro, President Obama's nominee for SEC chair, testified before the Senate Banking, Housing, and Urban Affairs Committee last week, weighing in on a number of issues as summarized in a [JofA.com](#) article.

In response to queries about the Madoff case:

- Schapiro said she would move quickly to create a new process within the SEC for handling tips and whistleblower complaints received by the agency.
- Schapiro said she would centralize the process under one point of contact and staff it to ensure intelligence received is properly examined and tracked.
- In her comments related to a PCAOB announcement regarding the registration of all auditors of broker-dealers Schapiro also indicated that there may be a need to expand the authority of the PCAOB.

Her concerns about IFRS include:

- a lack of consistency in the application of IFRS,
- the cost for U.S. companies to switch to IFRS from U.S. GAAP, and
- the independence of the International Accounting Standards Board.

Pledging to look at the entire area again carefully, Shapiro indicated that she "will not necessarily feel bound by the existing road map that's out for comment."

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SEC Recommends Improvements, not Suspension of Fair Value Accounting

On Dec 30 the SEC issued a [press release](#) announcing the release of the final [report](#) on its mandated Study on Mark-to-Market Accounting. Among its key findings the report notes that:

1. Investors generally believe fair value accounting increases financial reporting transparency and facilitates better investment decision-making., and
2. Fair value accounting did not appear to play a meaningful role in the bank failures that occurred in 2008.

Recommended improvements to existing practice include the development of additional guidance for determining fair value of investments in inactive markets, including situations where market prices are not readily available.

The AICPA issued a [press release](#) in response to the SEC Report with a statement by AICPA President Barry Melancon. "The AICPA is pleased the SEC staff recommended against the

suspension of fair value accounting rules,” Melancon said. “The SEC’s finding that fair value accounting provides increased transparency and allows for better decision-making on the part of investors is consistent with AICPA’s position,” Melancon added.

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Group of 30 Issues Report; Challenges Fair Value Accounting

In its recently issued report [Financial Reform: A Framework for Stability](#) the influential “Group of 30” finance officials and economists led by former Fed Chair Paul Volcker called for a new look at fair-value accounting as it relates to regulated financial institutions. A recent [CFO.com](#) article covering the press conference releasing the report quotes Volcker as saying that while banks assets and liabilities should be subject to a more principles-based system than exists today, the group hasn’t “got a magic answer.”

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AcSEC Requests Comments on Alternative Investments Issues Paper

The Accounting Standards Executive Committee (AcSEC) of the AICPA has issued a draft issues paper, FASB Statement No. 157 Valuation Considerations for Interests in Alternative Investments. The draft issues paper (which is available at [Fair Value Issues Paper](#)) discusses how to estimate the fair value of alternative investments (such as interests in hedge funds, private equity funds, or real estate funds) in accordance with the provisions of FASB Statement No. 157, Fair Value Measurements. Among other things, the draft issues paper discusses the role of net asset value (NAV) in estimating fair value.

AcSEC and the Alternative Investments Task Force which developed this draft issues paper are looking for informal feedback. Comments should be received by February 27, 2009. All comments will be kept confidential and will not be posted on the AICPA Web site.

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Lessons Learned from *The Black Swan*: Taking Improbable Events Seriously

The December 2008 [McKinsey Quarterly](#) included an interview article by the author of *The Black Swan*, Nassim Nicholas Taleb. Leading off with a recap of the book, Taleb states that a black swan event, named for black swans discovered in Australia, has three properties:

1. Its probability is low, based on past knowledge.

2. Although its probability is low, when it happens it has a massive impact, and
3. People don't see it coming before the fact, but after the fact, everybody saw it coming. So it's prospectively unpredictable but retrospectively predictable.

Black swan events, according to Taleb, can be positive as well as negative. He cites as examples technological developments like the computer and the Internet, and personal experiences such as finding your mate or writing a best seller.

Recounting the admonitions in his book about financial theories and financial risk managers as being "dangerous to society," Taleb calls for a "ban on the use of statistics."

He supports this position by pointing out that statistics are based on the law of large numbers, derived from games. Taleb argues that the real world doesn't resemble games; that most real risk comes from a single observation, so using variance as a measure of volatility is "foolish."

What does this mean for managers at non-financial companies? Taleb's response is two-fold:

1. "Take the maximum amount of risk and other forms of exposure to positive black swans when this costs you very little if you're wrong and earns you a lot if you're right."
2. "Minimize your exposure to negative black swans...by building more slack into your system through redundancy, more insurance, more cash, and less leverage."

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New Cash Flow Metric Yields Interesting Results

A new cash flow metric that shows which companies may be able to grow without outside funding is the subject of a recent article by Maria Leone in [CFO.com](#). The metric is the subject of a report issued by the Georgia Tech Financial Analysis Lab that looks at 59 IT companies and 5 IT sectors.

The metric, calculated by simply dividing free cash flow by revenue, attempts to measure the ability to generate sales growth without external financing. The results of the study show some widely variable results between companies and also across periods. While this variability leads to the caveat in the article that the metric be used in connection with other measures, the authors argue that it does provide a unique perspective in an economic environment where external financing is particularly tight.

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Productivity Improvement a Potential Silver Lining

A Wall Street Journal piece picked up by a recent US [Chamber SmartBrief](#) identifies a potential silver lining in all of the negative news about the economy, especially worker layoffs. Although the rate of decline in the number of hours worked in Q4 2008 represented the largest contraction since 1975, preliminary estimates indicate that the corresponding decline in productivity was not quite as large, suggesting an increase in productivity during the period.

Increased productivity has been an enduring trend over the past decade and is considered a positive factor in economic recovery as compared to earlier periods characterized by long contractions in productivity during the economic recessions of the 1970's and 1980's. The article suggests that, if indeed these estimates do hold up when official government statistics are released, it would be one indication that the economy is adjusting to the shock of the financial crisis and beginning to make the course-corrections necessary for recovery.

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Tech Center

Info Security is Top IT Issue for 7th Straight Year

For the seventh consecutive year, "Information Security Management" is the most important issue affecting IT strategy, investment and implementation in the coming 12 to 18 months for businesses, according to the AICPA's [Top Technology Initiatives Survey](#).

The Top 10 most important technology initiatives for 2009 are as follows:

1. Information Security Management
2. Privacy Management
3. Secure Data File Storage, Transmission and Exchange
4. Business Process Improvement, Workflow, and Process Exceptions Alerts
5. Mobile and Remote Computing
6. Training and Competency
7. Identity and Access Management
8. Improved Application and Data Integration
9. Document, Forms and Content Knowledge Management
10. Electronic Data Retention Strategy

A complete list of definitions and additional information is available at www.aicpa.org/toptech.

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Learning Links

AICPA Issues new *Airline* Industry Audit and Accounting Guide

This Guide developed by the Airline Guide Task Force provides the latest information on accounting and auditing issues affecting the airline industry including addressing a number of new transactions and issues that have emerged over the years such as frequent flyer programs, electronic ticketing, revenue breakage, power-by-the-hour maintenance arrangements, amendable labor contracts, and airline intangible assets, just to name a few. There is also information about the new risk assessment standards (SAS Nos. 104-111) which may help you in dealing with your auditors. Please see [Airline Guide](#) for more information.

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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

AICPA Launches Series of Free Economic Crisis Webcasts

On January 28 the AICPA will launch the first of a year-long series of Infocast presentations designed to help you and your company survive the economic crisis. This first presentation [Plan for the Worst and the Best Might Happen](#) focuses on planning, budgeting and other fundamentals that need to be “top of mind” for every financial exec in this challenging economy.

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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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