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DEAR MEMBERS

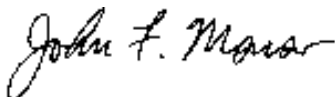
We have been very tight on time in recent weeks and so we apologize for the long stretch between issues of *BusIndNews*. Hopefully this has been a productive time for you.

An item to highlight is our upcoming Economic Outlook Survey. As you know from the past, this is a survey about economic trends in our country as observed by executive-level CPAs in business. If you get an e-mail about participating in this survey PLEASE DO SO – the number of respondents to this survey has been growing over time, which is great because this is how we increase the voice of CPA executives in business.

I was recently at the Spring Meeting of the AICPA Governing Council, and Stu Benton, our committee chairman and I, made a presentation to the Council on all the activities we have underway for members in business and industry. The presentation was well received. Also at the Spring Council meeting was a presentation about the 4 generations in the workplace: matures, baby boomers, Gen X and Gen Y, and how these generations interact, and are motivated. More on that in our next issue – we already have plenty of information in this issue.

Finally, we tip our hat to Ralph Bender, CFO of Manship Publications in Baton Rouge, LA, who was recently given the AICPA Public Service Award for a long history of involvement in volunteer activities within the profession and elsewhere. Currently Ralph is a member of the Business & Industry Executive Committee. Congratulations Ralph!

Best regards,



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

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Las Vegas, NV
6/26/2006 - 6/27/2006

AICPA and AAA-MAS Announce Research Initiative

On June 1 the AICPA issued an [Invitation to Submit Management Accounting Research Proposals and Grant Proposal Guidelines](#) as part of a new initiative to fund academic research in collaboration with the Management Accounting Section of the American Accounting Association (AAA is the association for accounting professors). This initiative is an extension of the practice-based research in management accounting that has resulted in the development of nearly 30 [Management Accounting Guidelines](#) over the past decade.

With the intention of supporting research at the intersection of management accounting and financial reporting, proposals for this initial year of funding are being solicited that embrace non-financial reporting measures and/or integrated financial and non-financial reporting systems – areas of interest that are consistent with the goals of the Enhanced Business Reporting Consortium which the AICPA has also been instrumental in founding and supporting.

The AICPA will select the winning proposal in September and is seeking to have the research completed by July 2007. We committed to help the researcher find companies to work with as part of the research so you will be hearing more about this project in the Fall.

Action Item for Private Companies: FASB and AICPA Issue Proposal Regarding Private Companies and GAAP

Recall the Private Company Financial Reporting project that we addressed so often in past issues of *BusIndNews*. Many of you participated in a study that was completed last Spring, the results were studied and reports made to our Board and Council. Since that time AICPA leaders have been working with FASB leaders on a plan to make this work, and a proposal was recently released for comment, as follows:

A joint initiative between the FASB and the AICPA seeks constituent feedback on proposed enhancements to the FASB’s standard-setting procedures that would determine whether it (FASB) should consider differences in accounting standards for private companies within GAAP.

Under the proposal, the FASB would implement certain improvements to enhance the transparency of its standard setting process for private companies and consider input from private company constituents. To that end, the FASB and the AICPA would sponsor and fund a joint committee to serve as an additional resource to the FASB to further ensure that the views of private company constituents are incorporated into the standard-setting process.

The proposal may be found at www.pcfrr.org. **The comment period ends August 15, 2006.** FASB and the AICPA are encouraging everyone who plays a role in private company financial reporting – bank lenders, sureties/bonding companies, investors, owners and preparers, and practitioners – to review the proposal and comment on it.

SEC Rejects Small Company Exemptions; Announces Next Steps for SOX 404

On the heels of the May 10 Roundtable on Second Year Experiences with

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Internal Control Reporting and Auditing Experiences, the SEC announced that it would not grant the exemptions from Sec 404 recommended by the Advisory Committee on Smaller Public Companies, but that it does expect to issue a short extension for non-accelerated filers to allow them to benefit from the additional guidance that it intends to issue.

In a [Press Release](#) dated May 17, the SEC announced that it intends to take actions including:

- **Concept Release for Public Comment** – soliciting views that might be incorporated into additional guidance on management’s assessment and on the auditor’s role with respect to that assessment.
- **Consideration of Additional Guidance from COSO** – and the extent to which the forthcoming COSO guidance for smaller public companies is useful to companies in performing their 404 assessments.
- **Issuance of Guidance** – based on the input from the concept release and consideration of the COSO Guidance, to assist management in taking a top-down and risk-based assessment of internal control over financial reporting.

In addition, the PCAOB announced that it would propose revisions to AS2 that would:

- Seek to ensure that auditors focus during integrated audits on areas that pose higher risk of fraud or material error;
- Incorporate key concepts contained in the guidance issued by the PCAOB on May 16, 2005; and
- Revisit and clarify what, if any, role the auditor should play in evaluating the company's process of assessing internal control effectiveness.

We will keep you informed of progress on these issues as things move along.

Backdating of Options Grants – A Practice Exposed by SOX

Referred to as the “mother of all stock options studies”, this [Fortune](#) article credits research conducted by University of Iowa professor Erik Lie with exposing the practice of backdating options grants that is the subject of a number of recent SEC inquiries.

While Lie’s research provided more substantial evidence of this suspected practice than had been collected before, the SOX rule imposed in August 2002 requiring the reporting of options grants within two days virtually eliminated any evidence of backdating. This put the data collected by Lie in stark relief, leading to a *Wall Street Journal* article exposing the practice and triggering the current scandal.

Most certainly not a coincidence, at the time of this writing the options article is accompanied on the CNNMoney.com web page by a photo gallery of “Execs Behind Bars” featuring short summaries of the whereabouts of those convicted of misdeeds over the past few years. A sobering summary to say the least.

Board of Directors Training

TrainingMag.com recently featured the training program that First Pioneer Farm Credit has in place to train its board of directors. We have posted the article to the AICPA Audit Committee Effectiveness Center website ([ACEC – Training Your Board of Directors](#)) and thought we would share what they consider to be some of the best practices of their program:

- **Training starts on day one.** A detailed training and orientation process provides the basics of what will be required of them as they serve on the board.
- **Individual assessment occurs, and individual needs are met.** Skills and training needs of board members is regularly assessed and training is focused accordingly.
- **Training is relevant to the workaday world.** Training is tied to the board member’s responsibilities for oversight of the specific business and its industry through simulations of key business activities conducted by the company.
- **Outside training is fully leveraged.** Board members attending outside programs prepare by developing specific questions and bring back insights and materials that are shared with other board members.

The Value of China's Emerging Middle Class

An article carrying this title featured in [McKinsey Quarterly.com](http://McKinseyQuarterly.com) sheds some valuable light on the shifting demographics of the Chinese economy. While many companies are currently catering to the affluent consumer, McKinsey’s research suggests that the greater rewards may well go to those who are able to successfully capture the enormous emerging middle class market.

The article highlights two interesting features of China’s emerging middle class – 1) they will be young compared with the middle class of most developed markets, and 2) unlike many other economies where the spending power is concentrated in small numbers of wealthy individuals and large numbers of poorer ones, the Chinese urban middle class will dwarf the affluent segment in both size and spending power.

The implications of this, the article points out, are that companies wanting to capture this market will not only have to think creatively about lowering product costs, but also adopt multi-tiered branding strategies to attract customers as they move up the income ladder.

Before You Fire That Customer – Think Again!

The US Chamber of Commerce SmartBrief recently ran an article that runs counter to the current trend of “firing” unprofitable customers. The article was written by distribution consultants who have found that oftentimes the problem is

not with the customer at all, but with improper activity-based costing methods or with the sales compensation model.

The authors argue that “in the pursuit of profits, it’s better to work on areas to improve profitability across segments of customers.” In order to improve profitability and control across the board, and preclude the need to negotiate with individual customers, they recommend implementing policy decisions including:

- Service charges for special freight requests
- Reducing outside call frequency
- More surgical pricing on slow-moving or special-order items
- Engaging cost-recovery pricing, and separating and charging for extraordinary services
- Moving perennially unprofitable customers to lower-cost solicitation methods including catalogs, telesales or e-commerce

The article can be found at [Progressive Distributor](#).

Love Your Dogs – Some Thoughts About Your Portfolio

A similar counter-intuitive theory regarding strategic evaluation of businesses is proposed in a Booz, Allen, Hamilton *strategy+business* [Resilience Report](#) carrying this title. Challenging the prevailing wisdom of investing heavily in “stars” and starving or selling off underperforming “dogs”, Booz Allen’s findings from a 25 year analysis of stock prices suggest three clear messages for corporate leaders:

- 1. Fixing your dogs can yield unexpected levels of shareholder value.**
- 2. Improving operations is an important management lever for adding shareholder value.**
- 3. Buying and fixing someone else’s dogs will produce more shareholder value than buying stars.**

This strategy is supported by the emerging theory of behavioral economics which is based on the precept that investors make mistakes in predictable fashion. One of the fundamental problems is something we are all familiar with as providers of financial information- the difficulty in predicting future performance from past results.

Click on the link above to read the entire article which provides a four-step process for “Letting the Dogs Out” by rethinking the potential for *future* shareholder value.

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XBRL-US Offers Two Free Conferences

XBRL-US, the U.S. based arm of XBRL International, is hosting two free conferences that will focus on the development of XBRL and how interactive data can reduce costs, increase productivity and improve data quality.

The first conference, "More Data or Smarter Data? Increasing the Value and Timeliness of Business Information Using XBRL" scheduled for June 27, 2006, is intended for government CFOs, CIOs, and financial management professionals. The event will focus on the public sector and will highlight specific applications of XBRL designed for government agencies. Click on [XBRL Wash DC](#) to register.

The second event, "Transforming Financial Reporting and Analysis with XBRL," will be hosted by Microsoft on June 29-30, 2006 in New York. The two-day symposium will consist of a conference on June 29 and an XBRL training session on June 30. The conference is free; there is a \$200 fee for the training session. Click on [XBRL NYC](#) to register for one or both days of this event.

Ask the Tech Expert Service

Rich Lanza's *Ask the Expert* service on the CPA2Biz Store home page allows you to direct specific questions to him at rlanza@cpa2biz.com.

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CAREER CORNER

AICPA Offers Executive Education Customized for CPA Execs – July 12-14

The AICPA has created an executive education program in conjunction with the University of Southern California Marshall School of Business in Los Angeles.

The program, customized for executives in business, focuses on strategic planning, communication and leadership skills and offers participants a chance to return to a campus environment and benefit from a renowned faculty with real-world experience. Class size is limited and the program is intensive, in-depth and interactive. The highly participatory and dynamic learning environment uses case studies, current business models, experiential exercises and a team approach. A separate program was created for public practice participants, so you are assured that you will be among your peers in this program.

Registration fees are \$2,495 for AICPA members and \$2,995 for nonmembers. For more information, call (888) 777-7077 or visit www.cpa2biz.com/conferences.

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LEARNING LINKS

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.

Free Business Planning Guide Available from IFAC

Another nice freebie is this new information paper, [Business Planning Guide: Practical Application for SMEs](#), from the Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC). The AICPA is an active member of many IFAC committees including the PAIB Committee.

This new paper provides guidance on developing a business plan for small and medium entities (SMEs) including how to develop a corporate values statement and manage business risks. The paper describes how the business plan may serve as a performance tool and support SMEs in obtaining external funding. It also includes a checklist and an example of the structure of a business plan – a great comprehensive cookbook!

Click on the link above to download your free copy. You might also want to surf the [IFAC Store](#) while you are there. [The Roles and Domain of the Professional Accountant in Business](#) is being featured on the Store's front page and there are a number of excellent papers all available free on the [PAIB page](#).

[Enterprise Governance: Getting the Balance Right](#) is one of the papers we can highly recommend for those trying to regain their balance in the wake of SOX 404 compliance efforts. Based on a study supporting the hypothesis that more value has been lost from corporate failures caused by poor strategic oversight than those caused by scandal, Getting the Balance Right provides guidance in "balancing conformance with performance."

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

[SEC Quarterly Update Series 2006 Q2](#) – June 21, 2006

This SEC Quarterly Update Webcast - brought to you each calendar quarter by the **AICPA** - showcases the profession's leading experts on what's "hot" at the SEC.

[Not-for-Profit Strategic Briefing](#) – June 28, 2006

This live, interactive Webcast provides participants with a strategic look at what's important for Not-For-Profit Organizations. The program addresses recently issued accounting & auditing pronouncements impacting both preparers and auditors of NFPOs. We will also discuss the latest updates to the AICPA publication titled "*Not-For-Profit Industry Developments 2006/07*" [commonly referred to as the NFPO Audit Risk Alert].

[Employee Benefits Strategic Briefing](#) – June 30, 2006

This webcast will address issues specific to 2006/2007 engagements and will include a discussion of new automatic rollover provisions, Roth 401(k)s, service provider arrangements, changes to the 2005 Form 5500, DOL proposed rule on electronic filing of the Form 5500, Guidance on New Standards:

- SAS 103, Audit Documentation
- FASB Staff Position (FSP) AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans*
- New Technical Practice Aids (TPAs) on the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003

And much, much more!

CFO Roundtable Series Q2 2006 – Financial Fraud from the Fraudster's Perspective

This webcast provided a terrific opportunity to learn directly from those who committed financial fraud and paid dearly for doing so, understand their motivations and the pressures they were under and, ultimately, see what caused them to cross that line they never expected to cross. If you missed the live event, the archive should be available shortly at [webcasts](#).

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

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CONFERENCE SPOTLIGHT

AICPA Controller's Workshop Hosting 2006 Hall of Fame

The [AICPA Controller's Workshop Conference 2006](#) will be held in Las Vegas at The Bellagio July 19-21, 2006. The induction ceremony for the 2006 AICPA Hall of Fame awards sponsored by Ajilon will be conducted at the Controller's Workshop this year, adding to the attraction of an always popular event. We just received word that this conference is filling up fast to be sure to register today to avoid being closed out!

Construction Industry Executive Forum

This conference is a brand new forum for the construction industry focusing on a combination of topics for the owners, COOs and CFOs. This symposium being held at the **Hilton La Jolla Torrey Pines on July 20-21**, offers trending issues, more opportunity to network with peers and excellence of speakers in the industry. The session lengths also are a great way for allowing a more in-depth discussion of the various topics. For more details click on [Construction Industry Exec Forum](#).

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