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***“Internal Control — Integrated Framework”:* A Blueprint for Management**

A special task force of the Members in Industry Executive Committee reviewed and commented on a draft of “Internal Control — Integrated Framework.” The Feb. 1992 revised draft was issued by the Committee of Sponsoring Organizations of the Treadway Commission, which has undertaken a comprehensive study on internal control (*The CPA Letter*, Apr. 1991).

The draft’s Executive Summary states: “This report deals with management’s needs and different expectations. It defines and describes internal control to:

- Establish a common definition serving the needs of different parties.
- Provide a standard against which business and other entities — large or small, in the public or private sector, for profit or not — can assess their control systems and determine how to improve them.”

The task force members agreed that the revised draft will make a major contribution to business management. Task force member David Summers describes the draft as one of the best works on “how to run a company” that he’s ever come across. The Members in Industry Executive Committee has also recommended that the Institute cover the final report in its publications, CPE programs and other educational materials.

The revised draft defines internal control as: “A process, effected by an entity’s board of directors, management and other personnel, which is designed to provide reasonable assurance regarding the achieve-

ment of objectives in one or more categories:

- Effectiveness and efficiency of operations — including performance and profitability goals, and safeguarding resources.
- Reliability of financial information — both internally and externally disseminated, including the prevention of fraudulent financial reporting.
- Compliance with applicable laws and regulations — federal, state and local, to which the entity is subject.”

At a special “review session,” industry representatives joined members of the Auditing Standards Board and the Technical Issues Committee of the Private Companies Practice Executive Committee in providing comments on the revised draft. The response of the special task force was also compiled and formally submitted to COSO. The task force had three areas of concern:

- Make a stronger point that estimates are an integral part of financial reports.
- Increase the emphasis on the benefits of having outside directors on an entity’s board of directors.
- Include a discussion of how different cultural values affect how people view ethics. This is of particular significance to American businesses today because of the growth of a multicultural work force and globalized capital markets.

The final COSO report is expected to be available in July of this year.

Industry Members Nominated to AICPA Board of Directors

Prominent members in industry were proposed as nominees to serve on the AICPA Board of Directors for terms commencing in Oct. 1992 (*The CPA Letter*, Apr. 1992). Members in Industry Executive Committee Chairman Eric Schindler and former committee chairman Thomas Jordan would join Kenneth Hull,

now serving on the board as a vice-president, and Brenda Acken, whose term as a director ends in 1993. The July-Aug. issue of *The Financial Manager’s Report* will provide some insights into how these leaders see the profession and the industry member’s role in it.

1992 World Congress of Accountants Approaching

Industry members interested in joining their colleagues at the XIV World Congress of Accountants (see article in this month’s *CPA Letter*) in Washington, D.C.,

Oct. 11–14, should contact the AICPA Meetings & Travel Division at 212/575–6451 for details and registration information.

State Societies Continuing Focus on Industry Members

With members in industry comprising a growing portion of state society membership, many societies have stepped up efforts to develop programs and services to meet the concerns of this constituency. Following is a sampling of some of these initiatives.

Illinois

One of the most successful programs provided by the Illinois CPA Society (ICPAS) for industry members is the 14 Industry and Business Forum Groups. Some of these small (20–25 people), informal meetings are offshoots of committees (e.g., real estate, manufacturing, international business), while others have members who belong to the same state society chapter. To make these three-year-old roundtable discussions more personal, locations rotate among members' offices. Guest speakers often share their expertise. Attendees receive rosters and can network or call their peers for answers to difficult questions, resulting in a pooling of knowledge.

According to the society, the forums also provide two-way benefits by drawing in members who have no prior involvement with the ICPAS, while helping the society to identify potential new leaders.

North Dakota

The North Dakota Society of CPAs' Committee on Business, Industry and Government has recently proposed setting up a reference desk at the society office that would allow industry members to "tap into" other firms or refer members to persons knowledgeable in a specific area. "Coming from a CPA firm into industry, you lose contact with other CPAs," says David A. Anderson, committee chairman. "The reference desk will allow industry members to consult with other members of various backgrounds and expertise."

Minnesota

With approximately 30 members, Members in Industry (MII) is the largest committee of the Minnesota Society of CPAs. Industry members currently comprise slightly more than 50% of the society's membership. "Over the last several years there has been a growing ground swell of influence, awareness and activity among industry members," says MII Chairman Robert Reuss.

In addition to two one-day conferences (spring and fall) in Minneapolis/St. Paul, the MII Committee sponsors a three-day summer regional conference and a one-day conference outside of the Twin Cities area. A special subcommittee during the past year worked

closely with the society leadership and the state board to institute a revised rule allowing CPAs in industry who do not maintain their licenses to publicly display their CPA certificates and put "CPA" on their business cards. The state board's previous rule did not permit such uses.

North Carolina

According to Henry Brown, former chairman of the North Carolina Association of CPAs' Members in Industry (MII) Committee, close contact and cooperation with the association's 12 chapters are among the committee's special projects and continuing activities. "The chapters seem to appreciate the visits of our committee," Brown says. "Word gets around that the MII leadership stays in touch and that has a positive effect over time." With approximately 30 members, MII meetings represent a good cross-section of the association's membership. The committee's goal is to have representation from every chapter in the state.

Two society projects that arose from MII studies are an electronic bulletin board and an employment clearinghouse. The committee is planning its first Management Information Systems trade show at the end of May; the bulk of CPE for industry CPAs currently is provided by the spring and fall MII conferences.

Virginia

According to Cindy Gray, the Virginia Society of CPAs' public relations director, the society now has two Industry and Government Committees: one to plan an annual conference and one to focus on recruitment, retention and other issues.

Because the industry group is so diverse, making it difficult to find out what members want, the society this year will conduct focus groups of industry members who have never joined or have resigned from the society. "We are using an outside consultant who specializes in focus groups to make certain we ask the right questions," Gray says. "We're hoping these focus groups will give the society an idea of the industry members' thinking so that we can better serve them."

These are some of the ways the state societies are trying to meet the needs of members in industry. For information on the efforts in your state, please contact your state society or Tom Lemmon, AICPA, technical manager, Industry, at 212/575-6439.

Sources of Help in Developing an International Market

Many U.S. companies are unaware of their international market opportunities. There are millions of dollars worth of business for companies willing to take the time and effort to pursue business outside the United States.

Bonnie Wolfe, president of New Venture Development Corporation, a Washington, DC-based consulting firm, and a speaker at the 1992 National Industry Conference, cautions that to begin developing an international market, it is necessary to research the use of your product or service abroad and identify potential users.

Wolfe lists six prime sources of information for businesses intent on competing with the multinationals on foreign shores.

1. Bureau of the Census, U.S. Department of Commerce

The Census Bureau publishes export statistics which indicate where specific products are being exported by quantity and country. By analyzing statistical data from recent years, you can identify trends which indicate whether a foreign country seems to have an increasing or decreasing need for the type of product you produce. Census Bureau reports are available at most public libraries.

Tools for the Industry CPA

Selected Readings for Financial Executives

is a new self-study CPE course based on articles reprinted from major business and academic journals. *Selected Readings* contains 48 articles ranging in topic from "The Foolproof Interviewer's Guide" to "A Guide for Understanding Japanese Corporate Finance."

The course will be available in early July. For a complete list of the articles included or more information about *Selected Readings*, call Tom Lemmon, AICPA, Industry, at 212/575-6439.

Holding Down Health Care Costs: A Guide for the Financial Executive (No. 090050) is proving to be popular among members in industry. The book describes the nature and extent of the health care crisis and offers strategies for minimizing an organization's health care costs. Price: \$12.50.

To order this publication, write to: AICPA Order Department, CL592, P.O. Box 1003, New York, NY 10108-1003; send your order via fax, 212/575-6841; or call 800/334-6961, or 800/248-0445 in New York State. Ask for Operator CL592.

2. Country and Industry Desks, U.S. Department of Commerce

Country Desks produce specific data for various countries on economic and market trends. Industry Desks produce data on the areas of the world where demand for certain products is growing or declining. Contact the Department of Commerce office in your state.

3. Foreign Agriculture Service, U.S. Department of Agriculture; (202) 720-7937

The Foreign Agriculture Service (FAS) produces market profiles for high-value agricultural products which are country specific and cover about 40 overseas markets. FAS also publishes a Dictionary of International Trade that defines the most commonly used terms.

4. U.S. Embassies

Economic/Commercial Officers in U.S. Embassies offer a wealth of information on specific country cultures, economics, methods of doing business and other valuable data. They can provide such useful information as a list of potential distributors and local freight forwarders, and arrange introductions to appropriate firms, individuals or foreign government officials.

5. World Trade Centers

A world trade center is the focal point of foreign trade activities for a city or region. Centers offer a wide variety of services, including educational facilities providing expert instruction on international business; information services, providing reports on world markets, government regulations and tariffs; and exhibit facilities, where tenants and visiting business people can show their goods and make contact with buyers.

6. U.S. Chambers of Commerce Overseas

The United States has many Chambers of Commerce located throughout the world. When initially considering a list of countries for export, the Chambers can provide specific information about a country vis-a-vis your product.

According to Wolfe, proper research is essential to narrow down the list of potential countries with which an American firm can conceivably do business. "There are many examples of small and medium-sized U.S.-based firms that have tapped into foreign markets in ways that they hadn't dreamed possible," says Wolfe. Perhaps your business might be in a position to take the international plunge.

Strengthening the Less Effective Employee

Every organization has a bottom half, those in the lower 50% in performance and productivity. These individuals are not necessarily the least talented employees. They may in fact have the most potential for making a significant contribution to an organization. The problem is tapping into that potential in a way that benefits both employer and employee.

With proper motivation you can raise the level of performance of your bottom-half employees. Lonnie Barone, a management consultant in Doylestown, Pa., believes that there are six (and only six) possible causes of less-than-great performance. Employers who can determine the cause of consistent poor performance from among six deceptively simple problems have taken the first step towards elevating the productivity of bottom-half employees.

According to Barone, a speaker at the 1992 National Industry Conference, the cure for less effective performance is good, active management. "Before seeking a cure for poor performance, managers should seek the reason by exploring each of these six causes in the sequence listed. You must diagnose what's wrong in each individual case and then apply the cure, that is, the action that will improve performance."

The six causes of substandard performance and their related curative actions are:

Speaking With Confidence

One of the greatest fears of many business people is that they may be asked to give a presentation at an important meeting for which there is little or no opportunity to prepare. Being called upon to speak at the 11th hour can cause speakers to stumble, ramble in a disorganized fashion, or totally blank out. According to Linda Jerris, a consultant and former director of human resources at a national hotel chain, an easy and effective way to deliver impromptu talks is to limit your focus. Simply ask, and then answer, three questions — any three — about the topic you have been given.

Jerris suggests a structure to follow when you find yourself in such a situation. "First, state or restate the topic. Then, ask three questions about the subject. If you think quickly, you ought to be able to identify three things about which you have knowledge and about which others in the room may not be aware. After all, you're the one being called upon to respond. Answer the questions, and then summarize by restating the main points of the topic."

If you have a little more time to prepare for a talk, Jerris, a speaker at the 1992 National Industry Confer-

Cause: Employee does not understand what is expected.

Cure: **Set smart objectives.**

Cause: Employee does not know how he or she is doing.

Cure: **Give ongoing feedback on performance.**

Cause: Employee does not have the time, tools or other resources to succeed.

Cure: **Get the employee what he/she needs to do the job (within your budgetary limitations).**

Cause: Employee does not have the knowledge or skills necessary.

Cure: **Train the employee to do the job at hand.**

Cause: Employee does not receive appropriate rewards or sanctions.

Cure: **Adjust rewards or sanctions to fit employee performance.**

Cause: Employee finds task/job unsatisfying.

Cure: **The only one where a change of jobs may be appropriate.**

Think about the underachieving employees at your organization and how you might diagnose the cause — and take action.

ence, suggests that you ask yourself four questions:

1. What is the specific purpose of my talk?

Example: The purpose of my talk is to discuss the preliminary review of our division's monthly financial results with line managers.

2. What is the key idea I want my listeners to understand, believe and remember?

Example: I want my listeners, the operations managers, to understand what the numbers mean and how they were compiled.

3. What points can I create to drive home the central idea?

Example: Explain which key variances stand out and will be viewed as important by top management.

4. What evidence (statistics, quotations, etc.) do I need to explain or emphasize my point?

Example: Trace some transaction they understand from an operating standpoint and show them how that number is reflected in the financials.

Putting these tips into practice can help you to be a more effective member of your organization's management team.