

University of Mississippi

eGrove

Newsletters

American Institute of Certified Public
Accountants (AICPA) Historical Collection

2-2006

Members in Business and Finance, February 2006

American Institute of Certified Public Accountants (AICPA)

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news



Part of the [Accounting Commons](#)

Members in Business and Industry

February 2006

AICPA

AICPA 2006 Spring Controller's Workshop

Highlights

D3

The Internal Audit
Rebalancing Survey
.....

D4

American Accounting
Association Issues
2006 Lifetime
Contribution Award
.....

D4

President's Advisory
Panel on Tax Reform
Issues Report
.....

D4

Write *CPA Letter*
Articles, Receive
CPE Credit
.....

If you or your staff was not able to attend the content-rich sessions this past summer, the 2006 Spring Controller's Workshop will cover most of the key topics included last July, so be sure to make it. It offers you another chance to attend this uniquely designed event that will strengthen your role as a controller and ground you in the key strategies that drive both performance and leadership.

Through informative group discussions, stimulating question-and-answer dialogue and great networking opportunities, you and your staff will return to work refreshed and ready for the challenges ahead. Join us this time on the east coast from Mar. 23-24 at the stunning Disney's Contemporary Resort in Orlando. Why not treat your family to a memorable getaway too, with easy access to the Magic Kingdom® Park and Epcot® Center.

Controllers, financial executives and accounting financial managers will find this an inspiring and motivating event. Conference highlights:

- Develop strategies that can be implemented immediately
- Benefit from extensive networking opportunities
- Attend roll-up-your-sleeves sessions and learn to think through tough problems

You can also participate in an optional pre-conference workshop, "From Controller to CFO: Creating a Roadmap to Success," which is expected to sell out quickly.

For more information or to register:



www.cpa2biz.com/conferences



888/777-7077

conferences

Why All the Fuss About "Interactive Data?" And...Why Should You Care?

By Wayne Harding CPA, CITP, Rivet Software

Hardly a speech goes by without Chairman Cox of the United States Securities and Exchange Commission hailing the promises of interactive data. Besides the SEC, the Federal Deposit Insurance Corporation (FDIC) has embraced interactive data to collect information on banks, and various other entities and governments throughout the world see value in interactive data.

In essence, interactive data is structured data. This is data that has meaning among different computer programs, data bases and operating systems. This is possible by applying defined tags to each piece of data.

What is the big deal? Since the advent of writing on paper, we have been producing a mass amount of data that can be consumed (read) by humans but useless in the exploding digital world. So what did we do? We hired as many people as possible to re-enter data into the digital realm. As data exploded, this proved to be too costly, not timely and prone to errors.

continued on page D2

continued from page D1—Why All the Fuss?

However, if at the same time we produce this data we can provide structure to it, now it has meaning in both the human and digital worlds. We create this data once and now can consume it in a multitude of formats—reading on a printed page, viewing on a Web page, consuming via a computer application, to name just a few.

Specifically, what is happening today with structuring data to cause it to become interactive? The FDIC is rolling out their Call Reporting modernization system, which requires all bank Call Reports be filed in XBRL format. The FDIC project, which became effective on Oct. 1, 2005, allows data to be seamlessly consumed by the Central Data Repository, the “Grand Central Station” of banking information shared by many U.S. agencies. The CDR permits bank analysts to access important bank information in a matter of seconds rather than hours or days, which is what it has taken thus far. This program impacts 8,300 reporting banks, adding to the growing need for XBRL compliant solutions.

Recently, Mike Bartell, CIO of the FDIC, reported on the joint XBRL effort with the Federal Reserve Bank and the Office of the Comptroller of Currency. “XBRL is an imperative, not an option. At the FDIC we’ve long recognized its potential—XBRL isn’t just a good idea on paper; it is real and it works,” said Bartell. “Too much critical information today is buried or obscured by the massive volume of data that we all create and process. The longer it takes us to manage that data, the less responsive we are to the needs of industry and the public. While XBRL may not be the only answer, it is a key part of the solution needed to help address these issues. The new central data repository will help prove the real value of XBRL and lay the groundwork for broader and more rapid adoption in the U.S.”

In Apr. 2005, the SEC began a Voluntary Filing Program that allows companies to submit their financial results in XBRL format. Many expect this program to be the first step in what will

become the SEC mandating XBRL as part of the submission process, and they are probably correct. Why? The SEC has been mandated by Congress to step up their watchdog efforts. Meanwhile, the amount of data flowing to the SEC is increasing—a double whammy! The chart below shows the growth in the number and size of SEC filings.

Structuring the data is necessary for the SEC to solve their congressional mandate from Sarbanes-Oxley. Section 408 requires the SEC to perform an enhanced review of issuers and requires the SEC to review each issuer no less than once every three years. Furthermore, Congress states that the SEC must review an issuer more often if one or more of the following criteria are met:

- Issuers have issued material restatements of financial results
- Issuers experience significant volatility in their stock price as compared to other issuers
- Issuers with the largest market capitalization
- Emerging companies with disparities in price to earning ratios

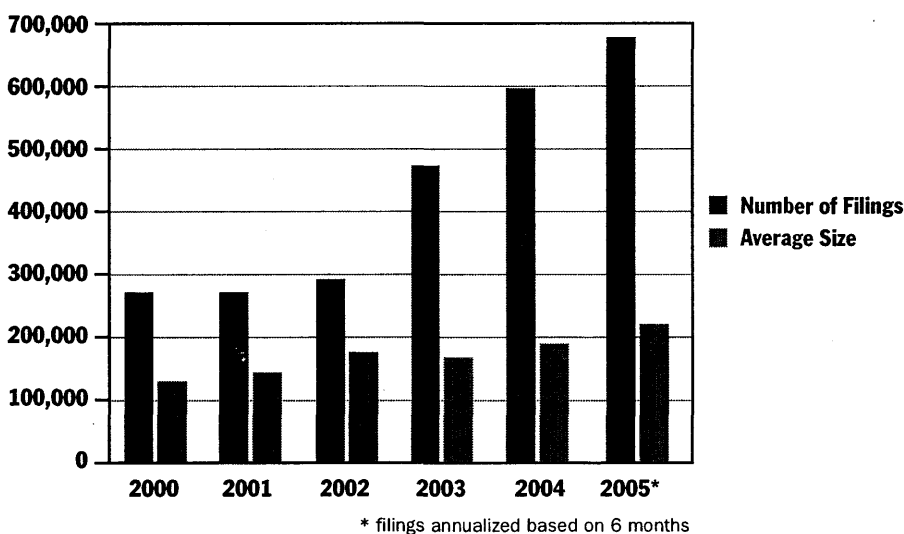
- Issuers whose operations significantly affect any material sector of the economy
- Any other factors that the Commission may consider relevant.

The only reasonable way for the SEC to implement section 408 of Sarbanes-Oxley, especially in view of the ever-increasing number of filings, is to request that this information be received in a structured format. It is not evident yet if the SEC will adopt XBRL—they can mandate their own standard, but to do so would be to go against the international trend of XBRL being adopted by similar agencies to solve the exact same problem.

It is reasonable to assume that XBRL is coming to the U.S. government, and now is the time to prepare. How? If you are a public company, take advantage of the SEC XBRL Voluntary Filing Program now. Filing Exhibit 100 with the XBRL version of your financial statements from the 10Q and 10K, or separately under the 8K, will provide your finance team XBRL training without the burden of deadlines or penalties. Rivet Software™ has created a guidebook for those interested in the SEC filing

continued on page D3

Why the SEC needs help...



Source: Edgar On-line

Published for AICPA members in business and industry. Opinions expressed in this *CPA Letter* supplement do not necessarily reflect policy of the AICPA.

Pamela Green
 Supplement editor, project manager
 212/596-6034; fax 212/596-6025
 e-mail: pgreen@aicpa.org

John Morrow
 Vice President, New Finance
 212/596-6085
 e-mail: jmorrow@aicpa.org

Ellen J. Goldstein
 CPA Letter editor
 212/596-6112
 e-mail: egoldstein@aicpa.org

continued from page D2—Why All the Fuss?

program using Rivet Software's Dragon Tag™ application, an easy-to-use Microsoft Excel™ and Word™ add-in. To date, eight out of the 11 companies who have filed their financial reports to the SEC in XBRL format have used Rivet's Dragon Tag™.

If you are not involved with an SEC filer or a U.S. bank, can you avoid XBRL? Probably not. XBRL is rapidly becoming the de facto standard for defining, exchanging and storing financial business information by regulators, stock exchanges, statistical offices, banks and corporations across the world. The European Union has a number of XBRL projects moving forward. As an example, the Belgium tax authorities in 2006 and Dutch tax authority by 2007 will be introducing mandatory filing of financial statements in XBRL. The Dutch government will soon have companies filing information to it via an XBRL format. Leveraging the power of XBRL, the Dutch government was able to combine a number of previously existing forms into a single

Special Rivet Software Arrangement for AICPA Members

The AICPA is a founding member of the XBRL International Consortium and continues to play a leadership role in the worldwide promotion and adoption of XBRL (www.xbrl.org). To continue XBRL support and learning for AICPA members, we have entered into a marketing agreement with Rivet Software™. This agreement allows you to order Rivet's Dragon Tag™ and Dragon View™ via an AICPA specific e-mail address (aicpa@rivetsoftware.com).

As an AICPA member, you receive a free support incident phone call valued at \$120 when you purchase Dragon Tag for \$295. You can also try Dragon Tag before you buy with a free, 30-day trial period. Dragon View is available in "pre-view" format at no charge. Free trial versions are available at Rivet's Web site (www.rivetsoftware.com). When you are ready to order, send an e-mail to aicpa@rivetsoftware.com with your contact information.

XBRL form, thereby streamlining the entire reporting process.

Time and time again an entity has a variety of business applications that don't speak to each other...not to mention the impossibility of speaking with external entities' applications. XBRL is a great

assistance with this "language barrier." Applications talk to other applications, within an entity and externally. Data is entered once, not many times. Efficiencies are realized and errors are avoided. Structured data becomes Interactive data and makes everyone's lives easier.



The Internal Audit Rebalancing Survey

A survey conducted by Protiviti Inc. at the annual IIA International Conference and reported on by AccountingWeb.com indicates that the swinging of the pendulum for internal audit functions is already beginning. The survey shows that three out of four participating companies see the need or are already taking steps to balance Sarbanes-Oxley, compliance with other risk management priorities. As a result, 62% of respondents plan to bring in additional internal audit resources. Maybe it's about time this happened; a strong internal audit team can do a lot for a company—including private and not-for-profit organizations. Even organizations that can't justify a full-time internal audit team could look at other options, such as a part-time internal audit function, or engaging an external CPA (or other) firm (not the independent auditors though!), to realize the value of an internal audit function.

Among the key findings of the survey are:

- 74% of respondents reported rebalancing efforts are either being planned or are underway at their organizations.
- 24% of respondents indicated that less than 20% of their internal audit department's time will focus on SOX compliance after 2006.
- 62% of responding companies plan to add additional resources to rebalance their internal audit functions.
- 65% of companies who expect to add resources report their internal audit budgets will increase and 70% of these expect increases of 10% or more.
- 38% of companies will increase their use of outside resources,

including 32% of those who do not currently co-source their internal audit functions.

- 46% said internal audit departments will continue to have "lead responsibility" in SOX compliance, however, 25% anticipate less involvement in developing documentation.
- 50% of respondents indicated audit committees will have either moderate or significant involvement in the company's rebalancing efforts.
- Nearly 30% of respondents believe rebalancing will result in a more appropriate coverage of risk.
- 18% expect to reduce costs of Section 404 and 302 compliance by rebalancing and 18% expect rebalancing to allow internal audit to perform more traditional audits.
- 81% of respondents believe they will benefit moderately or significantly as a result of rebalancing.

The Internal Audit Rebalancing Survey was conducted between July 1 and Aug. 15 at the Institute of Internal Auditors' 2005 International Conference. The 27-question poll was designed to assess how companies are approaching the process of "rebalancing" internal audit department functions after First Year SOX compliance projects as well as the past and future roles of internal audit departments in regulatory compliance efforts. Members of KnowledgeLeader, a subscription-based internal audit and risk management portal, were invited to participate. Numerous financial and audit executives nationwide who expressed an interest in providing their perspectives on the topic of rebalancing internal audit priorities also were surveyed. Two-thirds of respondents had the title and responsibility of chief audit executive, internal audit director or general auditor. Combined with respondents having the title internal audit manager or above, 91% of individuals participating in the survey held managerial positions.

American Accounting Association Issues 2006 Lifetime Contribution Award

awards

Robert S. Kaplan, Baker Foundation Professor at the Harvard Business School, has received the 2006 Lifetime Contribution Award from the Management Accounting Section of the American Accounting Association (AAA). The AICPA is the award sponsor.

The Lifetime Contribution Award recognizes individuals who have made a significant mark on management accounting education, research and practice. Kaplan was honored for his work on linking cost and performance management systems to strategy implementation and operational excellence. He is the author or co-author of 12 books, 15 articles for the *Harvard Business Review* and 120 academic papers. He is a past recipient of the AAA Outstanding Educator Award and the CIMA Award from the Chartered Institute of Management Accountants.

"It's an honor to sponsor such a prestigious award," said Arleen Thomas, AICPA Senior Vice President—Member Competency and Development. "Most CPAs practice the profession in the management accounting field. The AICPA, in fact, represents the world's largest body of practicing management accountants in the world. Approximately 40% of our nearly 350,000 members work in management accounting."

Thomas noted that the AICPA recognizes and is responding to the increasing strategic importance of its members who serve their organizations as CEOs, CFOs and controllers.

In addition to its work with the AAA Management Accounting Section, the AICPA has long-standing alliances with two international management accounting groups: the Chartered Institute of Management Accountants based in the United Kingdom and the Society of Management Accountants of Canada. The Institute recently collaborated with CIMA on a "Developments in Management Accounting" series of white papers and has produced Management Accounting Guidelines with the Canadian Society since the late 1990s.

President's Advisory Panel on Tax Reform Issues Report

The President's Advisory Panel on Federal Tax Reform submitted two proposals to the Treasury Department after months of work. As reported by WebCPA, the first plan pushes for major simplification of the current income tax system, referred to in the report as the Simplified Income Tax Plan, and a second, referred to as the Growth and Investment Tax Plan, also includes proposals for more significant changes in business taxes that lean more towards an indirect tax on consumption.

Under both of the panel's plans, most of those deductions, credits, exemptions and other preferences would be scrapped in order to streamline the income tax and simplify paperwork. The report indicates that the panel considered a progressive consumption tax system but was unable to come to consensus on including it in the report. It also considered ideas for a value added tax and a national retail sales tax and decided against both of those.

The difference between the two plans relate primarily to differences in the treatment of dividends and capital gains and changes in business taxes. Under the Simplified plan, 100% of dividends and 75% of capital gains would be excluded from individual income; interest would be

taxed at regular rates. Depreciation, interest received and paid and international taxation for businesses would be essentially unchanged.

Under the Growth and Investment Tax Plan, dividends, capital gains and interest would all be taxable to individuals at a 15% rate. However, all new business investment would be expensed rather than depreciated, interest would be non-taxable and non-deductible (except for financial institutions) and the international tax system would be changed to a destination basis system that would involve border-tax adjustments.

The full report is available at:



www.taxreformpanel.gov

Write CPA Letter Articles, Receive CPE Credit

The CPA Letter Business and Industry supplement encourages readers to share information and experiences through bylined articles on subjects of interest to your fellow practitioners. Moreover, if the topic fits our editorial calendar and your article is featured, you may claim continuing professional education

credits for the time you spent preparing the article (in accordance with the Joint AICPA/NASBA Statement on Standards for Continuing Professional Education, revised as of Jan. 1, 2002). The first step is to submit article topics for approval to:



pgreen@aicpa.org