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You’ll need flexibility to cross that bridge to the 21st century.

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IMA AND TECHNOLOGY

Last year in this column I discussed the establishment of the IMA Information Technology Committee which was our response to the impact that the wave of technology change is having on the business world in general and our profession in particular. I am happy to report to you that we have made great strides in carrying out this Committee's mission statement to optimize the use of technology in communicating with, and marketing IMA services and products to, IMA members and others. We have:

- Registered IMA's Internet domain name (imanet.org) with the appropriate Internet organization.
- Created and registered a new domain name (imastudents.org) to support our strategic plan to increase student membership in IMA and expand interest in management accounting and financial management.
- Trained the IMA staff in the use of e-mail.
- Added a number of new resources to the IMA home page including a map of chapter and council locations and contacts, the Corporate America study, CFM information, governance survey, new student program, and Perspectives column each month.
- Established a chatroom structure for interaction by members of the Member Interest Groups and listserv capabilities for both the MIGs and Information Technology Committees.
- Added Tech Forum, a monthly collection of items on the latest hardware and software innovations, to the Internet Web site.

The most recent additions to the Web site include:

- The transfer of the popular job listings from the IMA Bulletin Board to the Web site.
- The facts kits and applications for IMA/ICMA membership so that potential members can sign up on our Web site in a secure environment.
- An online registration process for educational programs including the Annual Conference in St. Louis, national programs and conferences, and regional education programs.
- The addition of sound to the home page.

Technology is moving so fast that most of us have a difficult time keeping current. The IMA staff is now updating our Web site data on a daily basis. The Institute, through its establishment and maintenance of these two Web sites and publication of the latest innovations in hardware and software, aims to keep members "up to speed" and help position management accountants and financial management as change agents in applying technology to business processes. We welcome your input and comments as we move toward the Millennium.

Clair M. Raubenstine, CMA, CPA
Chairman, 1997-98
Clair.Raubenstein@us.coopers.com
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Out of Touch with Reality?

The article by Aldridge and Colbert ("We Need Better Financial Reporting," July 1997) was an excellent recap of the Jenkins Committee Report. While improved financial reporting is a worthy goal, there are balances to be achieved. The Jenkins Report and the new SFAS 131 fail to recognize adequately the gap in the theoretical versus the practical, particularly in the recommendations on segment reporting. Requiring companies to report segments externally on the same basis as internal management reporting can lead to significant penalties to companies. For example, a large company may manage with four external segments, each of which has further internal segmentation. If one of those four segments is spun off, the new company presumably would have to disclose externally multiple segments and segment information that were previously unavailable to competitors of that business. This clearly places the new smaller company at a disadvantage at a time when it is most vulnerable (i.e., usually highly leveraged). As this example shows, even if two companies are subject to U.S. GAAP, the information disclosed is not equal. The new rules provide an unfair advantage to larger companies and foreign competitors who are not bound by U.S. reporting requirements. Such accounting rules do not level the playing field nor provide for economic neutrality; instead, they lessen competition and cause associated secondary effects.—Richard J. Schuler, CPA, CMA, CIA, CFE, Saint Peters, Mo.

A Communications Gap?

After attending a number of "the IMA meets professors" at various venues, I sense a huge communications gap between the IMA and professors, and, hence, between the IMA and students.

One reason is the fact that many schools first present "managerial accounting" as a preparatory course for "cost accounting." When the IMA engages in the long ago battle of "cost" versus "management accounting," professors and students are confused. If "management accounting" is the term stressed, why is cost accounting taught to juniors?

A second reason is when the IMA stresses "financial management," it leaves "accounting" out of the title. I believe the IMA misreads students' loyalty to "accounting" and leaves them with the impression that it is unimportant. A third reason is the IMA representatives' lack of knowledge of the completely changed nature of "cost accounting" courses now versus when they took the course. A fourth reason is the IMA's penchant for talking about students rather than with them. A fifth reason is the IMA's expecting 20-year-olds to have 20 years of top management experiences.

Let me be so bold as to suggest a partial solution, although the English language is not as good for this purpose as Dutch or German. I suggest that the IMA adopt this title for what it is looking for. —Richard Vangermeersch, CPA, CMA Professor, University of Rhode Island

Procurement Cards

[Re: "Cut and Deal New Savings with Procurement Cards," April 1997] The credit card companies, particularly those pushing procurement cards, will do or say most anything to sell their product. Typically, they try to associate nearly every cost in the company with the purchasing function so that when they divide those costs by the number of purchase orders possible, an inflated cost per transaction is the result. Such appears to be the case with the statistics cited with Westinghouse. Perhaps the authors need to audit the costs and savings claimed. If the dramatic reduction quote is true, I would expect that some of the claimed $180 savings [per transaction] is attributable to the purchasing management who were terminated for having let such an inefficient situation occur in the first place.—Jim Kresge, Jacksonville, Fla.

Become Champions for Change

I was very impressed by Walker's and Denna's innovative ideas within the article, "A New Accounting System Is Emerging" (July 1997), since they parallel the philosophies of the software company where I work. However, I have found the obstacles to considering or implementing event-driven systems to boil down to two reasons: cost and fear of change, and many times fear drives the cost justification. The costs are always (not sometimes as the article states) very high. In order to capture information at any time from any place within the company, the software and most hardware must be standardized. Since all software currently in use is not integrated, a high-end programming language must be picked and used to write all the required applications. This means scrapping other proprietary packages that have been used for many years because they cannot be integrated.

Designing new software requires a commitment of time and energy, which many say they don't have. Designing software means the hiring of a custom software house. Many companies are still licking their wounds from the last purchase of customized software. Companies have since decided that utilizing canned software will provide continuous upgrades (presumption of safety from obsolescence) and will spread out any risk of programming bugs.

I urge all accountants to become the champions for changing the business information systems within their organizations, so they can guide the methods of change.—Mark G. Stobbebaer, Business Administrator, Plexus Systems, msto@plex-sys.com

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Circle No. 8
The spectacle of Federal Reserve Chairman Alan Greenspan taking issue with Securities & Exchange Commission Chairman Arthur Levitt, Jr., over the upcoming Financial Accounting Standards Board rule on accounting for derivatives probably will have long-term implications that go way beyond this specific issue. Look for Sen. Phil Gramm (R.-Tex.), chairman of the Senate Banking Subcommittee on Securities, to introduce legislation that would force the SEC to impose some sort of new "accountability" standards on FASB. The SEC already has de facto authority over FASB. But up until now, the SEC almost always has let FASB rules stand. Of the 131 standards the FASB has issued since 1973, the SEC only has overruled one. The FASB is a private organization. But Gramm believes that the FASB has been acting like a quasi-regulatory agency, particularly with regard to the derivatives accounting standard. He thinks there might be a way to force FASB indirectly to follow the Administrative Procedures Act (APA), which governs how federal agencies must handle any new rules they propose, maybe through requirements on the SEC. Gramm thinks the SEC did an inadequate job of analyzing the costs and benefits of that rule. Now he is even more concerned because the FASB rule conceivably will have a bigger impact on companies, and FASB does not have to do any kind of formal analysis at all. The ranking Democrat on Gramm's subcommittee, Sen. Chris Dodd (D.-Conn.), also has signed the April 1997 report from the subcommittee criticizing the SEC on its derivatives reporting rule. Sources on the subcommittee say Dodd is expected to join Gramm in any bipartisan effort to bring the FASB to heel.

Under the temporary regulations, taxpayers using the dollar-value LIFO inventory method were permitted to use a three-year average method for valuing their beginning inventory in the year they changed their method of accounting to comply with 263A. During a comment period, a number of interested parties suggested that taxpayers other than those on the dollar-value LIFO inventory method—the specific goods LIFO inventory method was one possibility mentioned—also should be permitted to use this three-year average method for valuing beginning inventory. But the IRS declined to make other options available.

SEC Deputy Chief Accountant Named

SEC Chief Accountant Mike Sutton announced Jane B. Adams deputy chief accountant at the SEC. Formerly director of accounting standards at the American Institute of CPAs, she replaces Steve Swad, who leaves for Peat Marwick. Adams' job is to negotiate resolution of accounting and auditing practice issues, rule-making projects, and private sector standard-setting efforts. While at the AICPA she served as the technical advisor to the U.S. Delegation to the International Accounting Standards Committee. Prior to coming to the AICPA, she was at FASB working on the project on derivatives instruments and hedging transactions. Also new at the chief accountant's office is Walter Teets, who becomes an academic accounting fellow. He replaces Robert Lipe, who was named KPMG Peat Marwick Centennial Professor of Accounting at the University of Oklahoma. Teets was on at the accounting faculty of the Gonzaga University (Spokane, Wash.) School of Business Administration.
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Circle No. 10
I'm an accounting manager in a midsize, fast-growing service firm. It used to be that when I extended an offer to a candidate usually I could expect an acceptance. Lately, the competition has really heated up for these candidates, and I've lost a few very good people at the eleventh hour, which is, among other things, very time-consuming. Can you offer some advice on how I can better "clinch" the deal?

Max Messmer, Editor

**How to clinch an employee hire.**

While this may not entirely ease your concern, what you're experiencing is a hiring phenomenon of the late 1990s—an outgrowth of a robust economy and record unemployment. In this healthy job market, it is not enough to be able to find good people. Everything from competitive compensation to corporate culture must be thought out. And even once that's accomplished, today's job candidates must be sold on why the position is worth taking.

Today, candidates hold more of the proverbial cards, and their criteria for what makes a position worth taking are more complex than ever. Areas that perhaps were not as much of a priority, say 10 years ago, are now critical. For example, does your company provide a "continuous learning" opportunity? Is the environment democratic or dictatorial? These are very real concerns for job seekers today.

Job candidates now have a wide array of employment options. While accounting is less vulnerable to candidate bidding wars than some other professions, you still have to be aware of the current hiring climate and similar job opportunities available in your area. And the competition is not just from firms like yours, which are offering traditional full-time positions. Some job seekers today also are considering such alternative work options as consulting because of the variety and flexibility they afford.

Keep in mind that situations arise in which job candidates see a better fit somewhere else for reasons they either may not share or may not even be able to articulate. While it's disconcerting, sometimes a philosophical approach is appropriate—if the applicant had serious reservations, it may be better that the relationship never materialized. Reflect upon how you're presenting the job opportunity and your company to the candidate. Competitive compensation is certainly important to job seekers, but as quality-of-life issues become a key concern, candidates will be evaluating your corporate environment and how they think they might fit in.

In addition, analyze at what point you're losing the candidate. Once you make an educated guess as to which stage of the process this is happening, you can better ask yourself some key questions. Put yourself in the job seekers' place and see, from their perspective, what might have gone awry. Some questions and issues to consider:

1. **Are you selling the position appropriately?** Persuasive communication can be contrary to an accountant's professional training, which emphasizes precision and straightforward facts. While one must not "oversell" or misrepresent a position, the benefits and opportunities of the position should be highlighted—maybe more so now than in recent years. One approach is to have top candidates meet with prospective peers. These individuals can offer an insider's perspective on the growth opportunities and positive work environment at your company.

2. **When you interview a top contender, are you being decisive enough?** Every hire must be thought out carefully by an employer, but in today's environment if caution is carried to the extreme it is easy to lose the candidate's interest and attention. Also, hiring decisions made by too many people (i.e., a committee approach) not only can extend the process but can result in a "safe," albeit mediocre, employee.

3. **Are you asking candidates about their level of job search activity?** You should at least get a sense of how actively they have been looking. Most will tell you if they're seriously considering other opportunities.

4. **Might the compensation package be turning them away?** It's usually better to pay more than your competitors. You can investigate appropriate salary ranges through a number of sources including classified listings, professional and trade associations, human resources consultants, and specialized recruiters. Are you including incentive-based pay in the mix such as bonuses?

5. **What is the corporate culture like at your company?** Beyond monetary rewards, what is your company doing to create an appealing work environment? Have you implemented more casual dress, skills training, or family-friendly programs? Do you encourage mentoring of junior employees even on an informal basis?

6. **Is your reference-checking process taking far too long?** Are you pursuing references promptly and aggressively? Are you delegating the process to others? A long reference-checking process can inadvertently send a message to an otherwise enthusiastic candidate. If you're having trouble getting reference responses, let the candidates know, and solicit their help.

The bar has been raised for the level of expertise and ingenuity required of today's hiring managers. Take the time to analyze each step of your hiring process and look into ways to improve upon each practice.

Max Messmer is chairman and CEO of Robert Half International, Inc., parent company of Robert Half® and Accountemps®. RHI is the world's first and largest specialized staffing services firm placing accounting, finance, and bookkeeping professionals on a full-time and temporary basis. Mr. Messmer's most recent books are 50 Ways to Get Hired (William Morrow) and Job Hunting for Dummies® (IDG Books).
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Dexter Odom 
Owner 
Dexter's Farm
The enactment of the Taxpayers Relief Act of 1997 (TRA '97) has launched the Individual Retirement Account (IRA) into a new era. Beginning in 1998, a taxpayer may have as many as three different types of IRAs: Regular IRA, Roth IRA, and Educational IRA.

To begin, the Roth IRA is intended to encourage savings among wage earners for a variety of reasons such as retirement, periods of unemployment, and acquisition of a first-time home. The true attraction of this new IRA is the ability to make qualified nontaxable distributions. In this month's column, the contribution and rollover rules for the Roth IRA are described.

In general, a person can contribute to a Roth IRA (or establish a Roth IRA) with an amount that does not exceed the lesser of compensation or $2,000 ($4,000 in the case of a spousal account). The contribution limit is reduced by any contribution (regardless of its deductibility) to a Regular IRA. Hence, a person can only contribute $2,000 per year to all IRAs.

The Roth IRA follows many of the Regular IRA rules. For example, the contribution must be made by the taxpayer's filing date (not including extensions), and it can be owned by only one person.

The Roth IRA does differ from the Regular IRA in several ways. First, contributions always are nondeductible, do not depend on whether the taxpayer or spouse is an active participant in a company-sponsored qualified retirement plan (QRP), and may be made after the taxpayer attains age 70½. Also, the contribution amount is reduced to zero if the couple files married-separate and is phased out if the taxpayer has “excess” Modified Adjusted Gross Income (AGI) for the year.

Second, the phase-out range for excess Modified AGI is between $150,000 and $160,000 for a taxpayer filing a joint tax return and between $95,000 and $110,000 for all other qualified taxpayers (Section 408A(c)(3)). Be aware that Modified AGI is a common term in the tax area, but it does have different meanings. For example, Modified AGI is defined the same for both the Regular IRA and Roth IRA but differently for the Educational IRA (which will be discussed in a later column).

Within the phase-out range, the maximum nondeductible contribution amount to a Roth IRA for those couples filing married-joint is: 0.20 x (Upper Modified AGI limit – Modified AGI Amount). The above formula should look familiar because it is the same one that is used to determine the maximum deductible contribution limit for a Regular IRA. The difference is the Roth IRA calculation determines the maximum contribution while the Regular IRA calculation determines the maximum deductible portion of a $2,000 contribution.

The maximum nondeductible contribution amount to a Roth IRA for all other qualified persons is: 0.133 x (Upper Modified AGI limit – Modified AGI Amount), which is the maximum contribution amount ($2,000) divided by the phase-out range ($15,000).

Third, the existing rollover rules apply to transfers between Roth IRAs. But TRA '97 provides a special provision to transfer the holdings from a Regular IRA to a Roth IRA. In this case, the transfer is referred to as a conversion rollover. A person is permitted to make a conversion rollover only in those years where the AGI for the taxpayer or couple does not exceed $100,000 or the owner does not file as married-separate for the year.

A conversion rollover is a taxable transaction that is penalty free. That is, the amount transferred to the Roth IRA that would have been includable in gross income if it were withdrawn from the non-Roth IRA is included in gross income. But the included amount is not subject to the 10% early distribution excise tax of section 72(t).

There is more good news for some taxpayers concerning the Roth IRAs. If the conversion is completed during 1998, then the taxable amount is included ratably over four years beginning with 1998. This opportunity is clearly available for those taxpayers who are well below the $100,000 AGI limitation. Unfortunately, the rollover provision, as currently written, needs to be completed by December 31, 1998, which is before a person knows the AGI figure. Hence, taxpayers who are close to $100,000 of AGI may be precluded from electing to convert.

In addition, the cliff rule of $100,000 pertains to all taxpayers regardless of filing status. As a result, two-wage earners will be less likely than other taxpayers to qualify under this special conversion provision.

There is no single answer to whether a person should elect to convert from a Regular IRA to a Roth IRA. There is much speculation at this point. One thing is for certain: There are many factors to consider in this decision such as age, health, future plans, and even the personal bias of the taxpayer.

So far, the discussion on the newly introduced Roth IRA has been limited to the contribution and rollover rules. The special distribution rules for the Roth IRA will be presented in next month's issue.

Anthony P. Curatola is the Joseph F. Ford Professor of Accounting at Drexel University. The material for this article came from the MicroMash CPE course, "1997-98 Tax Update on Retirement Income," by Dr. Curatola.
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AICPA LAUNCHES ELECTRONIC COMMERCE SEAL

The American Institute of CPAs (AICPA) and the Canadian Institute of Chartered Accountants (CICA) have launched CPA Web Trust, a seal of assurance for electronic commerce. It is designed to assess commerce Web sites to assure they meet AICPA- and CICA-defined criteria for standard business practices and controls over transaction integrity and information protection.

Developed in line with the principles set forth by the White House in its report "A Framework for Global Electronic Commerce," CPA Web Trust tells potential online customers that a CPA or CA has evaluated a Web site to determine whether it meets the prescribed business practices and control criteria. When the process is complete, a report indicating the site's compliance is issued, and the site is granted the CPA WebTrust seal. This process must be completed every quarter.

IS OUTSOURCING VALUABLE?

There's a gap in client satisfaction between business process and information technology outsourcing, a study by KPMG Peat Marwick LLP found recently. The outsourcing of business processes, including legal, tax, human resources, and accounting functions, received high satisfaction marks from executives surveyed, while information technology outsourcing did not.

"It's clear that corporate executives view business process outsourcing as a strategic tool that can help them to run their business more competitively, efficiently, and cost effectively," Richard D. Dole, national partner-in-charge of KPMG Business Solutions, said. Outsourced legal services received the highest satisfaction marks from study participants (70%), followed by tax (62%), human resources (43%), and finance/accounting (39%). Only one in three executives said information technology outsourcing met or exceeded expectations. The group said the greatest benefits were access to specialized expertise, technology improvements, lower costs, legal/regulatory compliance, better access to information, and the ability to focus on core competencies.

In other findings, 88% viewed outsourcing of noncore functions as a key strategic tool that provides them with competitive advantages, and 87% are turning over essential but noncore business processes to third-party providers. Also, by the year 2000, the worldwide market for outsourcing will approach $282 billion with an annual growth rate of 20%.

AAA HAS NEW WEB ADDRESS

The American Accounting Association (AAA) has a new, shorter Web address. It is http://AAA-edu.org. When you access AAA's main Web page, you'll find a single access point to information about Section, Region, and Association-wide activities, publications, and programs.

ECONOMIC OPTIMISM IS AT AN ALL-TIME HIGH

Chief executive officers of the nation's fastest-growing companies expect the economy to grow over the next 12 months even though some of them are predicting only moderate growth for their companies, especially as the skilled labor pool keeps shrinking, particularly in the technology areas.

According to Coopers & Lybrand L.L.P.'s latest Trendsetter Barometer survey, 82% of the CEOs are bullish about the economy, up from 75% at the close of fourth quarter last year. They say these traditional barriers to future growth are diminishing: concern about weak demand over the next year, fears of increased taxation,
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Coopers & Lybrand's Trendsetter Barometer is developed and compiled with assistance from the opinion and economic research firm of Business Science International.

SURVIVING MERGER MANIA

Is your company merging with another? Do you know how to deal with the new management team? John A. Challenger, executive vice president of the international outplacement firm Challenger, Gray & Christmas, Inc., offers the following advice on honing your survival skills.

Don't assume the acquiring company wants to integrate any other methods with its own, so don't offer helpful advice. The words, "But we've always done it this way," could signal the end of your career.

Don't expect your current boss to tell the new owners what you've done. Prepare a summary of what you have accomplished for the company, meet with your boss to discuss it, and ask him or her for advice.

If you aren't fond of your boss, don't think the new company will present you an opportunity to replace him or her by playing up to management. Instead, make every effort to make him/her look great, and be there to help, even if you feel like balking.

Realize that you probably will have to change the way you work. Become a leader—or a better one if you already have taken that road. Attend all meetings and other functions as appropriate, seek out opportunities to help new management with projects, and exhibit concern for others. Be visible in a positive way.

Project the strongest team spirit possible and the attitude, "Whatever you want, I'm here to do it." The new company doesn't know you, so you have to prove to management how capable and cooperative you are.

If you follow these hints, Challenger says, you have a chance at survival.

ERWIN "SPEED" KOVAL DIES

Erwin S. "Speed" Koval, 75, a member of IMA's staff for 27 years, died recently. Director of publications until his retirement Sept. 1, 1989, Speed will be remembered with fondness among members and colleagues for his sense of humor and legendary proofreading skills. He joined the IMA staff July 9, 1962, and was a familiar figure at Annual Conferences, heading up the Conference Daily News team. Upon his retirement, he was named an honorary member of the Stuart Cameron McLeod Society. Before directing the publications department, Speed served as managing editor and editor-in-chief of MANAGEMENT ACCOUNTING magazine.
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Managing and Controlling Specialized Assets

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Not all assets are alike, so they should be treated differently.

BY LINDA V. RUCHALA

The boundaries between business organizations have become blurred through a variety of outsourcing, contracting, and strategic alliance agreements. These changes have been sparked by a number of factors, including technological advances and a trend toward a strong customer and value-added orientation. Among the factors moving organizations toward these new structures is an increased investment in transaction-specific assets.

The concept of transaction-specific assets, also called asset specificity, comes from an emerging economic theory—transaction cost economics (TCE). TCE helps explain the organization of economic activity. Essentially, it refers to the degree to which an asset can be redeployed to other purposes without a significant reduction in value and suggests ways to structure economic exchanges so as to minimize the costs of the transaction. At a time when
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businesses are making radical changes in the organization of work, the notion of asset specificity may have some value for management accountants by adding depth to control and resource allocation decisions.

**FUNDAMENTALS OF TRANSACTION COST ECONOMICS**

An initial emphasis of TCE involved explaining why some transactions are carried out best in open market exchanges and why others are handled best within the organizational hierarchy of the firm. This theory is perhaps most known for its contributions toward determining whether a firm can operate most cost effectively by contracting out or internally producing a given set of intermediate products or functions. Currently, businesses are finding this question extremely relevant. Heightened interest in business process reengineering, outsourcing, and other radical reorganizations of business functions suggests that TCE may help justify the reasons for new organizational forms as well as the factors that should be considered when making restructuring decisions.

TCE takes its name from its basic analytical unit, the transaction. The underlying theme of TCE is that the characteristics of economic transactions define how businesses will organize the process of the exchange. The objective, in the face of incomplete information and uncertainty, is for the relevant parties to minimize transaction costs. Oliver Williamson, the intellectual founder of TCE, identified the three key elements of economic transactions as:

- Asset specificity,
- Uncertainty,
- Frequency.

The main thesis of TCE is that, as the economic transaction involves greater asset specificity, increased uncertainty, and reduced frequency, market contracting becomes more costly than internal governance. The combined force of the three factors results in an increased need for extensive contracts to cover all contingencies. Because such controls are impractical, as well as costly, it becomes more efficient, then, to organize such transactions internally.

**FORMS OF ASSET SPECIFICITY**

Of the three aspects of transactions identified as important to TCE, Williamson regards asset specificity as the most important factor.1 Asset specificity refers to the degree to which an asset can be redeployed to other purposes. This is a slightly different view of an asset than we traditionally have used in financial and managerial accounting. Asset specificity is conceptually different from the accountants' notion of short- and long-term assets because it considers an asset's fungibility rather than its tangibility. Transaction-specific assets generally have little value outside the function for which they were designed. Williamson identifies the following four categories of asset specificity as site specificity, physical asset specificity, human asset specificity, and dedicated assets.

**Site specificity.** Site specificity relates to assets bound to a particular site. For example, a brick plant may be located next to a clay deposit to provide its primary raw material. Without this site, a very inexpensive raw material would become very expensive with transportation costs. The plant site may not be suitable as a site for other production facilities, however, because of its relative isolation from other raw materials or because of its lack of accessibility to major transportation lines.

**Physical asset specificity.** Physical asset specificity relates to the development of highly specific equipment and systems tailored to a particular business need. For example, permanent commercial bank branch offices often involve significant physical asset specificity because large investments in elaborate bank infrastructure—such as pneumatic tubing, bank security apparatus, and safe deposit boxes—must be built in. Furthermore, these investments are of little value to nonbanking enterprises should the site eventually prove unsuitable.2 Thus, the addition of such features limits the ability of the building to be used easily for functions other than banking without significant loss from the investment into the banking-specific building assets.

**Human asset specificity.** Workers who have developed extensive job-specific knowledge and expertise are examples of human asset specificity. As the emphasis on the role of knowledge in providing a competitive advantage increases, human asset specificity becomes an increasingly important factor in many firms. Human asset specificity involves not only the expertise developed by workers within the business, but also the costs of firm-specific training and the development of a corporate culture that facilitates interaction and enhances productivity.

**Dedicated assets.** Dedicated assets are those invested to meet the unique specifications or volume of production for a particular buyer. For example, expansions in capacity designed to meet a production contract with one large customer may result in sizable overcapacity and significant financial jeopardy if the customer
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does not renew the contract. A second form of dedicated asset is a specific investment in hardware or software made between individual suppliers and customers in two separate organizations to link inventory control and purchasing functions. Once made, this investment serves to dramatically lower ongoing transactions and ordering and stocking expenses.

Two other types of asset specificity are brand name capital, which refers to image-enhancing investments, and temporal specificity, which calls for time-critical investments.\(^3\)

**ASSET SPECIFICITY IN MANAGEMENT ACCOUNTING CONTEXTS**

Management accountants typically have ignored asset specificity. Accountants are fond of telling managers that after investments are made in capital assets they become sunk costs and are therefore irrelevant in determinations about future courses of actions. Although such sentiments are technically correct, because future alternatives should be evaluated on the basis of their future benefits, they are shortsighted. Transaction-specific assets may need more up-front evaluation because there often is less flexibility in their use once they are pur-

Bank deposit box illustrates physical asset specificity.

chas and, therefore, a greater likelihood that unanticipated circumstances will make them nonproducing sunk costs. If we acknowledge differences between nonspecific and specific assets during the initial evaluation and decision phase, we will be able to make more informed decisions about their acquisition and management.

**CAPITAL INVESTMENT DECISIONS**

In making capital investment decisions, traditionally we have used such criteria as the payback period, the net present value, and the return on investment methods to evaluate investment alternatives. While all of these indi-

cators consider the longevity and the magnitude of the capital investment, they do not explicitly consider the fungibility of the investment. This approach is analogous to measuring the on-average return or expected value rather than the variance or risk on return.

Investments in highly specific assets have both benefits and drawbacks. Specialized investments allow a company to achieve a strategic advantage by improving production efficiency, production or service quality, or product differentiation—or a combination thereof. Furthermore, these investments also signal to customers a continued commitment to the market they serve, thereby increasing the firm's reputation. In addition, highly specific assets can set the stage for future investments and strategic direction. For example, investments made by General Motors in its Saturn Division were designed, in part, to serve as a model for future development in other divisions.

The downside to specialized investments, however, is that highly specific tangible assets entail greater risk than do general purpose investments because alternative uses for the investment are less feasible. Furthermore, because capital represents a scarce resource, investments made in nonperforming assets also reduce the opportunity for investment in other, potentially more productive arenas. Because of these two factors, then, two particular considerations exist. First, Balakrishnan and Fox suggest that financing specialized assets may be more difficult than financing general purpose assets because the collateral value of specialized assets is reduced.\(^4\) Second, because, according to Peter Drucker, three out of every five capital investments fail to produce the promised results, initial investment decisions about specialized assets should include an assessment of their potential cost in case the investment turns sour.\(^5\) This consideration is very important because highly specific assets involve investments with little or no opportunity for recapture after their initial deployment.\(^6\)

Therefore, an important part of assessing the initial capital investment is considering whether the investment is likely to fulfill its strategic purpose. Evaluating the degree of asset specificity involved in the investment may provide a mechanism for determining whether asset-specific investments have more potential to provide the strategic advantages sought by the firm than do less asset-specific investment alternatives. For example, massive investment in GM's Saturn Division was intended to serve as a model for other GM divisions, but whether such investments can be duplicated within other divisions remains a question. Drucker has noted, "No one at GM seems to have asked what Saturn's success would commit the company to.
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As a result, the company may end up killing its hard-won success because of its inability to finance it.

MAKE OR BUY DECISIONS

Another original intent of TCE was to help determine when to employ vertical integration. TCE suggests that when a company makes a significant investment in specific assets in the context of environmental uncertainty and infrequent contracting opportunities, the costs of developing and enforcing market contracts become high. Thus, in these circumstances, vertical integration may be less costly than open-market supply arrangements. The downside of vertical integration is that its administrative costs can become excessive. Therefore, in recent years companies have developed alternatives that combine elements of both internal production and vertical integration. Such arrangements include partnering, strategic alliances, and outsourcing.

It is not surprising, given the complexity of operating arrangements in business these days, as well as the array of possibilities, that managers have used TCE to help sort through the myriad forms of inter-organizational contracting. Largely because of advanced information technology and extended value-chain analysis there has been an explosion of interest in strategic alliances, outsourcing arrangements, and a variety of supplier-customer agreements that have blurred the lines between organizations. One frequently cited example of these new marketing arrangements is the information-sharing and direct-restocking practices instituted between Proctor & Gamble (P&G) and Wal-Mart. Investments in specific forms of information technology enable these two organizations to restructure their purchasing transactions in a manner that minimizes total transaction costs, including inventory costs.

TCE also helps clarify evolving supplier-producer relationships in other ways. For example, just-in-time (JIT) manufacturing has forged changes in the number of suppliers used, the performance requirements of these suppliers, and the nature of contracts between them and JIT producers. Therefore, JIT may be regarded as a manufacturing investment in temporal specificity, which generally helps reduce inventory costs and increase quality levels. In addition, by reducing the number of suppliers, JIT reduces transaction costs. But other forms of transaction costs may substitute. For instance, when one of Ford Motor Company's suppliers went on strike, production at several JIT assembly plants was affected.

This example demonstrates that, although JIT lowers routine transaction costs, governance structures to prevent disruptions in production must be in place to offset the higher cost of delivery failure that results when downtime does occur at a supplier's plant. For instance, contracts with remaining suppliers generally should be negotiated for a longer term and made more specific regarding quality and performance specifications. Thus, the transaction is moved away from a pure market-based transaction characterized by many potential suppliers and short-term contracts to become one that is more bound by inter-party governance mechanisms. Understanding the implications of all circumstances involved in JIT manufacturing, as well as their impact on relationships with suppliers, will take measures to improve efficiency and ultimately help both parties negotiate contracts that reduce total transaction costs.

Finally, TCE highlights long-run strategic considerations that are important in deciding whether to make or buy products and services. Outsourcing core competencies or strategic technologies may provide short-run financial benefits but result in long-term competitive losses. James A. Welch and P. Ranganath Nayak argue that technology is a competitive advantage that must be considered in make-or-buy decisions. They offer this observation on outsourcing key processes to low-wage suppliers: "Ironically, the processes that were once thought too difficult or costly to automate have now been automated by the very suppliers who were chosen in favor of automation." Their recommendation is that emerging or growth technologies representing a source of competitive advantage should be maintained internally rather than outsourced. Use of TCE supports this conclusion as emerging and growth technologies are likely to require investment in highly specific assets. Internal development of such technology would provide more control than open market transactions.

INVESTMENTS IN INTANGIBLE AND HUMAN ASSETS

Measures of a company's intellectual capital may never make the financial statements of the organization, but such measures are among the most crucial new areas for benchmarking, evaluation, and control. The importance of managing specialized investments in human assets and intellectual capital is now well recognized, as evidenced by such terms as "knowledge workers" and "learning organizations." A number of prominent companies have been attempting to define, measure, and manage these very intangible but important business assets. Intellectual capital includes several components: such intangible assets as patents, inventions, and research and development investments; organizational knowledge established through infor-
measuring asset specificity is not an easy task because the concept is tied closely to the notion of opportunity costs or the next best alternative use of the asset. Viewed in this context, measuring asset specificity seems more appropriate on a comparative, rather than absolute, basis. Explicit consideration of asset specificity, even at a more qualitative level, could be useful in identifying some of the unique concerns and opportunities discussed here.

One temptation, given the accountant's view of transaction-specific assets, is to view them as sunk costs because little alternative use is possible for these assets once they are in place. Changes in management philosophy and in information technology, however, suggest that transaction-specific assets are increasingly important in developing a unique market strategy and in achieving synergistic relationships among the processes that exist within the organization and with other companies. Given this new context, we accountants must consider carefully the benefits of investing in specific assets, as well as explicit management of them.

Linda V. Ruchalski is assistant professor, University of Nebraska-Lincoln, Lincoln, Neb. She submitted this article through Nebraska Cornhusker Chapter, of which she is a member. She can be contacted by e-mail: lruchalski@unlinfo.unl.edu.

What year follows 1999? Of course you know, but there is a chance that your computer doesn’t. Computers typically store year dates as two-digit fields. The year 1998 is 98, and the year 1999 is 99. That makes the year 2000 a confusing 00, and most computers think 00 means 1900.

All kinds of hardware and software are affected by the Year 2000 problem, but time-sensitive applications are especially vulnerable. That’s why accounting and financial professionals are so concerned about the issue. If your word processing software stamps the wrong date on your document, it might be nothing more than inconvenient. However, if your accounting software uses the wrong date for invoices, payment notices, and depreciation schedules, the consequences can be staggering.

Many people are adopting a wait-and-see attitude, but experts agree that those who wait won’t like what they see. The problem is real, it is serious, and time is running out. The federal government has efforts under way to solve the problem in its systems. According to one department head, “We started our conversion in 1987. I think we started early enough, but I’m still not sure.” The estimated cost to companies in the United States alone will be at least $300 billion.

If you’re like most corporations, you’re only just getting started with your Year 2000 implementation. You still have time to complete the task, but don’t delay. This is one project with a deadline that absolutely can’t be moved!

**HIDING PLACES FOR YEAR 2000 PROBLEMS**

In order to locate problems in your computer system, you must first know where to look. Here are nine places where your Year 2000 problems can lurk.

**Mini/mainframes.** If you have an older minicomputer or mainframe, there’s a good chance your system has a Year 2000 problem. These systems were developed many years ago and were designed with the space-saving, two-digit date field. Because you might be facing a significant upgrade or replacement, you should analyze your system right away.

**PC hardware.** Many PC systems have a BIOS (basic input/output system) problem that causes the internal clock to reset to 1980 when the 00 threshold is reached. In some cases, hardware is still shipping with this problem. If you have stand-alone or networked PCs, you should check every system for BIOS errors.

**COBOL, FORTRAN, RPG3, or similar software.** These older languages were not designed for Year 2000 certification.
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and can be difficult to update. You may not be able to find programmers to help at a reasonable cost because many are now charging top dollar for Year 2000 updates.

**Proprietary software.** Perhaps you have a product that was created years ago exclusively for your company. A Year 2000 upgrade probably is not available, and it might be time to move to packaged software.

**No source code.** Regardless of the language in which your system is written, you will need access to the source code (original programming files) in order to make modifications. If your system has been in place for some years, the source code may be misplaced or unavailable. That will make changing your existing system difficult.

**Data entry screens.** Many input screens do not have the space or capacity to add digits to clarify the year. Also, you might not want to add digits because it slows data entry considerably. The industry standard solution is to interpret all two-digit dates higher than 50 as 20th Century years and all lower than 50 as 21st Century years. If your system is more than a few years old, it probably does not handle two-digit input properly. (Note that payroll systems must be updated to four-digit entry because birth dates prior to 1950 are still quite common.)

**Output reports.** Sort order of reports that include years after 1999 is likely to be Kaman errors. As a result, you might miss key comparision data. This procedure creates the best possible solution.

**Human errors.** Many data entry personnel routinely have used the years 00 or 99 as dummy fields so that test data or nonconforming data can be isolated from the rest of a report. As soon as you create a report with an actual 00 or 99 date, your data integrity is lost and might have to be recovered manually (if it can be recovered at all).

**Business forms.** As the Millennium approaches, all preprinted forms that include the year dates 19 will have to be replaced, overprinted, or crossed out manually.

As the financial manager at your company, you should take the lead in resolving Year 2000 issues.

**APPROACHING THE YEAR 2000 PROBLEM AT YOUR COMPANY**

As the financial manager at your company, you have an obligation to take the lead in resolving your Year 2000 issues. Although this is a "computer problem," which means that your MIS department will be responsible for updates and implementations, it is your company's financial systems that will be affected most directly by the problem. To find the best solution at the lowest price, you'll need to step up to the lead role.

Although the finance department will take the lead role, it's important to communicate with key managers so that you gain cooperation within your organization. Moving up to a Year 2000 certified solution might require time and effort from people not in your department. Participation across functional groups will help you implement the best possible solution.

**MIS department.** These are the people who will manage the technical end of your update, upgrade, or new installation. They can help manage the testing process and identify technical issues that may not be related to finance.

**System users and managers.** System users are the ones who will have to shoulder much of the extra effort needed for thorough testing and implementation. They also are the people who will have to handle all of the exception processing if your system is not certified by the Millennium. Be sure to help them understand how their efforts now will save headaches later.

**System customers.** Customers can be found throughout the organization, in every department and at any level. These people rely on the reports and summaries generated by the system. They may not understand the fundamentals of accounting, but they know what they want the system to deliver. Including them in the process will help identify issues and support the testing and implementation effort.

**Corporate management.** These are the people who must give final approval to any funding for testing or new software. This group dislikes any surprises, so it's best to provide detailed, accurate information about the Year 2000 problem as soon as possible.

**TEST PROGRAM METHODOLOGY**

Four steps outline a basic testing program for your accounting software:

1. Develop test data,
2. Test 1999 going forward,
3. Test 2000 going backward,
4. Year 2000 operation.

Before you can test your system, you will have to create a data set to use in the testing. Use transactions that represent the range of data normally used. Look ahead a few years, and make some educated guesses as to the kinds of transactions you'll be processing at that time.

For a starting point, set aside a test area on your network to house duplicate data. This procedure creates the least interruption to day-to-day business. Some software allows you to create a separate fictitious company, which is a good way to segregate the data. Document all procedures with a schedule for completing each task.

**Step 1: Certified test data**

The test data shown here are for illustration purposes. The data you use for testing should be different. The development of these test data should be documented, and the user department manager or accounting manager should sign each test data entry form certifying that the data represent the range of values to be tested.
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All notes and working papers should be retained for five years or more. Auditors and managers might need them in the future to verify the scope of testing completed.

**Step 2: Year 2000 dates entered in 1999**

Transactions entered on a test date in this century include references to the next century. Set all dates (server, workstation, and accounting application dates) to your test date in 1999 (for example, 6/15/99).

Sample test data:
- Enter sales order on 6/15/99 with one line item required on 6/15/99 and another item required on 6/15/00.
- Enter invoice on 6/15/99 with payment terms of 12 months. (Due date 6/14/00.)
- Enter process manual and AP check for 12/31/99.

Sample results expected:
- Fields in accounting database entered with year 00 represented in date format for year 2000.
- Picking tickets print with correct required dates.
- Report sort by requirement date shows year 00 records ahead of 99.
- AR aging report shows items entered with due date of 6/14/00 as current.

**Step 3: 1999 dates entered in 2000**

Transactions entered on the test date in this century include references to the next century. Set all dates (server, workstation, and accounting application dates) to your test date in 2000 (for example, 1/15/00).

Sample test data:
- Fields in accounting database entered with year 99 represented in date format for year 1999.
- General ledger journal entry for 6/15/99 period entered on 1/15/00.
- Vendor's invoice arrives late. Transaction entered on 1/15/00 for expense effective date of 6/15/99.

Sample results expected:
- General ledger journal entries for 6/15/99 show in period for 1999 date.

**Step 4: Year 2000 date operation sample tests**

- Set all system clocks to 2/29/00 to verify that transactions can be entered for the leap day.
- Are two-digit years of 00 allowed (for faster data entry)?
- Are dates entered between 00 and 50 shown in accounting database as year 20nn?
- Are dates entered between 51 and 99 shown in accounting database as year 19nn?
- Birth dates for employees can be entered as 19nn and 20nn.
- All aging reports for AR, discounts, and payables handle combinations of 1999 and 2000 dates.
- User privileges (access to accounting menus, screens) work for dates in 2000.

Remember your test data will be different from the data shown here. Develop and certify your test data based on your normal transaction ranges. Be sure to document all errors. (See Figure 1.)

---

**Figure 1. YEAR 2000 TESTING PROCESS**

This missing study demonstrates the order in which Year 2000 testing tasks should be undertaken and completed. Many of the tasks overlap and must be coordinated. The complexity and importance of each task is shown here proportionally—a task shown in a large box is harder to complete and takes more effort than one in a small box.
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WHAT IF YOU FIND PROBLEMS?

Let's assume your systems check reveals some problems with your current accounting software. Now you'll need to review your options and choose a direction for your company. You'll want to base your decision on the costs and benefits associated with either upgrading your existing system or replacing it with a new system. (See Figure 2.)

Updating means adding Year 2000 capabilities to your current system (usually through the help of a programmer/consultant). This option most likely will be pursued by users with older proprietary systems because there's no other way to get to Year 2000 certification. Before you update your system, however, compare the true cost of implementing a new system. You may find that moving up to current technology is a better strategy than trying to bring your old system forward.

Upgrading means staying with your current software supplier. You move up to a newer release of the same product. Naturally, your supplier will need to offer a Year 2000 certified upgrade to make this option viable. People often assume that upgrading is less costly than system replacement, but that's not always the case. You'll have to do some pricing homework to find out.

Replacing your system means implementing entirely new software from a new supplier. Maybe you already are considering this move. The Year 2000 is a good reason to stop waiting and start moving forward. Remember that according to Financial Accounting Standards Board rules, updating or fixing your current system must be expensed, while new system implementation can be capitalized.

Update your system if: The software is relatively new. You may have a proprietary system that's fairly new and that has not been fully capitalized. The cost of updating may be far less than the cost of a new system.

The system is working efficiently. Although it is unusual for older proprietary systems to function as efficiently as new technology, some actually are quite good. To evaluate and compare your system's efficiency, take a look at an up-to-date package currently on the market.

The system creator is on staff. Perhaps your system was built in-house, is running well, and the system builders are still available. They might be able to update the system cost effectively. Insist on a project specification and schedule. Be sure to weigh the cost of projects that won't be completed while the Year 2000 is added to your current software.

Upgrade your system if: The upgrade is Year 2000 certified. There's no point in upgrading unless the new product is tested for the Millennium. Don't accept promises of future deliveries; you need to make a move now. Ask questions about your supplier's testing and certification procedures.

Reports are what you need. If your system is delivering the kind of information you need, when you need it, you have good reason simply to upgrade to a new release of the same product.

Maintenance is reasonable. Older systems sometimes require so much tweaking and maintenance that you can't cost justify their existence, even if their output is worthwhile. If your maintenance expenses are high or growing, you may not want to upgrade.

The system is easy for your users. A system that's easy to use is a significant plus. Provided the upgrade has similar structure, look, and feel, you could save on training costs by sticking with your current system provider.

It offers an easy upgrade path. It's worth upgrading only if the product gives you an ongoing path for the future. Your software company should have a demonstrated history of new releases and a transition strategy that makes upgrading as easy as possible. Ask about data conversion tools.

The manufacturer is sound. Obviously, you want to purchase from a reliable software manufacturer that has a large installed base and a commitment to future product development.

Replace your system if: You need new capabilities. Stepping up to a new system takes longer than the typical upgrade, but it's a golden opportunity to retool for growth, better data management, and for future technology. The Year 2000 has proved to be a catalyst for many financial managers who had been planning to move up to a better system.

Your company plans to grow. If growth figures into your plans, there's a good chance you may outgrow your existing system anyway. Perhaps you can save your Year 2000 issues while you invest in future expansion.

You plan to add new staff. If you're already planning to add staff in the finance department, your training costs for a new system will be no different than for an upgrade to the old system.

You need a new network or hardware. If you're making other infrastructure changes, a new accounting system can integrate easily into the process.

You face competitive challenges. Your decisions are only as good as the infor-
You Have Less Than Two Weeks Until the Year 2000

The best days to update, upgrade, or replace your accounting system are at the end of the month. That way your reporting has a clean break between one system and the next. Count the month-end windows between now and the Millennium. You'll see that your options are limited.

But it gets worse. The fact is, you will want to convert to a new system over a weekend in order to have enough time for testing and troubleshooting without interrupting normal workflow.

This is a list of month ends that fall on Friday, Saturday, or Sunday:

- October 31, 1997
- November 30, 1997
- January 31, 1998
- February 28, 1998
- May 31, 1998
- July 31, 1998
- October 31, 1998
- January 31, 1999
- February 28, 1999
- April 30, 1999
- July 31, 1999
- October 31, 1999
- December 31, 1999

You will save money if you get started now and avoid competing with the thousands of businesses that will wait until the last dates on the list.

Readers who want a checklist template for Year 2000 testing will find it in the free booklet from SBT Accounting Systems shown here. Also free is the "Acid Test" diskette that checks hardware for Year 2000 BIOS problems. Call 1-800-944-1000 to ask for your materials, or visit the Web site at www.sbt.com.

HOW COULD THIS HAVE HAPPENED?

Some software users are surprised to learn that Year 2000 updates are not an automatic part of hardware and software systems. "Why wasn't this solved years ago?" they wonder. The fact is, if computer manufacturers had designed Year 2000 capabilities, they never would have gotten off the ground. When computers first became available, memory was so expensive that all kinds of data shortcuts were used. The two-digit field is one of those shortcuts.

Once the applications were up and running, compatibility became an issue. It was tough for one vendor to make a change unless everyone else followed suit. As a result, manufacturers continued to use the two-digit date field. And customers definitely were not pressing for Year 2000 solutions. Remember how far away the Millennium seemed back in 1979? Also, there was the naive assumption that the fix could be effected with just a few lines of code or with a little add-on program.

Responsible manufacturers now are providing upgrades for their customers that solve the problem. Implementation can be expensive, so most manufacturers provide more than just a Year 2000 upgrade. They include additional product features, new ease-of-use capabilities, or Internet capability as part of the Year 2000 upgrade. That way customers can cost justify a move forward.

William H. Mills is president and chief operating officer at SBT Accounting Systems. Prior to joining SBT, Mr. Mills was founder, president and CEO of PSI Systems, a leading accounting software consulting business in Atlanta, Ga. Mr. Mills can be reached at (415) 444-9900.

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Focus on Manufacturing
Phoenix, AZ
October 21-22, 1997
Washington DC
October 27-28, 1997
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Atlanta, GA
November 5, 1997
Chicago, IL
November 19, 1997

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NAME
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BY VITO C. PERAINO, ESQ.

Living in the bowels of many business computer systems is a bug that will come alive on January 1, 2000, and that may render many business computers useless. Known as the Year 2000 problem, this glitch is estimated to affect the majority of computer systems that are operating in the United States and, indeed, the world. Unless fixed, the Year 2000 problem will result in massive liability to industry and significant bottom-line impact to business.

The Year 2000 problem arises because of the logic computers use to read dates. In the early days of data processing, memory space was at a pre-

YEAR 2000 PROBLEM:

Is Your Company Exposed?

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Potential liability costs of the Millennium bug could surpass a predicted $300 billion-plus cost of fixing it.

The problem should not be underestimated from a cost perspective, either. The Gartner Group, a leading computer consultancy, pegs worldwide cost for the Year 2000 problem at between $300 billion and $600 billion. These figures are exclusive of litigation and hardware costs. Capers Jones, another leading computer metric expert, includes these costs in his estimates at $1.5 trillion.

These costs arise because while the Year 2000 problem is simple to understand, it is devilishly hard to fix simply. To correct the problem, one must identify all of the programs operating in an organization, scan tens to hundreds of millions of lines of computer code, find the problem code, fix the problem code, and test the corrected code to assure that the correction works and that no other operations are affected by the fix. Industry experts report that there already is a severe shortage of qualified computer programmers to address this problem and that it is anticipated that the problem will only worsen.

**ACCOUNTING FOR YEAR 2000 COSTS**

The Emerging Issues Task Force of the Financial Accounting Standards Board has reached a consensus with respect to Issue 94-14, "Accounting for the Costs Associated with Modifying Computer Software for the Year 2000." The EITF has stated that both the external and internal costs associated with modifying internal-use software for the Year 2000 should be charged as a current year expense. The EITF analogizes to repair and maintenance costs. But to the extent that a company purchases software or hardware to replace noncompliant software or hardware, those costs will be subjected to the company's normal policy for accounting for such costs.

Disclosure of Year 2000 costs also will be governed by Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies." Loss contingencies that are reasonably possible, whether or not the amount can be calculated or estimated, need to be disclosed in the companies' notes to the financial statements. A company that determines that it is reasonably possible that it will not be Year 2000 compliant in time may be required under SFAS 5 to disclose this fact to the public.

Year 2000 consultants report that most organizations are behind where they need to be with respect to their Year 2000 conversion. Accordingly, most experts agree that the bulk of the Year 2000 costs that will be incurred by a typical organization will be back-loaded to the 1998 and 1999 fiscal years. FASB's Year 2000 ruling, therefore, will have the effect of telescoping the cost of the Year 2000 problem into two fiscal years, with attendant bottom-line impact, and, for publicly traded companies, attendant stock price impact.

**DIRECTORS' AND OFFICERS' LIABILITY ISSUES**

The potential for directors' and officers' liability associated with the Year 2000 problem is real and largely underreported. Quarterly and annual reports to the Securities & Exchange Commission require that the company include a section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A). These requirements are set forth in Reg. S-K, Item 303. For companies facing a Year 2000 problem and possible noncompliance, disclosure may be mandated. Additionally, a company is obligated to disclose "material" facts in conjunction with the offer and sale of securities under the Securities Act of 1933 and the Securities Exchange Act of 1934. Given the costs of Year 2000 compliance, which for many companies range in the tens and hundreds of millions of dollars, disclosure will be required. Failure to disclose such information may well lead to director and officer liability.

Unfortunately, the problem may be deeper. A tour through any financial statement reveals myriad date-sensitive calculations that compose the statement. Of course, these components are generated by the company's computer systems. To the extent that these calculations are undermined, companies may be facing auditors who refuse to issue unqualified auditors' opinions. The effect of failing to have an unqualified opinion could threaten...
Table 1. SOME ESTIMATED COSTS FOR FIXING YEAR 2000 PROBLEM

<table>
<thead>
<tr>
<th>Company</th>
<th>Projected Future Costs</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Products &amp; Chemicals, Inc.</td>
<td>$10,000,000,000</td>
<td>10K (12/18/96)</td>
</tr>
<tr>
<td>Airline Industry</td>
<td>$2,000,000,000</td>
<td>Airline Business (December/96)</td>
</tr>
<tr>
<td>American Airlines</td>
<td>$75,000,000,000</td>
<td>Airlines Financial News (1/20/97)</td>
</tr>
<tr>
<td>Britain</td>
<td>$50,000,000,000</td>
<td>The Daily Telegraph (4/12/97)</td>
</tr>
<tr>
<td>Canada</td>
<td>$30,000,000,000</td>
<td>The Financial Post (1/5/97)</td>
</tr>
<tr>
<td>Electronic Data Systems Corp.</td>
<td>$144,000,000</td>
<td>The Reuters Business Report (5/22/97)</td>
</tr>
<tr>
<td>Federal Express</td>
<td>$500,000,000</td>
<td>Brown Daily Business Review (3/21/97)</td>
</tr>
<tr>
<td>Federal Government</td>
<td>$2,800,000,000</td>
<td>C41 News (7/17/97)</td>
</tr>
<tr>
<td>Hertz Corp.</td>
<td>$15,000,000</td>
<td>10K (3/25/97)</td>
</tr>
<tr>
<td>ITT Hartford</td>
<td>$20,000,000</td>
<td>Datamation (1/1/96)</td>
</tr>
<tr>
<td>Merrill Lynch &amp; Co.</td>
<td>$200,000,000</td>
<td>St. Louis Post-Dispatch (6/25/97)</td>
</tr>
<tr>
<td>New York City</td>
<td>$100,000,000</td>
<td>USA Today (4/29/97)</td>
</tr>
<tr>
<td>Prudential Insurance Company</td>
<td>$150,000,000</td>
<td>Risk Management (April 1997)</td>
</tr>
<tr>
<td>U.S. West</td>
<td>$40,000,000</td>
<td>The Denver Post (2/7/97)</td>
</tr>
</tbody>
</table>

The ability of a company to trade on a regulated exchange and certainly will undermine a company's credit rating.

CLASS ACTION EXPOSURES

The most daunting liabilities arise from the specter of companies that simply will not be able to open for business on January 1, 2000. These companies will face a host of potential liabilities arising from their customers and employees. Companies that fail to correct their Year 2000 problem certainly will face mass breach-of-contract actions and potentially mass tort actions. In some states, like California, companies may face consumer fraud actions as well, which carry with them the prospect of additional liabilities.

While the motivation to face and address the Year 2000 problem for companies would seem clear, many companies are continuing not to take this problem seriously. For those companies that are good corporate citizens and which do address their problem, however, potential liabilities nevertheless loom. To the extent that a company's trading partners fail because of a Year 2000 problem, another company's ability to open for business may be undermined and may result in liability. For example, if a company's bank cannot open for business, it won't be long before the ability of a bank's customer to operate will be undermined.

Prudent businesses are engaging their trading partners now in a conversation that addresses Year 2000 problems. Companies are canvassing their critical service providers and critical parts suppliers to ensure that they have addressed the Year 2000 problem and to ensure that the doors will stay open. Letters that request a status report on Year 2000 efforts are a good starting point for the inquiry. Many businesses are adopting a policy that if a company cannot certify that it will be Year 2000 compliant in time, they will seek a different service or parts provider.

MINIMIZING COST

Many companies also are taking a hard look at how they got into this problem in the first place. Companies may have rights of action against computer consultants and computer software providers for failing to install a system that is Year 2000 compliant. These issues will turn on the interpretation of the relevant contracts.

First, one must consider the applicability of any written warranty or written warranty disclaimer. If the product or services were warranted, the scope of the warranty may determine whether that warranty has been breached and whether there is a right of recovery against the provider of the good or service. With respect to the warranty disclaimers, companies should not readily assume that the existence of a warranty disclaimer necessarily precludes recovery. Warranty disclaimers are disfavored in the law and will be narrowly construed. In addition, many states have laws that limit the applicability of warranty limitations. Many states also have technical requirements for the wording, placement, and typeface of warranty disclaimers that might limit their application.

Second, one must consider the possibility that there may be an unwritten implied warranty that may address the performance of software goods or services. In particular, the implied warranty of fitness for a particular purpose may provide an avenue for redress of wrongs. While the outlines of the implied warranty vary from state to state, all states recognize such warranties in one form or another. This may be an active area for litigation arising from the Year 2000 problem.

PRODUCT LIABILITY

The Year 2000 problem is not limited to software, unfortunately. The Year 2000 problem also manifests itself in something called the "imbedded chip" issue. Imbedded chips are microchips that are incorporated into larger products and that perform a data function. In many products imbedded chips use a hard coded date logic that will not work at the turn of the century. There are reports that these chips have been found in elevator systems, security systems, heating and air conditioning systems, medical devices, and consumer home appliances. Should these chips fail, product liability issues will arise, and companies may face substantial liability. As a manufacturer of a defective product, or as a person in the chain of distribution, the potential for application of strict, joint, and several liability exists. These suits are expensive to defend and may be widespread as the full extent of the imbedded chip issue begins to surface.

TAKE ACTION NOW

The Year 2000 problem is real, it is expensive, and it is fraught with myriad potential liabilities. Prudent businesses are taking steps now to report the problem accurately and to take other steps that will help insulate them from liability. The best legal advice is to take action now and fix the problem. Time is not on your side.
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Principles

BY CURTIS C. VERSCHOO R

Some 35 years ago Milton Friedman made his classic contention that "a corporation's [only] social responsibility is to make a profit." While this philosophy remained relatively unquestioned for several decades, it has been criticized increasingly in recent years, particularly by stakeholders who are directly affected by corporate activities. These days, a company's impact on such criticizes increasingly in recent years, stakeholders — including customers, employees and franchisees, suppliers, and the communities in which a company operates— is serving as an emerging benchmark of corporate performance. In that light, I want to examine the relationship between a corporate ethics code and a company's performance, both financially and nonfinancially. As concerns for social and environmental responsibility have placed further constraints on corporations already facing new realities of financial prudence and fiduciary accountability from their institutional investors. To emphasize, one in 10 investment dollars is placed with some ethical or social criterion in mind. In fact, investment assets managed with social or ethical screens amount to nearly $200 billion. It is obvious, then, that many people want to invest for profit with principle so they can express their personal values with their financial assets. Given this climate, politicians, social activists, scholars, employee and consumer groups, and even some legal experts are attempting to determine appropriate parameters of corporate social performance and how they should be incorporated into business operations. For example, corporate responsibility was a key political plank in the victorious Labor Party's platform in the U.K. Domestically, President Clinton sponsored the first Conference on Corporate Citizenship and convened a Summit on America's Future, stressing the significance of volunteerism. He also recently introduced the Apparel Industry Partnership Code of Conduct, which addresses external and internal monitoring of labor practices.

On the corporate front, ethical standards have become a higher priority ever since the passage of the Federal Sentencing Guidelines in 1991. In fact, a 1991 Conference Board survey showed that 84% of respondents had a corporate code of ethics. But is there a connection between ethics and corporate performance? Since Friedman issued his manifesto, researchers have attempted to assess the relationship between a corporation's financial performance and social performance with varying results. A little researched but increasingly pertinent issue is the role of an ethical corporation's internal controls in its success, both financially and socially.

As management accountants and financial managers know, "internal control" is the most common term used to describe the processes an organization uses to achieve its objectives. It is recognized as the cornerstone of corporate governance. Management's public reporting of internal corporate controls originated in the early 1970s, pursuant to an initiative by public accountants. The movement for public reporting gained even greater momentum in the late '70s, after numerous ethical lapses led to intensified public scrutiny of corporate accountability. The resulting Foreign Corrupt Practices Act of 1977 requires all publicly held companies to maintain an adequate internal accounting control system. A decade later, in 1987, the Treadway Commission recommended that the Securities & Exchange Commission (SEC) require all public companies to include a statement on internal controls in their annual reports that would acknowledge management's responsibilities for a broadly defined set of internal control objectives, discuss how the company was fulfilling these responsibilities, and provide management's assessment of the effectiveness of the internal controls. Although the SEC never implemented this mandate, three-quarters of large public companies decided voluntarily to publish an internal control report each year. Far fewer, however, provide an assessment of the adequacy of internal controls.

Implementing and enforcing a code of ethics can help companies reap success—fiscally and socially.

Experts in control systems and performance reporting, management accountants and financial managers should take leadership roles in this area, particularly at a time when accountability is beginning to transcend the bottom line.

THE TREND TOWARD ETHICAL BEHAVIOR

The legacy of social activism in the 1960s and 1970s is impacting corporate decisions today as special interest groups have grown increasingly vocal about environmental issues and Third World working conditions. Furthermore, more than 75% of consumers claim they would switch brands and retailers to support a worthy cause. Thus, heightening concerns for social and environmental responsibility have placed further constraints on corporations already facing new realities of financial prudence and fiduciary accountability from their institutional investors. To emphasize, one in 10 investment dollars is placed with some ethical or social criterion in mind. In fact, investment assets managed with social or ethical screens amount to nearly $200 billion. It is obvious, then, that many people want to invest for profit with principle so they can express their personal values with their financial assets. Given this climate, politicians, social activists, scholars, employee and consumer groups, and even some legal experts are attempting to determine appropriate parameters of corporate social performance and how they should be incorporated into business operations. For example, corporate responsibility was a key political plank in the victorious Labor Party's platform in the U.K. Domestically, President Clinton sponsored the first Conference on Corporate Citizenship and convened a Summit on America's Future, stressing the significance of volunteerism. He also recently introduced the Apparel Industry Partnership Code of Conduct, which addresses external and internal monitoring of labor practices.

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Implementing and enforcing a code of ethics can help companies reap success—fiscally and socially.
THE CURRENT STATE OF INTERNAL CONTROLS

This issue intrigued me. I wanted to find out if the effective use of codes of ethics made a difference in the financial and nonfinancial performance of companies, so I decided to analyze the annual reports of the largest 500 publicly held U.S. corporations (by sales and revenue) as listed in the 1996 Business Week 1,000.

I divided these companies' annual reports into three categories for comparison: A—No management report; B—Report but no mention of ethics; C—Report with mention of ethics.

I found that 74.6% of the annual reports included a management statement describing the company's responsibility for financial reporting and for establishing and maintaining an effective internal control system. Furthermore, 54% of the reports commented on the adequacy of their system for achieving a variety of control objectives, including the safeguarding of assets, the authorization of transactions, and proper external financial reporting.

I found that almost all companies employed the same general means of fulfilling management's internal control responsibilities: audit committee oversight, actions of internal auditors, and work of the external audit firm. While the specific content of the reports and the depth varied considerably from company to company, there were consistent patterns in scope and language. (Previous research has shown that wording of a company's management report remains consistent over time.)

Unfortunately, despite their initiative in reporting internal controls, only 33.6% of the reporting companies (126) specifically mentioned a code of conduct or ethics system. This lapse was somewhat unexpected, as current accounting literature—especially SAS No. 78—and the COSO report (Internal Control: Integrated Framework)—emphasizes the importance of an organization's integrity and ethical values on maintaining effective controls.

HOW DO COMPANIES EMPHASIZE ETHICS?

Among the companies that did apply a code of conduct or ethics standard to their internal control system, the language they used to define this code varied considerably. Some companies mentioned an ethics program almost in passing when listing such control practices as proper personnel selection and training. Others placed a much greater weight on ethics as a control factor. Still others made a point of emphasizing management's responsibility in this capacity.

Here are some examples of the wording companies are using when they...
incorporate ethics into their internal control system as an integral part of their corporate philosophy.

Johnson & Johnson
"It has always been the policy and practice of the Company to conduct its affairs ethically and in a socially responsible manner. This responsibility is characterized and reflected in the Company's Credo and Policy on Business Conduct, which is distributed throughout the Company. Management maintains a systematic program to ensure compliance with these policies."

Campbell Soup
"The company believes that its long-standing emphasis on the highest standards of conduct and business ethics, set forth in extensive written policy statements, serves to reinforce its system of internal accounting control."

DuPont
"The company's business ethics policy is the cornerstone of our internal control system. This policy sets forth management's commitment to conduct business worldwide with the highest ethical standards and in conformity with applicable laws. The business ethics policy also requires that the documents supporting all transactions clearly describe their true nature and that all transactions be properly reported and classified in the financial records."

Pittston
"Management has also established a formal Business Code of Ethics which is distributed throughout the Company. We acknowledge our responsibility to establish and preserve an environment in which all employees properly understand the fundamental importance of high ethical standards in the conduct of our business."

IBM
"We believe that it is essential for the company to conduct its business affairs in accordance with the highest ethical standards, as set forth in the IBM Business Conduct Guidelines. These guidelines, translated into numerous languages, are distributed to employees throughout the world, and reemphasized through internal programs to assure that they are understood and followed."

These examples illustrate more than a mere mention of a code of conduct. While most public companies have been motivated to higher ethical standards by the legal consequences of the Sentencing Guidelines, these companies and others with similar philosophies demonstrate a greater commitment to ethics by virtue of their description of actions for maintaining internal control.

### COMPARING REPUTATION, PERFORMANCE, AND ETHICS

As the next part of my research project, I wanted to ascertain whether the 126 companies in Group C of the Business Week 500 differed from the remaining 374 companies in terms of their financial and nonfinancial or social performance. To do this assessment, I compared how the three groups were rated for reputation and financial performance based on Fortune magazine's 1997 survey of "America's Most Admired Companies" and Business Week's 1997 ranking of historical financial performance.

The Business Week analysis. The most surprising finding is that the companies with a defined corporate commitment to ethical principles also fared better financially. In 1997, Business Week decided to drop its reporting of the 1,000 largest publicly held companies. Instead, it prepared an analysis of the financial performance of the companies included in the S&P 500 Index. Using only historical results, Business Week ranked each company into quintiles for eight financial measures: total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity. The company quintile rankings for these eight factors were combined with "a slight weighting for sales volume" to yield an overall financial performance ranking. The 1997 Business Week analysis included 376 or 75.2% of the initial 500-company sample from the 1996 Business Week 1,000.

According to the 1997 analysis, the companies in Group C had a strong and statistically significant higher average financial performance than those in Group A or Group B. Using the Mann-Whitney U Test, the probability that the difference in performance ranking between the average of Group C and Group A companies was due to chance is .0095. The comparable probability between Group C and Group B companies is .0097. In contrast, the probability that the difference between Group A and Group B companies was due to chance is a very large .4559. Thus, the probability that Group C's higher financial performance rankings were not due to chance is more than 99%.

Fortune's "most admired." Five of Fortune's eight key attributes track stakeholder concerns either directly or indirectly. These attributes are innovativeness; ability to attract, develop, and keep talented people; quality of management; quality of products or services; and community and environmental responsibility. The other three measures are entirely financial. They are value as a long-term investment, financial soundness, and use of corporate assets.³

To conduct its survey, each year Fortune asks senior executives, outside directors, and financial security analysts to assign ratings of 1 (low) to 10 (high) to each of the eight attributes for four to 10 companies in their own industry. For purposes of comparison, the 60 industry subgroups used by
Fortune for its 1997 Fortune 1,000 listing were compressed into 49 categories. In general, the companies included were the largest in their industry. To afford an immediate overview, the scores from the eight criteria were averaged into a composite reputation score. Using Fortune's assessment, then, the scores of 431 companies were reported in 1997, and 417 were reported in 1996. When I compared these Fortune-selected companies with the 500 top companies in the Business Week study, I obtained a match of 308 firms for 1997 and 287 for 1996.

Study results. Using the one-way analysis of variance technique, I found a statistically significant difference between the average 1997 Fortune reputation score for Group C companies (whose management mentions ethics) and the scores of Groups A (no management report) and B (no mention of ethics) companies (see Table 1). But there was no significant difference between the average scores of companies in Group A and Group B. The probability that the difference between the 1997 Group C mean reputation score of 6.8122 and the Group A mean score of 6.2832 was due to chance is only .0001. The probability that the difference in mean reputation score of 6.8122 for Group C companies and 6.2832 for Group B companies was due to chance also is low—only .0002. In other words, the probability that the higher Fortune scores linked to mention of a code of conduct or ethics was not caused by chance is more than 99%. For the 1996 Fortune scores, the comparable probabilities are .0016 for Groups C and A and .0047 for Groups C and B.

While this strong association does not prove causation, it certainly suggests it. The comments of Coca-Cola Chairman and CEO Robert Goizueta illustrate the strength of a commitment to ethics. He says in Fortune that "Employees with integrity are the ones who build a company's reputation. Working for the Coca-Cola Company is a calling. It is not a way to make a living. It's a religion." It is not surprising, then, that Coca-Cola was ranked at the top of the "Most Admired Companies" list in both 1996 and 1997.

Of the 10 highest-ranking companies in 1997, five are in Group C, two are in Group A, and one is in Group B. The
other two companies were not in the 
*Business Week* 500-company sample I studied.

Of the 10 "Least Admired Companies" in 1997, only one is in Group C—Kmart. While Kmart's management report presents honorable-sounding objectives, the company's ranking in the *Business Week* study is, nonetheless, a lowly 428 out of 495. Its management report reads, "The Company has adopt-
ed a code of conduct to guide our man-
agement in the continued observance of high ethical standards of honesty, integrity, and fairness in the conduct of the business and in accordance with the law. Compliance with the guidelines and standards is periodically reviewed and is acknowledged in writing by all management associates." Evidently a stated commitment to ethical behavior is a helpful but not absolute determin-
ant of success.

**IMPORTANCE OF PROPER IMPLEMENTATION**

It should be emphasized that the mere presence of an ethics program—particularly one that does not cover all stake-
holders or that is not implemented properly throughout the organization—is not sufficient. Even the most compre-
hsive code will not ensure ethical behavior without commitment from top management and effective monitoring.

Texaco, Inc., stands as a classic exam-
ple of this cautionary tale. The company has all the outward appearances of an effective ethics control system. Its man-
agement report clearly says, "It is Texa-
cos's long-established corporate policy to maintain a control-conscious environ-
ment and an effective internal control system throughout its world-wide oper-
ations..."[with] Corporate Conduct Guidelines which require that all employees maintain the highest level of ethical standards." Furthermore, its 1996 proxy statement describes imple-
mentation of a number of standing com-
mittees to oversee and enforce internal controls, including an Audit Committee that reviews internal controls; a Public 
Responsibility Committee that reviews and makes recommendations regarding the policies and procedures affecting the company's role as a responsible cor-
porate citizen, including those related to equal employment opportunity, health, and environmental and safety 
matters; and a Compensation Commit-
tee that assures the company's compens-
ation structure incorporates programs that motivate performance in "full 
compliance with Texaco's vision and values."

Yet, despite all these well-intentioned measures, Texaco's system permitted one of the more egregious cases of internal control failure in history. Ultimate-
ly, control weaknesses caused Texaco's 
continued failure to comply with anti-
discrimination statutes, in spite of the many oversight functions the directors 
reported performing. The landmark $176.1 million discrimination suit set-
ttlement against Texaco last March 
involving alleged widespread prejudice and intolerance in employment, pay, 
and promotions of women and minori-
ties serves as a sobering reminder that even the best-laid control measures can fail without constant vigilance.

Texaco, however, has taken dramatic measures to improve internal controls in the future. The company has agreed to appoint an independent Equality and Tolerance Task Force to bolster internal control and has committed $35 million to fund this endeavor over the next five years. Activists have stated that the settlement terms should be a model for other corporations.

Indeed, Texaco's delegation of gover-
nance functions to an external group seems without precedent in its breadth 
and scope. Task Force recommendations for changes in practices affecting diver-
Sity in procurement, franchising, distri-
bution, and employment generally must 
be adopted by management under penalty of court sanction. Also, the 
unlimited access granted the Task 
Force to any and all activities of the cor-
poration could result in a costly and cumbersome duplication of efforts that could have been performed much more effectively and efficiently by a properly 
structured internal corporate audit function in the first place.

**CONTROLS DO MAKE ETHICS EFFECTIVE**

There is a statistically significant link 
between a management attitude favor-
ing strong controls that emphasize ethi-
cally and socially responsible behavior 
and favorable corporate performance, 
both financially and socially. Yet it is 
critical that a company implement and 
maintain the controls. Reengineering 
efforts make teamwork and self-motiv-
ated activities even more crucial to corporate success. As
*Fortune* has written, "A company's good name [reputation] is to strong financial performance as chicken is to egg." But the reputation 
must be deserved and not simply the result of clever public relations.

Senior management should realize 
that corporate ethics has become a 
mainstream management issue, not 
limited to safeguarding assets, compli-
ance, or financial reporting. Because of 
downsizing, greater emphasis must be 
placed on "soft" controls like teamwork, 
trust, and loyalty, which are closely related to ethics and the corporate 
culture.

Management accountants and finan-
cial managers have many roles to play 
in assuring that organizations have strong controls integrating ethics and socia-
1"American Institute of CPAs (AICPA), Auditing Stan-
dards Board, Statement on Auditing Standards (SAS) 
No. 78 Consideration of Internal Control in a Financial 
Statement Audit: An Amendment to Statement on 
1Committee of Sponsoring Organizations of the Tread-
way Commission (COSO), Internal Control—Integrat-
1A consensus is lacking as to whether Fortune's criteria 
are appropriate for assessing corporate performance, 
either socially or financially. It seems that the major 
demarcations of a company's reputation—reliability, 
credibility, trustworthiness, and responsibility—are 
not defined and measured adequately even though 
they are as important to social performance as they are to financial performance.

Curtis C. Verschoor is the Ledger and Quill 
Alumni Research Professor in the School of 
Accountancy at DePaul University in Chicago. 
He is a member of the Northwest Suburban 
Chicago Chapter, through which this article was 
submitted. He can be reached at (847) 
381-8115, phone, or e-mail, iverscho@condor. 
depaul.edu.
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Call 1-888-335-5053 today for this important reprint from Fortune magazine: “Is Your Company Off Course?” Now you can find out why...
Imagine that you have just entered a time capsule that transports you to your office as it will look in the year 2007. The controller is video conferencing with the company's director of operations in Central Europe. They are discussing various cost management strategies based on information they see on their computer screens.

As you observe the sparsely populated offices, you notice several video conferences taking place among on-site staff and managers working at home or in other far-flung locations. Participants are discussing the successful use of electronic data interchange and straight-through processing and are making decisions based on sales and production activity information that is updated instantly on their PCs.

You already know or have witnessed how much management accounting and financial management have changed in the last 10 years, but you couldn't have predicted all the changes you see in your office of the future. Every executive is conducting business on the Internet, accessing instant snapshots of accounting and financial data on their laptop computers as they manipulate various business scenarios and send results around the globe as only the most progressive companies do now. Also, electronic data interchange will be the standard rather than the exception, and straight-through processing will create strategic alliances between vendors and customers at every level of production.

These are among the images and predictions from Project Millennium, a qualitative market research project we conducted for the Institute of Management Accountants earlier this year (see sidebar, p. 50). Participants in the research envision major changes in the responsibilities of accounting and financial managers as well as the work they do and the equipment they use. They also predict that there will be fewer management accountants, but they will be at more senior levels in the corporation. And they will share more in decision making for their companies along with other members of their cross-functional teams.

Some participants in Project Millennium tagged the management accountant and financial manager of the future an "internal consultant," someone with the curiosity and flexibility to change and motivate others to change. These internal consultants will add value by helping their organizations find ways to stay profitable and keep ahead of the competition.

Management accountants and financial managers of the future will be expected to have command of the latest information technology software as well as an overall understanding of the business. To be successful, they will be proficient in communicating ideas through written form and verbal presentations. Performance reviews in the future will be based on the ability to analyze information and situations and make decisions that drive the business rather than the ability to measure the business. The key will be their ability to stay ahead of change.

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FEWER BUT MORE SENIOR PEOPLE

IMA members and other leaders in the industry predict a trend for more chief executive officers (CEOs) and chief operating officers (COOs) to be recruited from the ranks of management accountants and financial managers because of an increasing emphasis on financial management and the need for people who can decipher financial data and present the results as strategic information. In fact, the most notable shift in the profession is away from analysis of the past toward strategic thinking about the future. "There are some who are predicting the disappearance of the financial function in corporations over time...but the upper-echelon people are getting much more heavily involved in the strategic direction of the organization. [It is hoped] it will be more analytical with a higher level of work product and less detail on record keeping."

Information technology is pushing management accountants and financial managers up the ladder as they become advisors or internal consultants to other managers in the company who have access to software to manage costs and budgets. As the end user takes responsibility for the task, the accountant becomes responsible for the system and process, but not for the final report. "Ten years from now, there may be fewer people in finance because the people in line management and the business units will possess the knowledge about costs and budgeting. They will be enabled by technology and decision analysis tools, along with a few management accountants and financial managers."

INTERNAL CONSULTANTS AND STRATEGISTS

Changes brought about by information technology, which freed management accountants and financial managers from tracking past performance, have put them in the enviable position of becoming "internal consultants" who create strategies and recommendations to guide management decisions. "Management accountants can be the bridge between functions and they can be key players because they have that overview that many others do not have." "The finance and accounting department is really the information center...to understanding where the organization is coming from and where it is going."

Senior accounting and finance professionals are in a central position to keep their companies on track. "The financial managers of the future will be looking at every aspect of a company's operations. They will be at the right hand of their CEO and COO to monitor the resources of the company, the people, the products, ideas and innovations, to make sure the company is focused and stays on the right track."

But to be effective internal consultants, financial professionals must master special consulting skills, especially communications and interpersonal relations. "Your interpersonal skills are going to have to be better than ever. "All the skills related to communication—speaking, listening, sending, receiving—will be paramount." "The ability to communicate, both verbally and in writing, and leadership skills will differentiate between the extremely successful management accountants and others."

What are some of the other predictions? Companies will continue to place a premium on those individuals who have a broad overview of business and who can use case studies as a basis for solving problems. "There's going to be more demand for people who can learn from case studies that show how to increase ongoing earnings per share."

Also, as organizations downsize and run on leaner staffs, there is a growing appreciation for individuals who propose new ideas and suggest taking risks. One IMA member in San Francisco calls these employees "entrepreneurs." "An `entrepreneur' is someone who works for a company and is able and willing to take risks there, to gamble for the greater good."

And management accountants and financial managers have to start thinking in new ways. "Accountants tend to be pretty good at productivity and administration. In 2007 we will need people who are also good in creative, entrepreneurial ideas and teamwork."

ABOUT PROJECT MILLENNIUM

"Project Millennium: Customers and Future Markets ... Looking Ahead to 2007," was designed to help the IMA predict major changes and skills required for professionals in management accounting and financial management. Focus group discussions among IMA members and executives who employ IMA members were held in New York, Chicago, San Francisco, Dallas, Cleveland, Philadelphia, Tampa, and Atlanta between December 1996 and February 1997. Individual interviews were conducted among industry experts, consultants, and visionaries in information technology as well as officers of the IMA, major corporations, and other professional organizations. Some of their quotes illustrate this article.

DEcision-making TEAM MEMBER

Today more companies are relying on cross-functional teams to run their operations, and by 2007 nearly every company will be run by such strategic teams. Decision making often involves interaction with a variety of executives within an organization, and participation of accounting and finance people is essential because of their skills and disciplines. "The management accountant of 10 years from now will be more of a team player, an integral part in operations...respected more for business acumen and decision-making...helping to lend order and structure to making the right business decisions." "Professionals who are responsible for accounting will have migrated to be more information-based strategic business advisors...The accountant has to be one of the people around the table when strategic decisions are made."

Being effective as one of the decision makers around the table means having an overview of the total business picture—beyond cost and budgets. "Management accountants with broad business perspectives will be a necessity...as integrators of all the business activities, things that are already happening, such as performance management, balanced scorecards, process improvement, ABC, ABM...because of our knowledge and role as the common denominator for business."

Management accountants and finan-
cial managers seem to welcome this new view of themselves. "We're no longer the bean counters. We're making decisions..." "We do a lot less bookkeeping and a lot more analysis and making decisions." "You don't just bring information to the table anymore, you're making decisions at the table."

In addition, the future of management accounting and financial management includes the adoption of new theories and approaches, such as strategic cost management, that require new ways of thinking. "Strategic cost management means controlling the costs of our suppliers, especially in heavy manufacturing. Not just to minimize costs but to maximize creativity, to get a better product or more functionality. The whole firm would be focused on how we can reduce costs and strengthen our position."

This shift in thinking not only will affect management accountants and financial managers who already are involved in the profession, but it will place new requirements on students preparing to enter the arena. Ideally, those coming into the field in the future will be well rounded and interested in more than fundamental skills. "Every student should have a more broad-based education...to be a more dynamic contributor to the team."

INITIATING AND IMPLEMENTING NEW TECHNOLOGY

Management accountants and financial managers will continue to be the primary consumers of new information technology in most organizations. Accounting was among the first functions to be automated with early spreadsheet programs. Consequently, accounting and finance managers generally are more well prepared than others to seek and evaluate new software. They connect the end user to the technology that accesses information. "The big success factor is realizing that accountants are information managers." Mastery of technology is seen as essential for the future. "If you don't stay current with the technology, your career is in jeopardy."

The shift from looking backward to looking forward has been facilitated by new software. "The relevancy of historical information will decline as the importance of immediate information and projections increases. And technology is the primary driver of that."

"With electronic commerce and technology...it's conceivable that in 10 years you will no longer have accounts receivable and accounts payable departments. We'd be out of that business."

Some large, multinational corporations still operate MS-DOS systems on networks, but the average organization is operating Windows-based PCs connected by corporate intranets and the Internet, which facilitates electronic data interchange and straight-through processing. These new methods of data exchange make the role of management accountants and financial managers even more critical. "With our PCs we can run circles around the mainframe that was controlled by the Data Processing Department."

But the downside is that corporate accountants often complain they are being asked to produce more information with fewer people. As data go online for every manager to see on a PC, there is a demand for instant information. That means management accountants must produce more financial analyses, not just masses of data, so leaders can build strategies and make decisions based on more precise information. "Many more companies will be using Online Analytical Processing (OLAP) to go beyond the general ledger and to slice and dice the data in all kinds of ways, such as detailed customer and sales analysis."

And management accountants and financial managers will be using sophisticated information technology to create predictive data that forecast demand, production, sales, costs, and reported earnings. For example, "We will be converting activity-based costs systems from feedback to 'feed-forward' systems so you can estimate as you implement strategies like commonality and minimum component counts."

STAYING AHEAD OF CHANGE

Most visionaries in accounting and finance believe the rate of change will accelerate as we move into the next century. Changes in management accounting and finance will require changes in the way individuals approach their work. "Employers will not be content with accountants who view themselves mainly as scorekeepers...they want people who can influence the score, not simply report the score. It's going to require a different mindset...a shift in the way we view our positions."

The shift from record keeping to strategizing and forecasting demands that individuals develop special skills to be effective. "The management accountant has to be more of a change agent and a sales person rather than just a reporter—someone who can sell the idea of what to do with the information."

By the year 2007, most organizations will be sourcing and selling around the world. "...A lot of our suppliers and customers are going to be overseas, and we better get prepared for it." "There are very few businesses out there not touched by the international dimension some way."

But many individuals feel ill-prepared to deal with the global market. "If I were starting out today, I would learn about global markets and learn a foreign language...the kinds of things you'll really be able to use on a day-to-day basis."

Another significant change in the next 10 years will be greater diversity in the accounting and finance departments. "People coming from every field you can imagine...there's much greater diversity in the workforce..."

And most companies will be using the new media and forms of communication now being used by large multinational organizations. "There will be less business face-to-face, more by e-mail and teleconferencing. Communications will have to be more effective and precise." "The Internet will play an important role in the way we educate ourselves."

One IMA member in Cleveland summed up her philosophy about change, and it seems to apply to everyone in the profession who wants to be successful and add value to their organizations. "Learning is a lifetime proposition. We should go to school to 'Learn how to learn,' to adapt and to change, not stand still."
Longview Solutions: Bridging Technology and Financial Management

BY KATHY WILLIAMS AND JAMES HART

Take an aggressive, young accountant with a penchant for solving business problems, add a natural bent for tinkering with technology, and what do you have? Len Adams, co-founder, chairman, and chief technology officer of Longview Solutions, the Canadian-based competitor to Hyperion and Comshare. Longview provides integrated financial management and decision support software for client/server computing environments.

This combination management accountant techno-whiz had originally started down a different career path, working on the shipping dock at a milk company right out of high school. Married at 20, and "supporting my half of the budget loading milk trucks, I quickly realized that wasn't what I wanted to do long term," Adams said. So, he went to accounting school at night, finishing a seven-year program in just four years.

Halfway through his course work to become a certified general accountant (CGA), he served a mandatory apprenticeship, leaving his lucrative Teamster's job to take a job as an inventory analyst at a huge cut in pay. Adams laughs, "I come from a blue collar background, so most of my family questioned my wisdom for leaving such a good union job." But the move paid off later as he added information technology to his expanding resume.

One day at work, he discovered a CPM computer loaded with VisiCalc. Instantly fascinated, he taught himself how to use the spreadsheet program to help with some of the complicated financial analysis problems he was required to perform. Next, he built his own business model that he used to help the company president re-negotiate financing on a ship the company had just bought from the Japanese. "Our president would go into the meeting, then come out and give me the factors — such as capital cost of the ship, present value calculations, what kind of crew would work on the ship, the flag of convenience — and I'd plug the figures into my worksheet and give him the present value right away. After that, I was put on a two-year project to automate most of the company's financial analysis processes."

His next move was to Magna International, the largest independent automotive parts manufacturer in the world. There he was made director of finance and information technology for one of the divisions and was instrumental in helping to grow that division from $150 million to $900 million in just three years. The desire to start his own company evolved after he and three of his coworkers helped Magna's sister company produce a business plan in anticipation of taking that company public. Modeling 50 entities by part, by company, over five years, on three scenarios, consolidating all the numbers for every department, Adams and his team amazingly accomplished the feat in a mere four days. Charging the company $40,000 for their services, they realized the business potential of their expertise. In 1989 they left Magna but acted as consultants back to their former employer, continuing to do their jobs in much the same capacity, and then expanded quickly to offer their services to other companies.

Longview Solutions' core product, Khalix, is an integrated financial management tool. It is an extension of an earlier model, pioneered at Imperial Oil that Adams first encountered at Magna when they agreed to be an alpha test site for the software. Early on, he had seen the possibilities of staying competitive through the merger of accounting and technology. Today, he and his employees at Longview are demonstrating how to bridge the gap between technology and the business of financial management — something Adams expects most corporate accounting departments need to do.

Q: Do you think traditional accountants are ready for this move?

Yes, they have to be. Traditional accounting has branched out into entirely new areas. Much of it is still the consolidation and budgeting functions in large corporations, but now accountants are being brought into the board room. They are responsible for providing alternatives, scenarios, and business cases as well as being partners in the decision process. Before, accountants could do their annual budget, and that was the end of it. Now, because of their decision-making role, they have to present alternatives constantly, things like multiple versions of budgets — best, worst, most favorable. These alternatives can cause a ripple effect throughout an organization, requiring hundreds of people to contribute to the information-gathering process.

Yet accounting departments are getting smaller in the face of the increasing workload. Line-of-business accounting is brand new. Activity-based management is a supporting activity to do line-of-business reporting. Both require new technologies, such as multidimensional data analysis and data warehousing. Complicate all of that with the need to publish financials onto a Web page. Executives expect to sit at home, turn on a Web TV or some other device, and review the aggregate results of the corporation. Clearly, accountants are facing new pressures on the job and they will have to adapt.

Q: Can you give us some examples of what accounting departments are experiencing and why their jobs are more difficult?

Today, world-class organizations produce reports and analyses within 12 hours across the globe. In order to accurately evaluate market opportunities, alternatives
such as combining products and divisions which have traditionally thin margins must be examined. To accomplish this task, information from all parts of the organization are required. Traditionally, accountants would take information from large general ledgers and summarize it in spreadsheets. Information would be passed from one person to another to another. Unfortunately, in that situation, what happens is the information erodes in quality, accuracy, and timeliness as it moves from person to person, sort of like the old “whisper down the lane” game you played as a kid. In the case of global companies, massive amounts of information and low-level detail recalculations have to be executed at the same time. Given the natural deterioration of information as it passes from one place to another, how can companies synchronize their forecasts with actuals; with budgets; with best, worst, most favorable scenarios?

That’s where we at Longview Solutions feel we come in. The only way to have a 12-hour close and work in an integrated way with those people in the corporation to generate accurate answers for all these alternatives is to have a single database that is accessible to everyone in the company. The best way to create this data warehouse is in a relational database system, which then becomes the foundation for online analytical processing (OLAP). A central data repository solves a lot of issues. It serves as the consolidation engine and the budget engine, and it makes it possible to maintain accuracy and a unified set of business rules across the entire spectrum of budgeting, forecasting, actuals, and OLAP analysis.

Q: How did your product, Khalix, evolve?

We initially developed a pre-built consolidation system to compete directly with Hyperion. Hyperion was strictly a point consolidation solution, so that’s what our initial Khalix release did. However, our customers kept asking about doing complex budgets—they wanted more of an intellectual accounting model. So, we decided to keep enhancing our product. Now, remember, I like building integrated systems that make things easier. We quickly concluded that you’ve got to do the actuals to do the budget anyway because you’ve got to forecast nine months of the year and the remaining three months of a year from nine months of actuals. Since you’ve got all the same accounting rules, and you’ve got all the same rollups, we figured we might as well put them together in a single system. Then, Arbor came along and made a legitimate market for OLAP analysis. Coincidentally, the people who built our original product had incorporated many of these same concepts but the data for the calculations all had to be created in the computer memory. We saw a terrific opportunity to take the logic out of the computer memory and put it on disk where everyone can access it. The concept was proven in a week. It took the next year and a half to create all the surrounding features and interfaces to make it commercially acceptable, but the core idea, the ability to get this data out of a relational database, was just a matter of laying out the tables that were in memory and storing them on disk.

The biggest problem we faced early on was the issue of speed. We used our skill in accounting to help get a handle on this. Think about what do you do in accounting—you take a columnar pad and put your numbers in a single table. Then you start referencing those line numbers to all of your financial schedules and all of your budgets—everything comes out of a common point, the columnar pad. Well, we did exactly the same thing in Khalix. The data warehouse is our columnar sheet with one source of numbers. You pull whatever numbers you want off that columnar sheet into whatever form you want.

You also need the capability to do calculations based on complex rules. Circular calculations, such as “debt brings more interest which brings more debt.” Taxes are calculated conditionally based on local tax rules. What makes us unique is having a central database to store all the numbers, the ability to move those numbers quickly into the memory of the computer so calculations could be performed, and the ability to rapidly store the results back into the database.

We were patting ourselves on the back because large companies started to adopt our product. Then we got hit with the Internet, which is actually a contradiction of sorts. You have a nice user interface, but behind it is this big, slow-moving vehicle that needs a lot of work. Basically, everybody decided that they wanted to be able
to use the Internet to get at their data. Well, we found ourselves right back at the speed issue again, because what if the end user is working over a slow, 28.8 modem? We had to figure out a way to make the central worldwide database accessible over the Internet. So, we worked out a way to send smaller pieces of data down the wire without losing any functionality or ease of use. Now we're using Java so we can forge ahead on the Web. That executive who wants to sit at home, get an Internet page on the TV, and look at numbers in between shows can do so. The analyst part of our product now prints to html, and we're producing a Java interface to allow common use of business forms.

Our product is unique because of the way everything works together. Some of our larger customers are global, and, for them, one single source of data eliminates dozens of databases and hundreds of versions of data residing on different PCs. The flow of information is now managed through a hierarchy which is essentially the company's chart of accounts. People can work with that chart of accounts however they want—they can roll up information in hundreds of different ways. And they can use whatever type of client they want to get at it even over the Internet.

Q: How would you compare the development of your product with, say, Oracle, or Sybase, or Arbor?

Oracle, Sybase, Informix, and Microsoft are development partners with us. The key is that whatever the solution it must be non-intrusive. For example, Magna was a philosophically autonomous type of company. The accountants and general managers in each of the plants could decide whether to submit their results to corporate. You had to prove it was valuable for them to submit the results to get cooperation, so you had to be nonintrusive. You couldn't make them change their business. You had to work with the way their technology was operating.

That's what we have to do with our product today. Different industries tend to migrate toward certain systems and technologies. Each tends to settle on one of the four popular relational database engines. We need to fit into all of those environments so we created an independent layer from the database. We tried traditional database approaches for a year and a half and spent over a million dollars but it didn't work. To make a relational database multidimensional, we put the multidimensional relationships in memory and relied upon the database for the storage of data. We put our algorithms and rules in C language.

Q: How is the product built?

The engine is built in C. The core of Khalix is a powerful calculation engine that can parse, compile, and execute an English language description of business problems, such as "sales minus cost of sales equals profit."

Our architecture allows a variety of clients to work with any type of server, on any type of database, anywhere in the world. At speeds that make you feel like the database is right in your building. Because our data communication methodology is so quick, you can use tools like Excel at your desktop, if that's what you're comfortable with. Suppose you are in Indonesia and you need to know your company results, just plug into the wall of the hotel and ask, "Give me sales for product X or give me sales for actual version one. Now, give me sales for budget best case." Khalix will deliver that multidimensional analysis to your desktop.

Another thing we do is support different management philosophies. If you look at any management methodology, the objective is to have key indicators as an integral part of the daily reporting. That information can't be on the side. For instance, in activity-based management, it's essential, but it's dying because it's additional work to accountants. That information comes out two months late and doesn't relate then to the day-to-day operations.

Q: Our readers are heavily involved with Activity Based Management (ABM). Could you elaborate on how you handle it?

Activity-based management (ABM) is the philosophy of tracing cost to activities and understanding how those activities relate to business processes and to the cost of your products. This kind of information supports management philosophies such as continuous improvement, total quality, margin analysis. ABM is cost accounting 301 with a new face on it: understanding process and methods analysis. Manufacturing has been doing ABM for years.

We extend that concept to the enterprise to help companies understand how the pieces of their enterprise work together. ABM proponents have done a great job in providing a vocabulary and providing accounting models because all financial statements will be activity based in the future. Current accounting statements just show you resources such as how many people you’ve got, or how much rent you pay. They don’t tell you anything about the business. But knowing what you spend on marketing, knowing what you spend in finance, knowing the cost of your products—that’s information that is enormously useful.

For example, in our business, we’ve got a computer department, an accounting department, and implementors. When we release a new product, half of the implementors are testing the new product—that’s a product activity and a product cost so we need to know that. If they do a bad release, we will have to spend more on product, so we need to analyze and understand the activities involved to project my costs. But imagine the calculations required. We have to trace the activity, and we have to calculate and trace the cost per activity. We need to get some of that information from general ledgers. That means we are doing millions of recursive calculations in order to come out with activity numbers. Traditional ABM initiatives are addressed by software that sits on the side and acts like a survey where you are benchmarking yourself once a quarter. That’s really useless because it creates more work for the accountants and management gets stale information. For ABM to work, the numbers have to be available in a timely fashion.

Q: Can anything be done to get faster, accurate analysis?

We’re trying to solve the problem. We built another dimension into the consolidation stream—the activity dimension. We built accounting rules into the data we’re sending back to the server to help speed things up. Let’s say you sell three products. Most companies have more than that, but let’s keep this example simple. Say you perform three activities. Then you have your traditional accounting of resources that get traced to these activities, products, time periods, and companies. Just to journalize one breakdown of costs takes 1,458 lines of journal entries. Allocate my salary to those activities, and it takes another 1,458 lines of journal entries to do it right. Expand the product and activity
ABOUT LONGVIEW SOLUTIONS

Longview Solutions, a leading provider of integrated financial management and decision-support software for client/server computing environments, was founded in 1986 by four financial professionals. Based in Markham, Ontario, Canada, it also has operations in the United States. At present, Longview has 86 employees. Its average customer has an annual sales volume of $500+ million and 1,500 employees.

Khali, its core product, is a true integrated financial management tool. It allows companies to go beyond traditional consolidation, budgeting, and forecasting and perform complex multidimensional forms of analysis such as line-of-business and activity analysis, which involve detailed financial data modeling. It is the single point of maintenance for all financial management activities.

You may visit Longview's Web site at www.longview.com or call Canadian headquarters: (905) 940-1510; or U.S. headquarters: (610) 889-9380.

mix, and it quickly becomes evident that you can't do this manually—the task is huge. So, we created activity relationships. For example, a pool of costs can be divided like Sun provide is one big computer with hundreds of processors all working together. Pick your poison—it doesn't matter to the end-user analyst.

Q: Are you predicting a resurgence of IBM in this context?

IBM has done a great job of reinventing itself, becoming customer focused, and providing a variety of different solutions. It is responding to individual needs and has chosen the Internet as a big factor in all of this. I think they've got it right. There will be huge pressure and volatility in this market over the next five years.

Q: Can you give our members some advice on what to look for when selecting systems?

The keys to look at when buying software in order to mitigate your risks are: Can you manage the business risk and can your software do the job? We call it the four criteria of evaluation—functionality, architecture, integration, and methodology.

First, you've got to have functionality. Does the package or the solution you're looking at do budget and consolidation, maintain multiple versions of data, do product line accounting and activity-based management, and tie it all together? That's crucial.

The second criteria is technology architecture. Traditional vendors have cobbled together several point solutions and tried to provide utilities and query tools to access the information. Using these tools, if you want to add an account, you have to use several technologies and visit multiple systems. This is avoided if you have the functionality of Khali with a single, unified set of business rules and software. You need to know that the software will work on your equipment. Does it work on one of the four most popular relational databases? Is it scalable to the size that you need? Will it work on different types of computers? Are you locking yourself into a certain architecture decision? The onus is on the software vendor to provide technology that will work in a variety of environments as your company changes or grows.

The third criteria is integration—making sure the customer doesn't have different packages or different versions to integrate, doesn't have to move business rules between places, can distribute data around the world. The value of integration is proven in the ERP market by companies such as SAP, BAAN, and Peoplesoft, but has not been proven in the ABM market because, until Khali, there really hasn't been a totally integrated solution.

Methodology is the last criteria. How do you implement something so vast and sweeping in an organization? Something that will change every accountant's role, integrate to ERP vendors, and work seamlessly with them? Your software vendor needs to provide evidence of the ability to deliver a complete and thorough implementation.

If you use these four simple rules in your evaluation, they will drive you to the right decision for your company.

Q: Do you have any final thoughts on the new role of the controller and management accountant?

Accountants have become brokers of information, not the preparers of information. People expect you to broker the data as it comes through the corporation. If you want a 12-hour close in a $5 billion company, you can't afford human intervention. What you need is to put in place the policies, the procedures, the structure, the flow, the methodology, and the internal controls to know that the data is going to move freely and accurately through the company. Today's management accountant doesn't get into the preparation side whatsoever. The new challenge is to communicate to management the interdependencies of the business. If you aren't telling executives something new, you're just overhead. By providing fresh information that's new and seen for the first time, you have value. You become the focal point of most business decisions and you make yourself a full value-added partner to the management team.
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What can a news, sports, and entertainment conglomerate like ABC and an accounting software package both deliver?

Truth in reporting. It's the journalist's creed and an important concern for accountants, too. Both types of professionals often find it difficult to uncover the facts, provide credible reports, and meet tight deadlines. A software solution that can serve up reliable information quickly, in a wide variety of report formats, is a hot story.

Superior ratings. In radio and TV entertainment you live or die based on audience ratings. If your program doesn't quickly attract and keep an audience, it's short-lived. The same can be said about software—if its starring features don't wow users, it may be unceremoniously taken off the network.

The thrill of victory. Coverage of the wide world of competitive sports has put ABC at the top of its game for years. Every week, TV viewers witness the speed, grace, and ability of winners in various sports. According to accountants and top managers who keep score, ABC stays ahead of the pack with an award-winning fixed asset management software called FAS for Windows™ from Best Software. Flexible enough to generate any kind of report imaginable and able to run complicated tax calculations, depreciation schedules, and transfer asset data with just a few keystrokes, FAS for Windows has been championed by ABC accountants around the world.

A media powerhouse like ABC demands powerful accounting software. The company has 182 operating units including the ABC network, programming production units, owned or affiliated radio and TV stations, the ESPN cable sports channels, and Fairchild Publications, a magazine publishing division. ABC's accountants are charged with tracking and managing hundreds of thousands of diverse assets used around the globe. They want a program that's easy to use and one that lets them deliver reliable information on unit-level and also consolidated reports to management throughout the organization.

Across the ABC companies, fixed assets range from standard real estate holdings and computer equipment and furniture to radio/TV equipment, news vans, production sets, printing presses, and satellite...
transponders valued as high as $8 million. Keeping track of these extremely mobile assets is a tremendous feat. Not only do the accountants have to track down computers and equipment that are moved all over the world, but they even have satellite assets in outer space to manage.

GROWING WITH THE COMPANY

For several years, many of the ABC accounting units had used Best Software's FAS 2000™ for DOS, a full-featured fixed asset management solution. As the ABC units migrated to Microsoft Windows, they installed the newer FAS for Windows software. About three-fourths of ABC's operating units now have FAS for Windows as their fixed asset management software.

Chuck Ojerholm, previously the senior tax analyst for ABC and now tax manager for its accounting firm, Price Waterhouse, found the Best software very useful as ABC expanded over the years. "FAS for Windows really helped us provide critical information more quickly and effectively," Ojerholm said. "Many of our units' assets were growing in number, and this software made it much easier to manage all the data, run custom reports, and do complicated tax calculations.

"When we switched to the Windows version of the software, I was amazed at how easy it was to use," Ojerholm added. "In fact, it was even enjoyable. Let's face it—depreciation is not fun. But after using FAS for Windows, my depreciation tasks were at the top of my schedule. Most of the ABC-owned and -operated television and radio stations have 5,000 to 10,000 assets each, and the Best software makes managing them easy."

The FAS for Windows program offers seven book views, including ACE and AMT, on a single screen, which makes navigation between various schedules easy. The software provides access to more than 20 IRS and GAAP-compliant depreciation methods and can produce more than 20 standard reports.

If ABC considers selling off a division or portions of a unit's business, the fixed asset accountants can use FAS software to break out certain asset categories to determine the financial benefits of the proposed deal. And the software's location codes help accountants to identify quickly assets that need to be physically moved and to recalculate their values for new tax jurisdictions. The software's Group Manager feature maintains and changes data for entire groups of assets instantly. FAS for Windows also can store scanned photos or diagrams of assets for easy reference when changing the database or taking inventory.

FAS accurately tracks depreciation expense for all assets and identifies the optimum depreciation method for each individual asset. Automatic links to popular general ledger packages allow a company to post its depreciation adjustments directly to the general ledger. Real-time reports enable complete asset management. The user immediately can identify who has a given asset; which assets are lost, moved, or unaccounted for; which assets are in storage; which assets are available; and the full and depreciated value of any asset or group of assets.

With regular software updates that integrate current tax law changes for federal and state reporting, FAS decreases the time accountants spend on research. Ojerholm found this feature particularly helpful when Disney acquired ABC because the two companies worked on different calendar years, and tax reporting for short periods was necessary. "The Best program was amazing," he said. "It knew the exact law, which was especially hard to find because it dealt with how to calculate for a short period. But FAS picked it up and calculated it to the exact penny."

BENEFITS ARE NUMEROUS

The benefits of using such a full-featured fixed asset management package are numerous. Financial managers are assured that all depreciation expenses are accurate and maximized. Tax reporting is simplified. Audits are streamlined and often can be avoided by having more accurate data. Facilities management knows the location of all assets in real time. Facilities and maintenance personnel instantly can identify trouble-prone, nonperforming, and surplus assets. Security personnel have a theft-deterrent tool. Property/casualty insurance costs and property taxes often can be reduced by precise valuation and documentation. Insurance losses can be documented fully.

"With minimal training, many ABC accountants have been able to develop exactly the kind of reports they need for their operations," Ojerholm said. The FAS software's custom Report Writer helps users prepare standardized reports needed for consolidation at the corporate level as well as very customized reports for their own unit's internal use. For instance, a personal property tax report can be generated that satisfies the requirements of most federal and state tax returns and that even can be attached to provide the detail asset listing required by most jurisdictions.

The return on investment from effectively tracking fixed assets easily can offset the expense involved in carrying costs for new or retired, but unrecovered, assets and unnecessary purchases.

With FAS software, ABC has gotten a truer picture of its assets, which has helped the company reduce its tax liabilities, insurance premiums, and equipment purchasing costs. For this global information and entertainment giant, FAS provides the flexibility it needs to manage far-flung assets in a fast-paced environment.
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If you haven't seen the television ads, you probably have read about Java in other media. Variously described as a programming language, a virtual machine that works on almost any kind of computer, the lingua franca of the World Wide Web, it was once even considered part of a mechanism (Star 7) that would be the universal remote control for all the small electronic devices in our digital future. A pretty impressive list for what essentially is just an object-oriented programming language. And, really, how exciting can that be?

Computer programming languages, actually, are very odd. They allow us to boss around the most complicated machines ever created in what must be the dumbest human dialect ever devised. The machine language understood by computers has only two characters (0 and 1)—the most common first language for people (Chinese) has 40,000 characters. To make ourselves understood by the machines, we must dumb down what we say two levels. First, we translate our instructions into a programming language, and then those programmed instructions (source language) are sent to a compiler or an interpreter that translates lines like "Amount = England.DoConversion(Dollars)" into the stuttering machine language of Os and Is. At the machine level our ABCs become 1100001 (a), 1100010 (b), and 1100011 (c).

Languages are native to certain computer hardware and are, therefore, tied to that hardware. The result is platforms that can't talk to each other—PCs don't speak Mac, and neither understands UNIX, and so on. Java is not like this. Instead of writing for particular machines, Java code is written for the Java virtual machine, which can exist in cyberspace, on the browser, can be loaded on to almost any machine, or even can be etched into the circuitry of any machine. The way it works is the Java compiler takes your source code (program or applet) and generates bytecode instead of machine code. Java bytecode looks like machine code, but it is not specifically for a particular kind of processor. To execute the program, you must then run a bytecode interpreter (the Java virtual machine), which executes the program on any machine.

There are a number of reasons for the revolutionary nature of the Java language. We will look at three of them.

The hairball, the network, and write once software. If you have heard Scott McNealy, chairman of Sun Microsystems, the company that created Java, speak in the past year, it is likely that you know what the hairball on your desk is, why the network is the computer, and how Java creates universal code.

Your PC has become a hairball because as the programs have grown in size their bloat has required greater memory, both in RAM and on disk and drives, greater processing power, extended graphical support, and then there are the networks. Plug in a CD drive, sound card, and scanner, and look out—plop, there's a hairball on your desk that will continue to grow, and continue to cost you even more, unless an entirely new direction is taken.

Java offers a new direction. Consider a computer that is not loaded down with programs and folders full of files. Store all that stuff somewhere out on the network, and spend your money on the processor and the memory used to run the programs, not the memory used to store them. When you need to edit some text or analyze some statistics, download only those functions of the program and the specific files you actually need—not the entire mass of the program and an entire database. After all, if you were changing the oil in your car and you needed three tools (one box wrench, one filter wrench, and a funnel), how much sense would it make to purchase a three-level Sears mechanic's chest on wheels, filled with several hundred tools in a dozen drawers? If the 80/20 rule applies to your software (you normally use only 20% of the entire tool set), you overbought. Java programs are designed to be small, very portable (on networks), and modular in nature. Further, when it comes time to update the programs you use, this step can be
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done once on the version that resides on the network.

A second column supporting the Java platform concerns the network itself—the idea that "the network is the computer." This concept applies to small networks (LANs, intranets) as well as the largest network, the Internet. This idea requires some significant adjustments. To create a network, you need stations that can understand each other. If there is no common language, there is no communication. In the world of computing today, a variety of computing systems don't talk to each other—Mac, PC, and the varieties of UNIX just don't have anything to do with each other. On the Internet, however, there is agreement and standardization. Protocols were established, and the most successful piece of software ever, the Netscape Navigator browser, began to link all kinds of computers around the world.

"Write once, run anywhere" is one of the mantras of Java software. The program is written once for all platforms. Then it is compiled by the Java compiler into Java bytecode. The bytecode works on any platform because the Java interpreter (Java virtual machine) is the piece that is specific to the machine running the program. This additional level of interpretation does slow the execution of the program, but it is part of the reason for Java's fit on the World Wide Web.

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Circle No. 24

**But is it toy software?** Java applications first began to show up on the Web as dancing logos, flaming type, and blinking billboards. Even the name of these programs was diminutive—apps, or applets. In the packet-piecing and switching environment of the Web, these small programs make sense. They are the small solutions that work best on the largest and most complicated network (computer) ever devised. It is a mistake to underestimate the power of small applications on a large network—a pen is a small object also, but entire philosophies of state have been outlined, edited, and published on a few pages (couple of kilobytes) of script.

The initial objections to Java have been that it executes too slowly, it is immature, and that it lacks security. Of course, the critics usually don't mention the fact that Java is only two years old. Improvements involving just-in-time compilers, security patches, and the signing on of countless additional programmers are strengthening the language daily.

Two recent developments give some idea of the potential of Java. Visa International, Inc., announced in August its plan to embed Java-based computer chips in place of the magnetic strips on their credit cards beginning early next year. By 2001, Visa hopes to have 200 million Java-based cards in use around the world. By then, Java will be a wizened six-year-old. In late September, Thomas Hoffman reported in Computerworld that the largest retail institution in Latin America, Banco do Brasil, is investing $1.8 billion in a network initiative centered around moving its banking applications to one Java-based application. Nine hundred programmers will be trained in Java to help rewrite 80 million lines of platform specific code into open Java language for use on the Internet. The intention is to provide customer access from anywhere, no matter the platform, while saving the bank transaction and computer maintenance costs.

As to what will happen in the area of Java-based business applications elsewhere on the Web, it's anybody's guess. But the Java language does look like a very good idea, even though it is just a programming language. ■
IMA created Member Interest Groups to respond to the special needs and interests of our members, offering additional ways for members to communicate with and learn from each other—and stay ahead of the enormous changes taking place in management accounting. For several years now, two MIGs have been going strong: the Controllers Council and the Cost Management Group.

We are now introducing a third MIG: the Small-Business Council.

The new group has been created specifically to meet the needs of members who work in small or closely-held businesses—members whose responsibilities are as diverse as creating incentive plans, raising capital, setting credit policy, choosing insurance, managing the IT and HR functions, dealing with owners, minority shareholders, outside accountants, bankers, brokers, investment managers, insurance agents, and more.

The new Small-Business Council gives you a way to reach out to colleagues in positions similar to yours and get practical, hands-on information that will help you make the decisions that will keep your company growing and profitable.

For only $75 a year, your benefits include a monthly newsletter, exclusive open dialogues with other members on the IMA Website, annual Membership Directory, discounts on IMA educational programs, and others now in planning.

To receive a free copy of the newsletter, Small-Business Update, get more information, or join the Small-Business Council, call 1-800-638-4427, ext. 219, or e-mail to migs@imanet.org.
RESEARCH
Julian Freedman, CMA, Editor

FAR TRUSTEES SALUTE A WINNER

Trustees for IMA's Foundation for Applied Research (FAR) for fiscal year 1997-98 gathered to watch Marc Epstein (Price Waterhouse Visiting Professor at INSEAD), FAR researcher, receive two coveted awards at the 1997 American Accounting Association annual meeting in Dallas, August 18-20, 1997. Epstein's book, Measuring Corporate Environmental Performance: Best Practices for Costing and Managing an Effective Environmental Strategy, won both the AICPA/AAA Joint Notable Contributions to Accounting Literature Award and the Notable Contributions to Management Accounting Literature Award, given by the Management Accounting Section of the AAA.

The former award is given to a work that makes a notable contribution to accounting education, practice, and/or future accounting research. Other selection criteria include uniqueness, originality, and innovative content; extent and breadth of potential interest; soundness and appropriateness of methodology; and clarity and organization of exposition. The winner receives a plaque and $5,000 prize.

The latter award, specifically for a contribution to management accounting literature, is based on:

- Relevance to theory, practice, or instruction of management accounting;
- Broad appeal to those interested in management accounting;
- Originality, innovation, and potential contribution to knowledge;
- Impact or potential impact on other research.

CIC CONTINUES UNDER NEW AUSPICES

The IMA has spun off its Continuous Improvement Center (CIC) to AnswerThink Consulting Group, a consulting and systems integration company. CIC's primary focus will continue to provide benchmarking services and continuous improvement workshops on best practices. Services are being expanded globally, extending into purchasing, human resources, sales and marketing, and IT. Babson College professors C. J. McNair, CMA, and John Shank will support the workshops.

The first AnswerThink CIC workshop was held September 12 in Chicago with representatives from the following companies: Air Products & Chemicals, Allied Signal, Boehringer Ingelheim, Franklin Resources, Huls America, Hypertherm, Ingersoll-Rand, McGraw-Hill, Minerals Technologies, Norrell Services, and Visa International. The workshop agenda included the following topics:

- An overview discussion about the risks and rewards of implementing client/server enterprise resource planning systems (ERP);
- A review of the strengths and challenges of the leading software vendors;
- The role of the business case and the critical success factors for realizing the benefits of a reengineering project;
- Timing of implementation vs. reengineering;
- Role of the Internet for the CFO;
- Decision-support tools.

A white paper covering these topics will be issued to CIC members.

FAR trustees pose with Marc Epstein, proud winner of two awards at the 1997 American Accounting Association's annual meeting. Pictured are (back row, left to right) Mike Shields (Michigan State University), Hank Davis (Dodge/Rockwell), Paul Danesi (Texas Instruments), FAR president Jim Horsch (Consumers Energy), Bob Miller (Boeing); (front row) Gary Siegel (DePaul University), Epstein, and Don Christensen (JC Penney).
Vinnie Mirchandani, research director, applications of technology for the Gartner Group, facilitated the workshop. The discussion covered a number of strategic planning assumptions having to do with the future relationship between enterprises and software vendors, the types of software and hardware that will be used in the next five years, and how software vendors will handle the challenge of keeping technologically current and abreast of best practices implemented by market-leading enterprises. There also was extensive discussion around the importance of balancing process and technology changes.

CIC will hold a shared services workshop on November 7 in New York, which non-CIC members may attend. In addition, AnswerThink is launching an extensive Year 2000 (Y2K) benchmarking study.

The September 1997 issue of CIC Exchange, CIC's newsletter, covers client/server technology issues and addresses arguments for reengineering and implementing packaged enterprise resource planning software around processes and technology.

To learn more about the programs, contact Rick Roth, CIC director, at (770) 690-9700, ext. 3010.

**MANAGEMENT ACCOUNTING PRACTICES**

Terri Funk, CMA, CFM, Editor

**SEC MEETS WITH FRC**

Representatives of the Securities & Exchange Commission (SEC) met with IMA's Financial Reporting Committee (FRC) at its September meeting in Washington, D.C. Michael Sutton, the chief accountant of the SEC, reviewed current developments and issues with the FRC and introduced Jane Adams, the new deputy chief accountant, formerly with the AICPA. Sutton discussed the new Independence Standards Board (ISB) created with the AICPA to establish independence standards for auditors of public companies, which, he stated, is absolutely critical to ensure investor confidence. The SEC's existing authority for auditor independence will remain intact, including its ability to institute enforcement actions.

In reference to international accounting standards, the SEC continues to provide input on the development and review of international accounting standards prepared by the International Accounting Standards Committee (IASC) as the IASC strives to meet its self-imposed March 1998 deadline. The SEC is a member of the International Organization of Securities Commissions (IOSCO), a worldwide cooperative effort among securities regulators, which is awaiting IASC's completion of its core standards project. The SEC recently responded to the IASC with an objection to some of the provisions in the IASC's recent exposure draft, "Intangibles," objecting in particular to the prospect that in certain cases intangibles would not be amortized. Current SEC information can be obtained by visiting the SEC's home page at http://www.sec.gov.

Wendy Comes, executive director of the Federal Accounting Standards Advisory Board (FASAB), spoke at the FRC meeting as well. She explained that the creation of FASAB came from the CFO Congressional Act that requires audited financial statements of federal executive agencies. Pending FASAB exposure drafts include "Governmentwide Supplementary Stewardship Reporting Standards" and "Accounting for Internal Use Software." Comes requested that the FRC review and comment on current and future FASAB matters.

**FRC RESPONDS TO IASC ON EMPLOYEE BENEFITS**

The FRC prepared a follow-up response to the International Accounting Standards Committee (IASC) on the IASC exposure draft, "Employee Benefits" (E54), as a result of the findings in the July 1997 "Study of the Potential Impact and Implementation Issues of E54" conducted by Coopers & Lybrand. The FRC's concern is that the IASC's schedule may not allow sufficient time for the study's results to be evaluated. The FRC requests that the IASC delay finalizing the standard until a proper evaluation can be made.

The FRC will respond to the following five IASC exposure drafts.

- "Interim Financial Reporting" (E57) for comment by October 31, 1997. This standard prescribes the principles for preparing and reporting information of an enterprise for less than a full financial year in order that the information be useful to a wide range of users in making economic decisions.
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■ "Discontinuing Operations" (E58) for comment by November 15, 1997. This standard establishes principles for reporting information about discontinuing operations, thereby enhancing the ability of users of financial statements to make projections by segregating the information from continuing operations.

■ "Provisions, Contingent Liabilities, and Contingent Assets" (E59) for comment by November 15, 1997. The objective of this standard is to ensure that both provisions and contingencies are recognized and measured consistently and that sufficient information is disclosed in the notes to the financial statements.

■ "Intangible Assets" (E60) for comment by November 15, 1997. This standard prescribes the accounting treatment for intangible assets providing for recognition only if certain criteria are met. The criteria are that it is probable that future economic benefits specifically attributable to the asset will flow to the enterprise and that the cost of the asset can be measured reliably. The asset should initially be measured at cost.

■ "Business Combinations" (E61) for comment by November 15, 1997. This standard covers business combination situations for both an acquisition of one enterprise by another (a purchase) and the rare situation of a uniting of interests where an acquirer cannot be identified (a pooling of interests). Accounting issues addressed include: goodwill determination and amortization (including negative goodwill), determination of the minority interest amount, and the related required disclosure.

If members would like to respond to the IASC directly, copies of the IASC Exposure Drafts may be obtained from IASC, 167 Fleet Street, London EC4A 2ES, United Kingdom; FAX (011) 44-171-353-0562, or visit their Web site at http://www.iasc.org.uk. Copies of the FRC comment letters are available by request to Nora Al tavilla, IMA, 10 Paragon Drive, Montvale, NJ 07645; Fax: (201) 573-0639 and also are available on the IMA Web site at http://www.imanet.org.

FRC REVIEWS FASB PROJECTS

The FRC has commented to the Financial Accounting Standards Board (FASB) on the special report, "Issues Associated with the FASB Project on Business Combinations." Business combinations should be defined broadly in order to include non-profit organizations, nonoperating companies, and related parties and should maintain focus on business combinations rather than including subjects such as intangibles other than purchased intangibles arising from the combination. Due to the favorable financial reporting outcome of a combination treated as a pooling, the FASB might look first to reduce the differences in accounting outcomes between the purchase and pooling methods. The FRC encourages the FASB to closely review the research of other standard-setting organizations (including the current IASC project. The FASB should probably not engage in a joint project as this would likely take excessive time.

The FRC is involved with two other FASB projects.

■ The FASB revisions to the exposure draft, "Accounting for Derivative Instruments and for Hedging Activities." Comments are requested by October 14, 1997. The current revision incorporates the FASB's consideration of recent responses, including responses by the FRC and by Alan Greenspan, chairman of the Board of Governors of the Federal Reserve System. The revised draft and related letters can be obtained from the FASB Web site, http://www.fasb.org.

■ A collaborative project of the AAA and the FASB to determine the characteristics of high-quality accounting standards. The FRC has been asked for comments and also to participate on a panel in December.
Continuing Education

linda Mitchusson, Editor

DISTANCE LEARNING:
ERNST & YOUNG'S SATELLITE TRAINING NETWORK

In 1994, Ernst & Young began to offer continuing education to its employees through a private satellite network. A cost- and time-effective alternative educational delivery system was needed to reach the firm's national workforce. The emergence of broadcast quality satellite networks at reasonable cost made this distance learning strategy an attractive option to the firm's traditional classroom format.

The firm's traditional classroom sessions are held live at regional sites. Extensive travel time is required, and both class time and travel time are non-billable. Travel costs to live classes also are a major part of the average cost per class participant. In contrast, the satellite network almost eliminates non-billable travel time and travel costs, and we all know time is money in public accounting.

The vision. Bob Dean, director of Ernst & Young's Professional and Organizational Development Group, is a strong advocate of satellite network classes. He believes that technology-based delivery systems can transfer knowledge quickly to Ernst & Young's employees. Dean feels that the satellite network provides tremendous opportunities to educate both internal staff and the firm's clients. In fact, clients recently participated in a banking industry update program.

The classes. The first satellite class in 1994 addressed derivative accounting, a topic that needed to be deployed quickly to Ernst & Young's workforce. Now satellite classes are offered regularly and are a rapidly growing segment of the firm's continuing professional education. Sample topics are the SALT Channel™, which is used to introduce state and local tax products; Electronic Commerce: Fad or Reality; Competing through Operations—Beyond World Class; and accounting pronouncement updates. The satellite classes allow his group to rapidly design, develop, and deliver classes. Cycle time of 30 days for these classes is possible.

The provider. The Interactive Distance Training Network (IDTN), a subsidiary of Westcott Communications, is the satellite network service provider for Ernst & Young's programs. It provides the resources to plan, produce, and transmit the programs. Its broadcast studio in Dallas is used to produce the programs that are presented by Ernst & Young's instructors. Virtual panels are possible by linking other speakers outside the Dallas studio to a program using a PictureTel video-conferencing system.

The classes are broadcast live to Ernst & Young's employees using a secured broadcast signal. The classes are transmitted to Westcott's specially equipped training rooms or to a handful of specially equipped Ernst & Young offices. Between Westcott's public classrooms and Ernst & Young's office sites, approximately 50 sites in major metropolitan areas can be served during each broadcast. About 1,700 students can access each class.

The classroom. Every classroom is equipped with two 27" television monitors, satellite reception equipment, and One Touch interactive response keypads for each student. The keypads are equipped with microphones allowing students to interact with the instructor and students at other sites. Students can signal the instructor with a call button like raising your hand to ask a question. The instructors can ask multiple choice questions to test students' understanding of material or poll students for an impromptu response with the flag function.

The classrooms seat 25-40 students. Because the class is transmitted to a national audience, class times generally are scheduled between noon and 5 p.m. EST. Classes are structured as a single session or a series. The cost per student per session (usually three hours) is around $250, and a videotape of the session is provided for the firm's internal use.

The instructors. Instructors are drawn from several sources. Most classes are taught by the firm's managers and partners. Outside experts are called on as well as university professors from major universities such as the Harvard Business School.

The future. Ernst & Young is committed to the satellite network classes and continues to expand the number offered. The firm plans to invite clients to more classes. It also is developing ways to summarize completed classes and present the content on the firm's intranet to make the information available firmwide.

IMA staff audited an E&Y session and is discussing the possibility of using the E&Y delivery system to provide council-sponsored local and regional CPE.—Kristine Mayer Brands, CMA

Kristine Mayer Brands, CMA, is controller, Berkeley Software Design, Inc. She is a member of the IMA Committee on Academic Relations. She can be reached by phone, (719) 593-9445; fax, (719) 598-4238; or Internet, brandak@bsdi.com.
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**SENIOR FINANCIAL ANALYSTS**

Career opportunity now available in the financial reporting department of this entertainment industry conglomerate. They are seeking an individual to be responsible for corporate and monthly management reporting. Candidate will maintain general ledger and quarterly reporting package, as well as handle special projects. In addition, will assist in implementing a new financial system. A minimum of two years’ experience is required as well as entertainment experience. Great benefits and salary to $50,000.

Progressive manufacturing firm seeks a professional to handle financial reporting, cash forecasting, corporate tax work and maintain the fixed asset system. Must have BS in Accounting, more than three years of experience and the ability to be “hands on” as well as assess the big picture. Great opportunity to gain exposure in various areas of the corporate finance arena. Position will be groomed for a key management role. Benefits include salary to $55,000.

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In this exciting position, you will report to the Assistant Controller, assist with month-end close, reconcile general ledger accounts and record general ledger entries for four subsidiaries. In addition, you will manage trade shows and serve as representative for phone and mail order business. CMA is a plus. Excellent growth potential and salary to $40,000.

Large multinational corporation seeks an energetic individual to fill this staff accounting position. Responsibilities will include month-end close, financial statement preparation, consolidations and reporting for all international divisions. Ideal candidate will possess BS in accounting, at least one year of experience, good analytical skills and be CPA seeking. Salary to $38,000 plus benefits.

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SENIOR ACCOUNTANTS

Strong analytical and general accounting skills are desired for this major international advertising organization. Duties include financial statement preparation, consolidation, budget and variance analysis. Excel or other spreadsheet experience is a must, and candidate should be on a CPA track. Benefits package includes a salary to $40,000.

Investment banking company is looking for a CMA to join its derivatives team. Responsibilities include preparation and analysis of daily financial information, serving as a liaison between trading, risk control and preparation in other offices, and performing ad hoc analysis and special project work. Salary to $45,000 plus bonus.

Fortune 100 company seeks a dynamic, career-oriented individual for this senior accounting position. SEC, 10K and 10Q exposure is helpful. Responsibilities will be an equal mix of financial analysis, internal/external reporting and systems. Ideal candidate will possess BS in Accounting/Finance and at least two years' experience. Looking for good interpersonal/communications skills and strong analytical ability. CMA is desirable. Salary to $45,000 and good benefits.

Great ground floor opportunity to join a rapidly growing service organization. The ideal candidate will have over two years' experience and prior exposure to financial reporting. High promotability to supervisory position with operational responsibilities. Salary to $45,000 and great benefits.

CORPORATE CONTROLLER

A challenging position is now available with a major manufacturing organization. Candidate will be responsible for all areas of accounting including cost, monthly reporting package and computer systems maintenance/enhancements. Will also establish departmental goals and implement procedures to increase efficiency. Requirements include a CMA with over eight years' public/private background. Excellent career track and salary to $90,000.

International entertainment holding company seeks a professional with consolidation and SEC reporting experience. The ideal candidate will possess over seven years' experience with an operational angle and interest. This position is being groomed for advancement to CFO. Salary dependent upon experience.

This real estate development and management company seeks a Controller for its asset management division. This professional should have a minimum of eight years' experience in an asset management environment, and previous accounting and reporting for investment portfolios is also required. Candidate should possess CMA designation and the ability to supervise staff. Salary to $80,000 and great benefits.

This position reports to the General Manager and Vice President of the company. To stay ahead of the curve, this company closes books in a two-day period and allows for a 1 1/2 week period to prepare other corporate reports. The right individual will prepare and oversee day-to-day financial reporting, budgeting, sales tax and other tax issues. Some travel is required. Salary to $65,000 plus benefits.

This established importer/exporter of agricultural products seeks an accounting professional to handle all facets of accounting. This position will manage a staff of 10 accountants. Candidate will possess strong communications, analytical and written skills. MBA/CMA is a plus. Compensation package includes salary to $60,000.

If you are committed to professional improvement, this is the position for you. Excellent people and technical skills are required as well as the ability to handle multiple tasks and change directions quickly. Candidate will oversee all accounting issues, direct staff in closings, perform general account/variance analysis and review/develop/implement policies and procedures. A CPA is required for this position. Excellent benefits and salary to $65,000.

A national leather manufacturer seeks a high-energy dynamic individual to take on the role of Controller for this multimillion dollar company. This professional will oversee a staff of eight and be heavily involved in the day-to-day operations. Hands-on payables, receivables, payroll and financial statements are a plus. CMA is a plus. Good benefits and salary to $60,000.

To keep pace with its growth, this expanding company is seeking a "hands-on" professional with good cash control skills. You will supervise a staff of 7-10 individuals, prepare month-end financials, review and implement policies and procedures, and study and improve cost controls. A degree and comprehensive background are required; CMA is a plus. Salary to $70,000 and great benefits.

ACQUISITIONS MANAGER

Multibillion dollar telecommunications company is searching for a professional with at least five years' Big 6 experience. Qualified candidates must have a minimum of three years' experience in mergers and acquisitions. This individual will manage the acquisitions department. Excellent career path and benefits along with a salary to $60,000.

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