

# streetwise



BY STEPHEN BARLAS, MARK L. FRIGO, PATRICK L. ROMANO, KATHY WILLIAMS

[NEWS]

## Attmore Named GASB Chair

Kathy Williams, Editor

**ROBERT H. ATTMORE, PRESIDENT OF ATTMORE & ASSOCIATES IN ALBANY, N.Y.,** and a former deputy state comptroller of New York, has been appointed chairman of the Governmental Accounting Standards Board (GASB), effective July 1, 2004. He succeeds Tom L. Allen, who has served as GASB chairman since 1995 and isn't eligible for reappointment.

Attmore established his own firm in 2003 after serving New York state for 23 years and is a consultant to government agencies and other entities. As deputy state comptroller from 1986 to 2003, he led a staff of more than 500 employees. Before that, he was assistant deputy state comptroller and director of internal audit of the State Office of Mental Health. Prior to that, he was with Deloitte Haskins & Sells (now Deloitte & Touche) in New York City.

A CPA and CGFM, he holds a bachelor's degree in accounting from Villanova University. He is active in the Association of Government Accountants, the AICPA, and the Government Finance Officers Association.

### SOX 404 Compliance Could Be Steep

Total costs of first-year compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (SOX) could be higher than \$4.6 million for each of the largest U.S. corporations, according to a recent Financial Executives International (FEI) survey of 321 companies. These companies project an investment of 35,000 hours of internal staff time, \$1.3 million in spending on external consulting and software, and additional audit fees of \$1.5 million (a jump of 35%), FEI says.

According to the survey results, the average cost of compliance for all companies in the survey was just under \$2 million for about 12,000 hours of internal work and 3,000 hours of external work, as well as auditor fees of \$590,000, which is a 38% increase.

Also, 25% of the respondents have already de-

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### DO CFOS FEEL SAFE?

Disaster recovery and information systems security are their companies' most vulnerable areas, CFOs said in responding to a recent Robert Half Management Resources survey. Of the 1,400 CFOs surveyed, 37% said their companies are most vulnerable in the area of disaster recovery, while 24% named security as their chief weak area. Protection of intellectual capital ranked third, and detection of accounting fraud, fourth.

When they were asked how they were going to invest to ensure future growth, 28% said in technology enhancement, and 20% mentioned marketing. Tied for third were facilities expansion and training. ■

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READERS'  
INPUT

## IMA RESEARCH

Two recent articles in *Strategic Finance*, both written by Paul Sharman, have been “allocated” permanent residence on my work desk—those of October and December 2003. In my reading of these articles I sense challenge and change for IMA management—possibly a reawakening—that maybe the direction of IMA should be re-considered and modified.

Several years ago, after I retired from IMA (7/92), I noted a change in the direction of IMA, away from its management accounting (cost accounting) heritage toward the “safety net” of a broad, more popular managerial concept. This was signaled when the name of the premier publication was changed from *Management Accounting* to *Strategic Finance*. The organization had, in previous years, changed its name from the National Association of Accountants to IMA to better describe its composition and purpose.

What would this last action portend for IMA?

With this change, I presume done to better describe the scope of activities that IMA was currently engaged in, I perceived that IMA innocuously downgraded management accountants and management accounting to

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[IMA NEWS]

## IMA Launches New Research Program

by James Cooke

**IN A RECENT SURVEY, MEMBERS INDICATED THAT ONE OF THE REASONS THEY** join IMA is to keep up with new developments in management accounting that focus on the best tools and methods for planning, control, support, and decision making. As a result of this and other input, IMA is reentering the research arena. IMA is already the premier association in managerial finance and accounting, but to maintain this leadership position, IMA must not only be on the cutting edge of research—it must create it.

IMA's Foundation for Applied Research/Management Accounting Committee (FAR/MAC) has identified the following eight topics as core research areas for which it will provide funding: alternative cost accounting/management systems, capacity management, capital budgeting and investment decision making, customer valuation, enterprise risk management, monitoring and control, strategic plan forecasting, and

value-based management. A primary area of interest is German cost accounting, or GPK. The Committee invites academics and practitioners to submit research proposals based on GPK, the above eight topics, or any others for consideration. The goal is to create discussion papers, Statements on Management Accounting, and practitioner-oriented articles based on completed research for publication in *Strategic Finance* magazine and/or *Management Accounting Quarterly*.

A brochure about the research program provides complete information regarding the program's objectives, research topics, and proposal guidelines. You can download a PDF of the brochure

from the Research Program page in the Professional Development section on IMA's website at [www.imanet.org](http://www.imanet.org). If you want a printed copy of the document, contact James Cooke, assistant vice president-research at (800) 638-4427, ext. 1526, or [jcooke@imanet.org](mailto:jcooke@imanet.org). He is the primary contact for any questions you have about the program.

IMA announced its new research program in January at the American Accounting Association's Management Accounting Section conference in Miami. Carl Smith, IMA professor-in-residence and FAR/MAC chair; Paul Sharman, IMA's interim executive director; and James Cooke made a joint presentation about the new research effort at the IMA-sponsored breakfast. They said the presentation was well received and generated a great deal of positive interest from university professors from the U.S., Canada, Europe, Asia, and Australia.

The FAR/MAC encourages you to investigate IMA's new research program and looks forward to receiving your proposals. ■



## [GOVERNMENT]

## Enzi Tries to Redirect FASB on Stock Options

Stephen Barlas, Editor

**THE ONLY ACCOUNTANT IN THE** Senate is trying to divert the Financial Accounting Standards Board (FASB) from its intention to publish a new rule requiring companies to expense stock options. This has been a controversial issue, inside Congress and out, for a decade. But the FASB, under Chairman Bob Herz, has made it clear it intends to endorse expensing despite the objections of the high-tech industry, which is the chief opponent of the move. But while the FASB hasn't been sidetracked by the chips and components makers, it *will* have to sit up and listen now that Sen. Mike Enzi (R.-Wyo.), chairman of the Senate

Banking subcommittee on securities and investment, is rattling his saber.

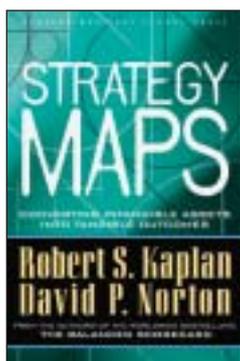
Enzi, an accountant in his former life, thinks that the FASB made up its mind to go forward on major changes to Statement on Financial Accounting Standards (SFAS) No. 123, which deals with stock options accounting, without considering the views of small businesses. That explains his pre-emptive strike: the Stock Option Accounting Reform Act (S. 1890/H.R. 3574). The bill aims to avert the wide-ranging changes being considered by the FASB. It endorses expensing for the top five executives of a company, exempts small businesses and start-up companies, and

sets conditions for the expensing of broad-based stock options for the remaining employees. In addition, the bill prohibits the SEC from recognizing any new FASB stock options standard until two things happen. First, there would have to be an agreed-upon method for "truing-up" financial statements when a stock option is exercised, lapses, or is forfeited. If the cost goes up, then the company must record the increase when an option is exercised. Likewise, if an option lapses or is forfeited, then a company should be able to wipe those previously taken expenses off its balance sheet. Second, the Commerce and Labor De- *continued on next page*

### BOOKS

## The Value of Strategy Maps

\* **IN THEIR NEW BOOK, STRATEGY MAPS, ROBERT** Kaplan and David Norton contribute the next step in the continuing evolution of the balanced scorecard framework. Based on their work with more than 300 organizations over the past dozen years, *Strategy Maps: Converting Intangible Assets Into Tangible Outcomes*, published by Harvard Business School Press, presents a plethora of examples of balanced scorecard strategy maps developed and used by companies. By using the examples to illustrate the power of strategy maps in making the connection among word statement objectives, strategy, and performance measures, the authors provide a useful resource for any manager who is or will be leading a balanced scorecard initiative.



Kaplan and Norton begin by discussing the equation that describes how strategy maps articulate with the balanced scorecard and the strategy-focused organization (SFO) to achieve successful execution of strategy: strategy maps + balanced scorecard + SFO = breakthrough results. This equation leads to a great opportunity as well as a great challenge for organizations using strategy maps and the balanced scorecard: developing the right strategy. Strategy maps can provide the strategic momentum organizations need to understand and communicate strategy. According to the authors, one way of describing the philosophy of the balanced scorecard is: "You can't manage what you can't measure." The philosophy of strat- *continued on page 25*

**[LETTERS] cont'd from p. 22**

a lower tier—even though we were previously understood to be the principal management accounting organization. It seemed that the organization wanted to become more closely allied with an upper-financial/external/accounting audience, where the action, dollars, concepts, and publicity resided. By distancing themselves from the management/internal accounting practitioners and withdrawing some previous recognition (no longer were as many articles by members featured), I feel we reduced member incentive to innovate and report on practice research. We also took away some of their ability to relate to what other members were accomplishing on their “tour of duty.”

I have felt, and still do, that these changes engendered a wrong turn in our history. After all, in 1987 the Executive Committee “unanimously approved \$1 million for a major research effort to

be called the Bold Step” to fund “application-oriented” solutions to new technologies and trends in business and industry. (See *Management Accounting*, July 1987, p. 10.)

Our research was intended to bring us closer to the front lines, where experimentation and research were taking place and where solutions were getting “hammered out.” It was not the intent to draw away from the front, where intelligence resides, and leap into a “safety net” of broad, encompassing and vague concepts, hard to apply, and where truth is sometimes corrupted because of incomplete translation, through many levels of management.

In the book, *Proud of the Past*, the special publication by IMA commemorating its 75th anniversary in 1994, the authors pointed out in their coverage of the Bold Step Publication Program that “the publication of the final book in the series, *Implementing Activity-Based Cost Management*:

*Moving from Analysis to Action*, won the 1993 Notable Contribution to Accounting Literature Award from the American Accounting Association—Management Accounting Section. They said, “The [IMA’s] \$1 million had been well spent.”

But more than that, we gained the participation of many constituencies, each of which submitted articles to *Management Accounting*—members, academia, public accounting, consulting, U.S. Government agencies, and other professional organizations. We took the triangulated approach toward our research project partners—combining the best core competencies from industry, academia, public accounting, and/or consulting. We attracted the attention of media organizations. We were featured in “Business Day” of *The New York Times*, *Business Week*, *The Record*, and others, who reported on our research findings and provided summary reporting of our “hot” conferences, especially those

**[GOV'T] cont'd from p. 23**

departments would have to prepare an economic analysis study looking at how the use of stock options may stimulate economic growth in the U.S. economy. The FASB has to take Enzi very seriously because, besides his strategic chairmanship, the Republican’s bill is co-sponsored by the second-ranking Democrat in the Senate, Sen. Harry Reid of Nevada.

### SEC Issues Guidance on MD&A

The Securities & Exchange Commission (SEC) wants companies to inject more useful information into Management’s Discussion & Analysis of Financial Condition and Results of Operations, commonly called MD&A. The purpose of the MD&A is to provide a narrative explanation of a company’s financial

statements and give potential investors additional insight into the company’s earnings and cash flow so that its prospects and vulnerabilities, which might not be immediately visible from the numbers, are illuminated as best as can be expected. What the SEC is stressing is the need for the company to provide a management perspective on what’s likely to happen to the company in the future—based on information about such things as known material trends and uncertainties; key performance indicators, including non-financial indicators; liquidity and capital resources; and critical accounting estimates.

### Senators Criticize IRS

The Senate’s two top tax cops are pulling over the IRS because of concerns the agency is going easy on

multinationals with whom the agency signs advance pricing agreements (APAs). Because Sens. Charles Grassley (R.-Iowa) and Max Baucus (D.-Mont.) are chairman and ranking Democrat, respectively, on the Senate Finance Committee, they have tremendous leverage over the IRS. “These agreements involve billions of dollars in taxes,” Grassley says. “We have to make sure the IRS isn’t giving too much leeway to participating companies at the expense of other taxpayers and that these companies aren’t gaming the system to evade their fair share of taxes.” The two senators have asked IRS Commissioner Mark Everson to turn over a boatload of data on the APA program, which sets the rules for how companies determine the prices that related companies charge each other when transferring goods and services. ■

on cost accounting.

Maybe IMA can repeat this performance? It's sure worth a try!

It would revive the interest of present members, generate inquiries from potential members, and improve the perception and standing of IMA in the financial community.

Patrick L. Romano, CMA, CPA, EA  
Former Director of Research and  
Conferences, IMA

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**[BOOKS] cont'd from p. 23**

egy maps is: "You can't measure what you can't describe." This leads to the logical question: "How good is the strategy?" This, of course, is exactly the question management teams constantly need to be asking.

The authors present several strategy map templates, strategic themes, and a framework for aligning and integrating intangible assets. The strategy map templates give examples of several generic strategies. The strategic themes can help management teams identify the few critical processes that have the greatest impact. And Kaplan and Norton articulate a valuable framework for aligning and integrating the three intangible assets in the learning and growth perspective (human capital, information capital, and organization capital) to the strategy of the organization, based on the premise that intangible assets must be aligned with strategy in order to create value and that an integrated program is needed to create and leverage all of the organization's intangible assets.

*Strategy Maps* complements and extends Kaplan and Norton's first two books (*The Balanced*

*Scorecard*, 1996, and *The Strategy-Focused Organization*, 2001) by providing much more detail on how strategy maps are developed and used. How important and innovative are strategy maps? The originators of the balanced scorecard in the early 1990s, Kaplan and Norton observe that "The strategy map has turned out to be as important an innovation as the original balanced scorecard itself."

Each chapter in their book is followed by case studies and case vignettes that provide a high-level description of the organization's strategy and strategy maps. These case studies are drawn from a wide variety of industries, as well as nonprofit and public sector organizations, worldwide. The organizations covered in the case studies include the Boston Lyric Opera, Saatchi & Saatchi, Boise Office Solutions, Ingersoll Rand, T. Rowe Price, Crown Castle International, and Bank of Tokyo-Mitsubishi. The case files section at the end of the book presents examples of the strategy, strategy maps, and results from other organizations such as Northwestern Mutual, Media General, and the Royal Canadian Mounted Police.

A significant contribution to the further development of the balanced scorecard framework, *Strategy Maps* presents the tools, ideas, and examples many have been waiting for.—Mark L. Frigo

Mark L. Frigo, Ph.D., CPA, CMA, director of *The Center for Strategy, Execution and Valuation* at DePaul University, can be reached at [mfrigo@depaul.edu](mailto:mfrigo@depaul.edu).

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played their permanent solution for Section 404 compliance, another 52% expect to do so this year, 10% are planning to comply after 2004, and 14% don't have any solution plans right now.

For complete survey results, visit [www.fei.org](http://www.fei.org).

## IASB Launches New Website

The International Accounting Standards Board (IASB) and the International Accounting Standards Committee (IASC) Foundation have launched a new website that will feature more information and easier navigation for users. You can access the site at [www.iascfoundation.org](http://www.iascfoundation.org) or [www.iasb.org](http://www.iasb.org). ■