

[NEWS]

## International Standards Convergence Still Faces Challenges | Kathy Williams, Editor

**HOW CLOSE IS INTERNATIONAL CONVERGENCE OF FINANCIAL REPORTING AND auditing standards?** There are still several challenges to overcome, but there are some success stories, too, according to the findings of a new study commissioned by the board of the International Federation of Accountants (IFAC). Titled *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs*, the report identifies the major challenges to adopting and implementing International Financial Reporting Standards (IFRSs) and International Standards on Auditing (ISAs), provides examples of successful implementation, and recommends actions groups can take to achieve convergence.

Here are the six primary challenges to adoption cited in the study:

- The need to develop standards that are capable of translation and to establish processes that facilitate high-quality translation of the standards to more effectively accommodate the needs of nonnative English speakers. Translators often find it difficult to convey the real meaning of the English text in the translated standards.
- Complexity and structure of the standards. Study participants said that long, complex, rules-based standards are hard to implement, and they emphasized the importance of applying a principles-based approach in international standard setting.
- Frequency, volume, and complexity of changes to the standards. Participants cited examples of numerous changes to standards that had been issued, and one person recommended that this question be asked about every change: "Will the value added exceed the cost to implement the change?"
- Special issues for small and medium-sized companies and accounting firms around the relevancy and appropriateness of international standards. These included the difficulty of applying the standards.
- The potential knowledge shortfall regarding international standards among those responsible for implementing them
- Lack of a universal understanding of the meaning of international convergence.

The study also described some success factors, particularly in the areas of professional accounting bodies offering training to their members on the transition to the new standards, organizing discussion forums, and interacting with governments, regulators, and other interested parties.

To download the study, which was prepared by Peter Wong, a former member of the IFAC board, visit [www.ifac.org](http://www.ifac.org). ■

### IFAC PUBLISHES AWARD-WINNING ARTICLES

Three articles published by IMA are included in IFAC's just-released *Articles of Merit: 2004*. They are "Roles and Practices in Management Accounting Today," by Ashish Garg, Debashis Ghosh, James Hudick, and Chuen Nowacki (the results of the E&Y and IMA study), *Strategic Finance*, July 2003; "How Large Corporations Use Data Mining to Create Value," by Thomas Calderon, John Cheh, and Ilwoon Kim, *Management Accounting Quarterly*, Winter 2003; and the two-part "The Case for Management Accounting" and "Bring on German Cost Accounting," by Paul Sharman, *Strategic Finance*, October and December 2003.

To download a copy of the booklet, visit [www.ifac.org](http://www.ifac.org). ■

**READERS' INPUT**

**RESPONSE TO AUGUST "PERSPECTIVES"**

I have worked as a cost accountant in various manufacturing companies for the past 20 years, and I have been frustrated with the gap in the accounting profession between the management accountants and the auditors. I have seen far too many times an emphasis on satisfying government and external reporting requirements while ignoring the information needs of the management team.

The manufacturing industry learned many years ago that it was more cost effective to build quality into a product and reduce the amount of inspection at the end of the line. They also learned to work in teams with cellular manufacturing and have adopted lean manufacturing and other methods to increase efficiency. Why is it that the accounting profession seems to lag behind? We are a group of well-educated people who belong to professional associations that encourage continuing education and growth, yet we do not seem to move forward.

The accounting profession will continue to suffer until we demand quality, well-focused work from everyone. The companies we work for deserve our attention. We owe it to them to provide them with information to

*continued on page 18*

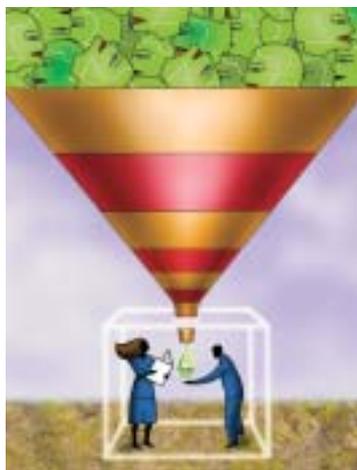
**[RESEARCH]**

## Do You Want to Participate in a Scorecard Study?

**IMA MEMBERS ARE INVITED TO PARTICIPATE IN AN ONLINE SURVEY**

regarding the worldwide use and adoption of scorecards. Sponsored by IMA and several other professional organizations, the study will provide information on which organizations are implementing scorecarding systems, the desired (and achieved) benefits, the approaches used in designing and implementing these systems, best practices, international differences in scorecarding, and much more.

Participants will receive access to all articles that present the findings from the current study, as well as other benefits detailed on the study's website. They also will receive access to a series of articles detailing the findings from the prior North American study, written by the survey's principal investigators, Raef Lawson of the University of Albany, State University of New York; Professor William Stratton of Pepperdine University; and Toby Hatch of Hyperion Solutions.



Survey participants can be from any organization that has considered, implemented, or is in the process of implementing a scorecarding system. And they should have an understanding of or have access to information about the purpose

of the scorecarding system, its implementation, and benefits or outcomes from the system.

The free survey will take approximately five to 45 minutes to complete. To participate, go to <http://graziadio.pepperdine.edu/shaps>.

### IMA Launches "New Costing" E-Mail Exchange

As part of its current research effort, IMA is starting a new e-mail exchange called "New Costing" that will focus on Grenzplankostenrechnung (GPK), a well-established form of German cost accounting, and Resource Consumption Accounting (RCA). (For more on RCA, see the article "RCA at Clopay," p. 20.)

IMA will investigate well-established management accounting techniques and bring the findings to you so you can better serve the organizations you work for. The 2003 Survey of Management Accounting conducted by E&Y and IMA indicated that 98% of U.S. managers did not have confidence in their cost information. GPK has been in wide use in German manufacturing and service companies for more than 40 years, and German managers appear to be very satisfied with the quality of their cost information. IMA has a responsibility to seek out new options such as GPK and RCA, especially since activity-based costing (ABC) hasn't met with the broad success once anticipated, and standard costing is inadequate for

*continued on page 18*

## [GOVERNMENT]

## Business Takes a "Wait & See" on Changes to Sarbanes-Oxley

Stephen Barlas, Editor

**DON'T LOOK FOR THE BUSINESS** community to initiate a legislative assault on the internal controls provision of Sarbanes-Oxley until at least mid-2005, if then. That judgment is based on the less-than-heavy-caliber fire directed at the Section 404 provisions during hearings in the House Financial Services Committee on July 21. Business and accounting groups have been grumbling all year about the compliance costs of Sarbanes-Oxley, particularly the Section 404 requirements mandating companies review and report on the adequacy of their internal controls and that an independent auditor attest to the adequacy of that

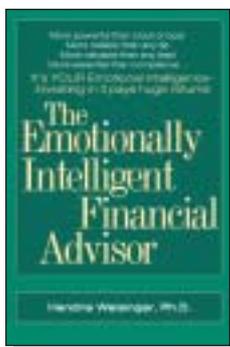
corporate review. The SEC recently endorsed the Public Company Accounting Oversight Board's standard for attestation, which was opposed in part by the accounting industry. Section 404 compliance costs have reached as high as \$2 million and more for some large companies, although that expense is expected to decline substantially in future years. Of course, some of that money is going to accounting firms, which may explain the view of James Quigley, chief executive officer at Deloitte & Touche. He told the Committee that he thinks it's important to wait at least one full implementation cycle before assessing

whether fine-tuning or additional measures are necessary. In fact, Quigley seemed to support the Section 404 requirements when he said, "My viewpoint is that, although costly, the internal control management reporting and auditor attestation are valuable, meaningful safeguards that, as businesses and auditors gain experience complying with the requirements, will become more efficient." Committee Chairman Michael Oxley (R.-Ohio) might have been expected to be more sympathetic to corporate financial types who have been wincing over the compliance costs. But Oxley didn't seem to have *continued on next page*

## BOOKS

## Increase Your Emotional Intelligence

\* **YOUR TECHNICAL SKILLS (E.G., PRODUCT** and business knowledge, understanding of global economics, analysis of specific market sectors) are important to your success, but according to Hendrie Weisinger, Ph.D., a psychologist and leading authority in the application of emotional intelligence, they aren't nearly as essential as your ability to apply your emotional intelligence in your relationships and interpersonal interactions. In his book, *The Emotionally Intelligent Financial Advisor*, published by Dearborn Trade Publishing, Weisinger explains how when you become an emotionally intelligent person, you work with positive attitudes, enhance your relationships by communicating your ideas more effectively, manage your emotions, and



increase your results-oriented behavior. Unlike IQ and other traditional measures of intelligence, emotional intelligence can be developed and increased dramatically.

Emotional intelligence refers to your ability to use your emotions, moods, and feelings—and those of others—to enhance your results. High self-awareness, emotional management, and self-motivation are the three cores assets in the emotional intelligence portfolio:

High self-awareness is the ability to tune in to your thoughts, feelings, senses, actions,

and intentions to enhance your results. The ultimate goal is to increase those actions that get you where you want to be while decreasing counterproductive thoughts, emotions, *continued on next page*

[GOV'T] *cont'd from p. 17*

much sympathy for those additional costs. "Money is the language of business, and if Sarbanes-Oxley didn't cost anything, it probably also wouldn't mean anything," he said. Moreover, former SEC Chairman Roderick Hills said that some companies are using compliance with Section 404 to create value. That is happening, he added, at Chiquita Brands International, where he serves as chairman of the Audit Committee. "In the past week I have spoken to the chief accounting officers of three multibillion corporations who believe that, on balance, Rule 404 compliance is worth the effort," Hills emphasized. "Even some of the most severe critics of the Rule concede that it has positive aspects."

### Anti-FASB Bill Likely to Die in Senate

It's difficult to believe the Senate will approve the Stock Option Accounting Reform Act of 2003 (S. 1890), which the House passed by a vote of 312 to 111 on July 20. Sen. Richard Shelby (R.-Ala.), chairman of the Senate Banking, Housing, and Urban Affairs Committee, which has jurisdiction over S. 1890, plans to do everything in his power to ensure the bill never emerges from the Senate. Andrew Gray, Shelby's spokesman, says Shelby will not bring S. 1890 up for a vote in committee. Theoretically, Sen. Mike Enzi (R.-Ohio), sponsor of S. 1890, could try to have it attached to an appropriations bill and bypass the Shelby committee. But Gray said Shelby would attempt to block such an effort. The Enzi bill would ensure that the FASB's mandatory expensing rule is not implemented for at least a year, pending economic impact

studies by the Departments of Commerce and Labor. ■



[LETTERS] *cont'd from p. 16*

help run these companies. All accountants need to get out of their offices and participate in the running of their companies. Don't wait until someone comes to you. We cannot be afraid to participate.

Talk to managers in other parts of the company, ask how you can help them, ask what kind of information they need to do their jobs better and make better decisions. We need to start the dialogue. We need to break down the walls we have built around our profession and communicate with the rest of the company.

Andrea K. Voss  
*Cost Accountant  
Plastics Engineering Company*



[RESEARCH] *cont'd from p. 16*

strategic use.

Over the past year, IMA has taken significant steps to bring knowledge of GPK into the English-speaking management accounting domain. The launch of New Costing, in conjunction with a number of new case studies and two forthcoming research projects, will encourage and facilitate dialogue on these innovations and lead to the continued development of the best tools and methods for planning, control, and decision-making support.

IMA Interim Executive Director Paul Sharman and Anton van der Merwe will serve as subject matter experts for New Costing, and James Cooke, IMA assistant vice president-research, will act as moderator. To join the exchange or to ask any questions about GPK and RCA, contact James at [jcooke@imanet.org](mailto:jcooke@imanet.org) or (800) 638-4427, ext. 1526. ■

[BOOKS] *cont'd from p. 17*

and behaviors. A high self-awareness is the most important emotional intelligence asset.

Emotional management involves understanding your emotions in order to turn situations to your benefit. You can use your thoughts to make good choices about your behavior and have the capacity to soothe yourself from anxiety, gloom, irritability, and irrational exuberance in order to maintain an emotional perspective and avoid triggering counterproductive behaviors.

Self motivation is using your emotions to propel yourself into action towards a desired purpose. Enthusiasm, drive, tenacity, inspiration, and a go-go attitude are all characteristics of self motivation. Improving self motivation is accomplished by focusing your thoughts, behaviors, and actions to bolster and restore your confidence and enthusiasm, as well as seeking help from motivationally supportive friends so that the work environment is as conducive to productivity as possible.

Diversifying your emotional intelligence requires investing in your work relationships by increasing your awareness to relational needs and identifying the appropriate level of information exchange to satisfy those needs. Among the most important communications skills are self-disclosure, which involves clearly telling others what you think, feel and believe; assertiveness, which involves sticking up for your ideas and opinions while respecting the other person; and dynamic listen-

[IMA]

## Clemens A. Erdahl, 1919–2004

**CLEMENS A. ERDAHL, SR., 85, DIED IN CEDAR RAPIDS,** Iowa, after a long illness. He was 1978-79 president of the National Association of Accountants, which subsequently changed its name to the Institute of Management Accountants.

Born in Rake, Iowa, the same year the National Association of Accountants was founded, he attended high school in that town and then Waldorf College in Forest City before graduating with honors from the University of Iowa Business College with a degree in accounting.

He joined Price Waterhouse & Co. in 1939 in New York City as an international auditor and spent his entire career at that firm except for four years in the Army during World War II. As a partner for 26 years, he was responsible for audits of such companies as IBM, United States (Shipping) Line, and Ingersoll-Rand.

He was inducted as a private in the anti-aircraft division of the Army and served in the Aleutian Islands during World War II. He was discharged as a Lt. Colonel in 1945. He married Mary Louise Crozier on August 26, 1941, and they made their home in Scarsdale, N.Y., until he retired in 1979 when they moved to Cedar Rapids.

At the beginning of his presidency, Clem Erdahl said, "I suppose if there has been a theme in my professional life it has been the pursuit of excellence in international au-

diting and accounting." His background in international accounting buttressed his belief that the association could play a major role in worldwide accounting and the establishment of standards. A CPA, he enthusiastically supported the Certified Management Accountant (CMA) program created in 1972 by the association. "[T]he CMA

is a fine additional mark of identity that I would like to see go to an increasing number of accountants in industry."

Clemens Erdahl served as chairman of the AICPA Committee on relations with the Office of Foreign Direct Investments. Based on this experience he wrote an article, "Meeting the Requirements of the Foreign Direct Investment Regulations," which was published in *The Price Waterhouse Review*. He also wrote for the *Journal of Accountancy*.

For years Clem and Mary Lou participated at the IMA Annual Conferences, renewing their friendships with fellow former presidents and their spouses. He will be sorely missed by this group and other IMA members who cherished their friendship. He is survived by his wife of 63 years, Mary Lou; their daughter, Catherine; their son Clemens II; and four grandchildren.

The family requests that memorial contributions be made to the Michael J. Fox Foundation for Parkinson's Research, Grand Central Station, PO Box 4777, New York, NY 10163. ■



ing, which involves hearing what the other person is really saying. Mastering these skills requires applying your interpersonal expertise, or, in other words, your ability to relate well to others. This expertise in handling conflicts, giving and taking criticism, and responding effectively to the emotional state of your clients/customers creates distinguishing trust in relationships. You may be the smartest, most knowledgeable, and hardest-working individual,

but if your interpersonal expertise falls short, so will your bottom-line results.

Weisinger's book is highly recommended for all people (not just financial advisors) who would like to improve their personal and business relationships with their family, boss, fellow workers, and clients/customers. The case studies, examples, and exercises included are helpful in understanding and developing your emotional intelligence. A compliance

checklist is provided that can be used to make sure you are applying your emotional intelligence in these critical areas: (1) awareness to intent, (2) awareness to actions, (3) using emotions as cues for gauging each day, and (4) staying proactive.—Lance A. Thompson

Lance A. Thompson, Thompson Management Consulting Services, LLC, can be reached at [lancephx@aol.com](mailto:lancephx@aol.com).