streetwise

BY STEPHEN BARLAS, ALFRED M. KING, ROBERT RANDALL, KATHY WILLIAMS

[NEWS]

Professional Accountants in Business Are Valuable | KATHY WILLIAMS

Most people outside the management accounting world associate accountants with tax preparation and auditing, not with ensuring that businesses run properly with the correct operational and fiduciary controls. But that perception might change soon given new and increased efforts by IMA, the International Federation of Accountants (IFAC), and others to reinvigorate the profession of management accounting.

As part of this effort, IFAC's Professional Accountants in Business (PAIB) Committee recently released *The Roles and Domain of the Professional Accountant in Business*, an "information paper" that defines these individuals and highlights the roles they play, including implementing and maintaining controls, providing analytical support for strategic planning and decision making, ensuring that effective risk management processes are in place, and assisting management in setting the tone for ethical practices. PAIB Committee Chair Bill Connell says, "This new paper demonstrates how the role of professional accountants in business is critical to the reputation and the credibility of businesses, their management, and the accountancy profession as a whole."

IMA members, you may want to use this paper as part of your career arsenal when you find yourselves explaining to others what you do. For example, it lists areas in which management accountants and financial managers work, such as business accounts, corporate finance, strategic support, business assurance, risk management, project management, treasury, internal control, and financial reporting. And it gives their job titles, such as CFO, finance director, controller, financial analyst, chief information officer, strategy analyst, chief accountant, cost accountant, management accountant, internal auditor, and compliance officer. It also discusses standards and guidance to which these professionals must adhere and activities they perform in their everyday work.

You may download the entire paper for free from the IFAC online bookstore at www.ifac.org/store. Click on Professional Accountants in Business on the left side of the page, and scroll down the list of papers until you see Information Papers. Then click on the title.

For more information about IFAC activities to promote accountants in business, visit the PAIB Committee's home page at www.ifac.org/paib. For more about IMA's plans, see "IMA Reborn" on p. 26. ■

HIRING OUTLOOK IS STABLE

In a new survey by Robert Half International, 8% of the CFOs polled said they plan to add full-time accounting staff during the first quarter of this year, 8% said they anticipate personnel reductions, and 79% said they expect to keep their staffs the same. The projected net increase is a four-point decline from the prior quarter.

CFOs in the Pacific states of Alaska, California, Hawaii, Oregon, and Washington were the most optimistic about adding new people as 12% said they planned to hire. The South Atlantic region also is expecting a small increase in hiring at 4%.

Of those who plan to add personnel, 38% said business growth was the primary reason; 15% cited staffing issues, such as attrition, as the main factor; and 15% said they were hiring more people because of rising workloads.

Industries that will see hiring increases, according to the respondents, are retail, manufacturing, and finance. ■

IMA News

Herbert Seiffert, 1929-2005

Herbert Seiffert, 76, former president of the National Association of Accountants (now the Institute of Management Accountants), died December 3, 2005, at his home in Neshanic Station, N.J., after a long battle with cancer.

He was born in Rockville Centre, N.Y., and raised in Baldwin, N.Y. He served in the U.S. Marine Corps from 1947 through 1952 with wartime service in Korea. After his discharge, he earned a bachelor's degree in accounting and a master's degree in business administration from New York University.

In 1960, Herb joined the accounting staff of Johnson & Johnson, New Brunswick, N.J., and the Raritan Valley Chapter of NAA. At J&J he enjoyed a long-term finance career, retiring in 1992 as corporate vice president and assistant treasurer. He served as NAA president in 1984-85 and as chairman in 1985-86. After his retirement, he continued to attend functions of the IMA.

Herb is survived by his wife of 56 years, Jean Louise Simonin Seiffert, and four sons, Mark, David, John, and Matthew, and their families. According to John, his father was an "avid fisherman and truly valued his beagle dog Jake." In an e-mail to the editor, John wrote, "He truly loved

continued on page 61

[GOVERNMENT]

Advisory Tax Commission Recommendations | STEPHEN BARLAS, EDITOR

The corporate tax recommendations made by President Bush's tax commission in November got lost amidst all the commotion stemming from its recommendations on individual rates, primarily its elimination of the alternative minimum tax. But the two separate, alternative plans the commission—headed by former Sen. Connie Mack—recommended endorse immediate expensing of capital expenditures and ditch the complicated depreciation schedules that bedevil many corporate taxpayers. The commission also backed dropping the corporate income tax from 35% to 32%. "We are pleased that the panel's recommendations include some changes long sought by the National Association of Manufacturers (NAM), including lower tax rates on corporate income, lower or no taxes on investment income, elimination of the corporate alternative minimum tax, and significant reform of the current depreciation system," says John Engler, NAM president. But Engler has problems with some other recommendations the commission made. "For example, the suggestion that we limit the tax exclusion for employer-provided health benefits is quite troubling," he adds. Committees in both houses of Congress will be holding hearings on the recommendations early this year.

Senate Considers New Restrictions on Foreign Investments in U.S. Companies

Congress may be getting ready to change the regulations that dictate how the U.S. government must assess the potential takeover of an American company by a foreign company. The Exxon-Florio rules passed in 1988 are meant to prevent a takeover with negative national security implications. Those rules set up the Committee on Foreign Investment in the United States (CFIUS), which is composed of officials from U.S. cabinet departments and agencies. The Government Accountability Office (GAO) presented a report discussing weaknesses in the CFIUS process to the Senate Banking Committee in early October. Chairman Richard Shelby (R.-Ala.) then held two days of hearings that month. A number of business groups are concerned that the remedial legislation Shelby is certain to propose may dampen the enthusiasm of foreign companies for investing in the U.S. Shelby states, "The Banking Committee, I feel confident in stating, will take no actions that impede international investment. But national security should never be subordinated to commercial interests."

House Committee Acts on Pension Funding

Pension funding reform took another step forward when the House Ways & Means Committee bill (H.R. 2830) passed the full House last month. A somewhat different Senate bill (S. 1783) passed

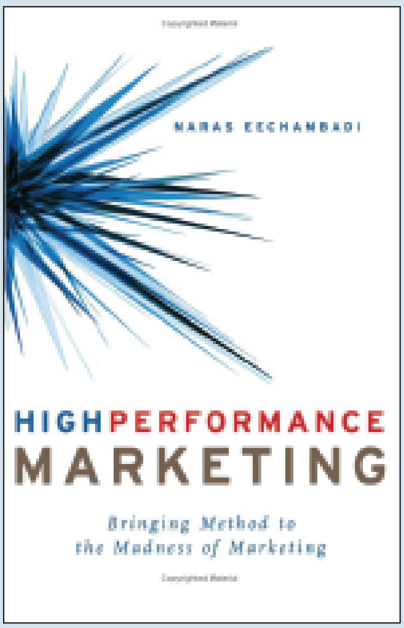
continued on page 61

[BOOKS]

Financial Management and Marketing

In the final analysis, every company is dependent on its customers and its ability to sell profitable products or services to those customers. It is estimated that companies in the United States spend upward of $250 billion annually in carrying out the marketing function, which includes identifying customers and motivating them to buy. Improving the return on this massive investment would have incalculable impact on any company.

For example, automobile manufacturers introduced remarkably successful programs to provide "no-cost" financing to buyers. Sales shot up, and the program seemed a success—but only if all you measured was sales volume. When the companies measured overall profitability, it turned out they were losing money in the short run and, even worse, had conditioned customers to wait for the next "deal" before buying a car.



In *High Performance Marketing: Bringing Method to the Madness of Marketing*, author Naras Eechambadi, founder and CEO of Quaero Corporation, a well-known consulting firm that focuses on improving marketing performance, discusses the real importance of marketing in relation to the customer; he recognizes that the customer is of paramount importance to every company and that marketing has the best insight into customer demands. He doesn't overlook the importance of financial management, however, and puts great emphasis on systems and systems improvement, which can only be accomplished through joint effort.

Eechambadi has developed a six-prong graphic to visualize the interdependence of strategies, processes, organizational alignment, technology, information assets, and measurements. At least half of the items are definitely within the purview of readers of this magazine. If I had to put the author's suggestions in a single sentence, it would be "Plan your marketing strategy, measure performance of that strategy, and hold managers responsible for that performance."

While this book is written primarily for marketing executives, the real audience should be management accountants and finance professionals. These are the people trained in measurement and reporting who can most easily implement Eechambadi's recommendations. Further, by partnering closely with marketing, finance professionals can enhance their personal career development. While in theory it may be easy to teach a marketing manager sufficient accounting to measure performance, in practice a qualified finance manager will more quickly absorb the requirements of marketing analysis.

The book is chock full of real-life examples and case studies, very few of which are disguised. It reads easily and has literally dozens of nuggets of good ideas. Any reader of *Strategic Finance* who wants to enhance his or her career would do well to get a copy of the book, read it, and then start to ask the tough questions about marketing expenditures. Whether you are dealing with performance measurement, capital budgeting, cost accounting, or expense budgets, this book will help you do today's job better. More importantly, it will be the stepping stone to enhanced responsibilities within your company. General management requires expertise in marketing as much as, if not more than, finance.

Eechambadi will be a featured speaker at the forthcoming 2006 IMA Annual Conference in Las Vegas, Nevada.—*Alfred M. King, CMA, CFM*

[IMA NEWS] *cont'd from p. 24*

this organization—in fact, one of his favorite phrases was 'I love the NAA.'"

A popular leader in the Association and the Institute during long service with his local chapter and council and his term as president, Herb stressed the development of new leadership and increasing the visibility of the organization in the financial community and halls of government. He extolled the importance of the Certified Management Accountant designation to accounting students and was particularly proud of the pioneering work of the Committee on Management Accounting Practices in defining management accounting and promulgating its objectives. He served as a member and then chairman of the Committee for a number of years.

A gregarious, thoughtful, and loyal IMA member, Herbert Seiffert will be long remembered by his colleagues as a congenial friend, a staunch booster of the management accounting profession and IMA, and a champion of excellence in the field of corporate finance.

Memorials may be made to the Cancer Institute of New Jersey, 195 Little Albany St., New Brunswick, NJ 08901. ■

[GOV'T] *cont'd from p. 24*

the full Senate. Business groups were pressing Congress to finish a reform bill by the end of 2005, but that was unlikely to happen. Yet with a General Motors bankruptcy and/or pension default increasingly possible and the FASB announcing in November that it will tighten pension obligation financial reporting rules by the end of 2006, there is ample reason for Congress to get the lead out. While key business groups like the American Benefits Council are pressing hard for a final bill, they also have problems with some of the provisions in the two bills. One of the major reforms in the House bill is that companies would have to fund 100% of pension liabilities, as opposed to the current 90% (80% in some situations). The 100% requirement would be phased in over five years starting in 2007. The bill also tightens up the "smoothing" rules, requiring companies to ensure average asset market values are between 90%-110%, not between 80%-120% as is the case now.

In terms of measuring liabilities, corporations today use an interest rate based on a four-year weighted average of the 30-year Treasury bond rate. The House bill throws that out the window and replaces it with a complicated scheme that divides pension liabilities into three categories: those due within (1) five years, (2) between six and 20 years, and (3) beyond 20 years. The Secretary of the Treasury would be directed to develop a yield curve based on a three-year weighted average of investment grade corporate bonds, which would then be parsed for each of the three categories of liabilities. The bill would also shore up the government's pension insurance agency, the Pension Benefit Guaranty Corporation, by boosting premiums paid by companies with traditional pensions. ■