

IMA's Strategy with Professional Advocacy |

BY LINDA DEVONISH-MILLS, CPA

Greetings from IMA's new director of professional advocacy. Just what is a professional advocate, and what is its value to you as a member? A person serving as an advocate supports views of various issues shared by interested parties. In my role, I will keep abreast of technical developments issued or proposed by standards-setting bodies that have an impact on accounting and finance professionals in industry and will make you aware of

such developments through IMA's various portals including the website, webinars, articles, and conferences.

My background should serve me well as your professional advocate. I'm a CPA, and previously I worked for seven years at the American Institute of CPAs (AICPA) as a senior technical manager performing work related specifically to the development of content for the Uniform CPA examination. I also was with Time Warner Inc. for 11 years as a finance manager in the corporate controller's area and as a senior internal auditor in its internal audit function. Before that I worked at a major bank in the New York City area as a senior financial analyst dealing primarily with Securities & Exchange Com-

mission (SEC) financial reporting issues. My first job was as a senior accountant with Ernst & Young after graduating from Adelphi University.

My Role

I serve as staff liaison to IMA's influential Financial Reporting Committee (FRC), composed of senior financial executives from companies of various sizes in industry, public accounting, academia, and government. The FRC acts on behalf of IMA in commenting on proposed standards and issues papers dealing with financial reporting and auditing that originate from standards-setting bodies. My work and collaboration with the FRC, other senior management personnel at IMA, and

independent work and research will help put IMA in a strong position to represent members on issues addressed by organizations such as the Financial Accounting Standards Board (FASB), SEC, International Accounting Standards Board (IASB), and the Public Company Accounting Oversight Board (PCAOB). The FRC has a history of issuing comment letters on behalf of IMA to address issues raised primarily by the FASB and IASB.

The Committee meets quarterly to address current issues that impact accounting and finance professionals and maintains a close relationship with the FASB and the SEC by holding one meeting annually with each. In June I attended my first FRC meeting, which was in Washington, D.C. Every Committee member demonstrated extensive knowledge of technical developments proposed by the FASB, SEC, and IASB, and that resulted in intense conversations. Also, staff from the SEC and FASB updated us on various issues. The SEC update focused primarily on initiatives related to the interactive data transfer mechanism, eXtensible Business Reporting Language (XBRL), and implementation guide-

lines related to regulations under the Sarbanes-Oxley Act (SOX).

Since I started with IMA May 1, senior management have been very proactive in expressing their issues related to XBRL and the implementation of SOX Section 404 dealing with assessing effectiveness of internal controls over financial reporting. IMA's next step is to gain exposure in Washington, D.C., by participating actively in roundtables as a follow-up to comment letters it filed with the SEC. Attendance at panel discussions is the most visible way for an organization to show its role as an advocate on behalf of its membership. Along with senior management, I will help obtain such exposure as a result of strengthening relationships with FRC members and other influential parties who support the Institute's views.

FRC members also have participated in similar roundtable discussions at the FASB headquarters in Norwalk, Conn. Panelists at these discussions are usually composed of senior financial, accounting, and auditing professionals. The FASB update given at the last FRC meeting addressed issues that were discussed at roundtable panels during June.

I attended two roundtables that month. The first was a discussion of the Board's Exposure Draft regarding a "Fair Value Option for Financial Assets and Liabilities."

In the fair value option Exposure Draft, the Board expressed its views of what would happen if a one-time election should be granted to entities to report certain financial and some nonfinancial instruments at fair value with the changes in fair value included in earnings. The FRC's views are that companies will find the fair value option an unattractive alternative to fair value hedging be-

cause recognition of changes in their own credit spread will create earnings volatility. The majority of roundtable participants raised similar concerns with the Exposure Draft addressing complex issues related to hedge accounting. The FRC's comment letter to the FASB, which was issued April 23, 2006, is available on the IMA website (www.imanet.org) under the External Relations/Advocacy section/Financial Reporting Committee Letters.

The second roundtable I attended addressed issues related to the FASB's Exposure Draft on companies' reporting of postretirement benefits. Nancy Schroeder, CPA, from Beacon Financial Consulting, LLC, served as the FRC representative. George Batavick, FASB representative on the FRC, moderated.

The Exposure Draft and FRC's comment letter can be found on the FASB website at www.fasb.org/draft/ed_pension&postretirement_plans.pdf and www.fasb.org/oc/1025-300/50206.pdf and on the IMA website. The ED is a result of the SEC off-balance-sheet reporting required as part of the Sarbanes-Oxley legislation and requires that the funded status of postretirement benefit plans be recognized on the balance sheet.

The major discussion issues were the use of the projected benefit obligation to determine the funded status for defined benefit pension plans vs. the accumulated benefit obligation and the elimination of the option to use an earlier measurement date. Users of financial statements argued that the PBO was the proper measure to determine funded status as it is the measure used to determine expense and is indicative of the ultimate expected liability. Companies and actuaries said that the use of the PBO overstates the existing li-

ability as it includes the impact of future salary increases dependent on future employee service (consistent with the FRC view).

Regarding the use of an earlier measurement date, several participants noted that the earlier date facilitated the amount of time and work associated with obtaining asset and demographic information, as well as aligning with the budgeting process for the succeeding year. FASB Chair Robert Herz introduced a possible compromise permitting the use of an earlier date, provided that the results were materially the same as those that would have resulted with a balance sheet measurement date (modeled after international standards).

Participants also discussed the retrospective application and the effective date of fiscal years ending after December 31, 2006. Financial statement preparers shared concerns expressed in the FRC letter. Users said that sooner was a higher priority than comparable prior periods. A revision involving prospective adoption with one prior year pro forma disclosed in footnotes was also discussed. Audio files are available at www.fasb.org. Once you are on the FASB's home page, navigate your cursor toward the right of the screen and click on "Archive Meeting" under "Board Meeting Webcast" to access the files.

I hope that you found this short "tour through the world of professional advocacy" helpful and that you will actively support the advocate's role in advancing critical positions. Please contact me at lmills@imanet.org for more information about issues addressed here or to offer additional topics of interest. Such feedback will allow me to be of greater service to you and allow us to "advance the profession" together. ■