

# Professional Advocacy Update |

BY LINDA DEVONISH-MILLS, CPA

Greetings from the world of professional advocacy. Many developments have materialized since my first article appeared in the August 2006 issue of *Strategic Finance*. When I began my career with the Institute on May 1, 2006, professional advocacy was viewed as one of IMA's strategic initiatives. Because we have experienced so much success with exposure related to professional advocacy, now it is viewed as one of IMA's operational functions.

In my role as director of professional advocacy, I have been using the various IMA portals to communicate with members about issues that impact the management accounting profession. The accomplishment that I am most proud of is the development of material that appears on the professional advocacy section of IMA's website. This section is composed of several subsections that include technical updates from the various standards-setting bodies, such as the Financial Accounting Standards Board (FASB), International Accounting Standards Board (IASB), Public Company Accounting Oversight Board (PCAOB),

and the Securities & Exchange Commission (SEC). Some folks may think that I'm not providing a unique service since the material appears on the websites of these groups, but I hope that you can appreciate having their issues that impact the management accounting profession highlighted for you in one central location.

In September, I participated in a conference call with some IMA chapter and council presidents. Feedback from some of the members on that call showed that there is an appreciation for that material. You can find the professional advocacy section of the website at [www.imanet.org](http://www.imanet.org). Once

you're on the home page, click on "External Relations" on the left-hand side of the page. Then click on "Professional Advocacy."

My favorite subsection of the site is "Event and Forum Reviews." I attend conferences and observe webcasts where topics that relate to the management accounting profession are discussed. My insight about these events can be found in this subsection, which also appears in IMA's electronic newsletter, *ION*. As you know, you have to be a member to receive copies of *ION*. Perhaps my summaries will encourage nonmembers who view material on the IMA website to become members.

Professional advocacy activities will continue to evolve, and IMA senior management envisions that such activities will roll out in two phases. Those related to my role are seen as phase 1 of professional advocacy. Based on additional hiring efforts, IMA has some expertise among senior management that will allow us to make some contacts among the Capitol Hill circuit in Washington, D.C. We are hopeful that such exposure will result in participation in roundtable discussions such as those hosted by the SEC.



### Rebalancing the Accounting Profession

Being a staff member of IMA has encouraged me to evaluate my career path from a different perspective. President & CEO Paul Sharman gave a speech at a dinner in August for trustees of the Financial Accounting Foundation (FAF), where he shared his thoughts about the current imbalance in the U.S. accounting profession, starting with the education curriculum. He told us that the accounting curriculum within U.S. universities and colleges is dictated by state licensing boards and the National Association of State Boards of Accountancy. U.S. accounting undergraduates are encouraged to pursue careers in public accounting in order to meet the experience requirement to become a Certified Public Accountant (CPA). Yet the average graduate doesn't stay in a career path that involves public accounting beyond the minimum requirement, usually two years, to become a CPA. The typical trend among accounting professionals is to leave public accounting to seek careers in private industry that involve tasks related to facilitation of business performance, business planning, and the design,



I find Paul Sharman's theory about an imbalance in the accounting profession interesting since I am a product of that imbalance.

implementation, and management of internal controls.

I find Paul's theory about an imbalance in the accounting profession interesting since I am a product of that imbalance. As an accounting undergraduate student at Adelphi University in Garden City, N.Y., my goal was to work at one of the big accounting firms and become a CPA. I achieved that goal. I was surprised when I decided to go into private industry shortly after I met the experience requirement for licensing. Although I have been exposed to various tasks within private industry, it wasn't until I joined

IMA that I realized that my roles there were typical of those of a management accountant.

Prior to my tenure at IMA, I never was encouraged to look into obtaining the Certified Management Accountant (CMA®) credential since I also was never encouraged to classify myself as a management accountant. I find it interesting that some IMA members have asked if I have the CMA credential since IMA is heavily promoting it in order for management accountants to excel in their careers. Although I can appreciate the value of the credential, it is not required for me to provide the



service that I am currently giving to members. But obtaining the CMA is one of my long-term goals since I realize more than ever that during most of my career I have maintained responsibilities that are typical of a management accountant. I am also currently enrolled in an MBA program at Fairleigh Dickinson University in Teaneck, N.J., that will also give me a global perspective on business performance in a manner that is typical of a management accountant.

#### **IFAC Advisory Committee**

Another integral part of my role is to serve as a staff liaison for committees that work on behalf of IMA. In my August article, I mentioned my work as staff liaison with the Financial Reporting Committee. Since then, I have also been assigned to serve as staff liaison for an advisory committee that monitors the activities of the International Federation of Accountants (IFAC) to determine how IMA can maximize its membership in IFAC. (IMA has been a member of IFAC since 1980.) The committee is also responsible for determining if IMA is in compliance with its membership in IFAC.

An exciting new development at

IMA is in the process of developing two Statements on Management Accounting (SMAs) that will address the topic of enterprise risk management. These should be ready for release in 2007.

IFAC is its launch of *IFACnet*, which serves as a KnowledgeNet for accountants in business ([www.ifacnet.com](http://www.ifacnet.com)). IFAC's member organizations, including IMA, currently participate in the KnowledgeNet by sharing their electronic resources through *IFACnet*. This new global resource will provide one-stop access to leading-edge articles, good practice guidance, and tools and techniques for accountants employed in commerce, industry, the public sector, education, and the not-for-profit sector.

#### **Treasury & Risk's First Governance and Risk Conference**

In September, I had the pleasure of attending *Treasury & Risk* magazine's first governance and risk conference in New York City, of which IMA was one of the sponsors. *Treasury & Risk* is a publication that provides a perspective on forces already transforming the corporate world and uncovers trends that will ultimately define the future of finance. I applaud Pat Wechsler, *Treasury & Risk's* editorial director, for recognizing the important role that good governance and risk management practices play in corporate finance. The panelists at the conference included professionals in pri-

vate industry and academics who shared their experiences and research developments regarding governance and risk management. Also, representatives from credit agencies such as Moody's Investors Service and Standard & Poor's Ratings Services gave some insight on what key indicators they look at when rating companies on their governance and risk management practices. I will always encourage you to read *Strategic Finance* for its in-depth information, and I now encourage you to look at *Treasury & Risk's* website ([www.treasuryandrisk.com](http://www.treasuryandrisk.com)) to view articles and determine their schedule for conferences and webcasts that will provide additional information pertaining to governance and risk management practices.

#### **IMA's Focus on Risk-Based Guidance**

On September 15, 2006, IMA submitted a discussion paper, "A Global Perspective on Assessing Internal Control Over Financial Reporting," to the SEC in response to its Concepts Release issued to constituents on July 18. This discussion paper includes risk-based guidance that the SEC is seeking to help lower the costs of compliance with Section 404 of the Sarbanes-Oxley Act. You can read IMA's response letter to the SEC and the discussion paper on the IMA home page. We welcome your comments about the discussion paper, so please submit them by November 18, 2006, to [ICoFRComments@imanet.org](mailto:ICoFRComments@imanet.org). IMA is also in the process of developing two Statements on Management Accounting (SMAs) that will address the topic of enterprise risk management (ERM). These SMAs should be ready for release in early 2007.

*continued on page 58*



[IMA] *cont'd from p. 20*

### **FASB Pronouncements**

Also during the summer, I attended a roundtable discussion at the FASB's headquarters in Norwalk, Conn., about postretirement benefits. Detailed information about the roundtable can be found in my August article. Based on comments from constituents at the roundtable discussion and from comment letters, in September the FASB issued Statement of Financial Accounting Standards (SFAS) No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)." The SEC off-balance-sheet reporting requirement as part of the Sarbanes-Oxley legislation influenced the FASB to issue the Statement.

The FASB also issued SFAS No. 157, "Fair Value Measurements," in September. The Statement provides enhanced guidance for using fair value to measure assets and liabilities. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the market in which the reporting entity transacts. SFAS No. 157 clarifies

Valuation experts who serve on IMA's Financial Reporting Committee have great concerns that there will be different interpretations of guidance within SFAS No. 157 since it doesn't require immediate implementation.

the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, for example, the reporting entity's own data. Under the standard, fair value measurements would be disclosed separately by level with the fair value hierarchy.

SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted.

The issuance of the standard is in line with the FASB's and IASB's commitment to convergence of international financial reporting standards and U.S. generally accepted accounting principles (GAAP). The IASB intends to issue the standard to its constituents in the form of a preliminary views document.

The FASB is planning to issue a proposed FASB Staff Position (FSP),

"Fair Value Measurements in Business Combinations and Impairment Tests." The proposed FSP would amend Statements No. 141, "Business Combinations"; 142, "Goodwill and Other Intangible Assets"; and 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to clarify the existing guidance in those Statements regarding fair value measurements. The proposed FSP would be effective until a reporting entity adopts SFAS No. 157, "Fair Value Measurements." The proposed FSP wouldn't require application of the guidance in Statement 157 prior to a reporting entity's adoption of that Statement. You can find more information about SFAS Nos. 157 and 158, the FSP, and background information all under the "FASB updates" section of the IMA website.

FASB Statement No. 157 and the FSP will heavily impact the valuation industry. Valuation experts who serve on the Financial Reporting Committee have great concerns that there will be different interpretations of guidance within the Statement since it doesn't require immediate implementation. Also, officials from the FASB and the SEC have expressed concern with the complexity of financial reporting. Some constituents share the theory that issuing pronouncements that serve as amendments to previously existing pronouncements is a major factor contributing to complexity of financial reporting.

I would like to encourage you to contact me at [lmills@imanet.org](mailto:lmills@imanet.org) to share your thoughts about financial reporting complexity. Specifically, does the issuance of SFAS Nos. 157 and 158 contribute to the complexity in financial reporting? Please feel free to comment on other issues addressed in this article, too. ■