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FRC and SBC Are Working Hard

▶ One of the most rewarding experiences in my role with IMA's professional advocacy efforts is my interaction with members who serve on the Financial Reporting and Small Business Financial and Regulatory Affairs Committees (FRC and SBC). Beginning with this article,

I plan to provide regular updates about the activities of both committees. The FRC has been the "technical spokesperson" for IMA for many years, following up on issues addressed by the Financial Accounting Standards Board (FASB), Securities & Exchange Commission (SEC), and the International Accounting Standards Board (IASB). My vision for the SBC is that it will complement the work done by the FRC by addressing issues related to small and medium-sized entities.

FRC Update

The FRC held its annual Washington, D.C., meeting June 9-10, 2008, to meet with staff from the SEC. I was impressed that SEC Chief Accountant Conrad Hewitt and some of his staff took the time to attend the meeting. This type of commitment shows that the FRC has estab-

lished a reputation over the years as being a very influential and knowledgeable group of accounting and finance professionals. They do a great deal of preparation to determine what topics should be discussed with SEC staff, which also helps.

The following SEC staff members attended the meeting: Chief Accountant Conrad Hewitt; Jim Kroeker, deputy chief accountant; Julie Erhardt, deputy chief accountant (primarily international affairs); and Paul Beswick, senior advisor.

The discussion with the SEC staff began with a general overview of what is going on at the Commission. At the time, there were only three commissioners on board instead of the usual five, so it was important to prioritize agenda items carefully because of the fewer number of commissioners. The SEC's current focus has been on issues related to fair

value, and staff meetings have been conducted bi-weekly to keep everyone abreast of all issues related to that topic. On another matter, the Treasury Committee will release a final report on the audit profession next month. The focus of the report will be on liabilities facing the audit profession.

Here are summaries of some of the topics the SEC staff discussed with the FRC:

CIFiR update—The SEC's Committee on Improvements to Financial Reporting (CIFiR) was established during the summer of 2007. Its mission is to examine the U.S. financial reporting system and find ways to reduce unnecessary complexity and make information more useful and understandable for investors. After receiving comments from constituents, the Committee and its four subcommittees have submitted preliminary recommendations on these topics for the Commission's approval. The FRC submitted two comment letters related to CIFiR's recommendations, and some members have participated in subcommittee hearings.

Final subcommittee meetings took place during June 2008, and final recommendations were sched-

uled to be presented for a vote by the SEC at the end of July. The term for CIFiR ends this month.

XBRL update—In June, the SEC hosted an International Roundtable on Interactive Data, and a new office that will focus on interactive disclosures has been developed within the Office of the Chief Accountant. One of the four new staff members will be an XBRL expert. The goal is to increase the staff to 12. The Commission's challenge will be finding XBRL experts to fill the available positions.

Also, the SEC issued a proposed rule on May 30, 2008, that suggests mandating XBRL filings for large and small companies and is encouraging constituents to submit comments since the proposal asks a number of questions related to interactive data. The Commission has found that international countries seem to be more advanced than the U.S. with the use of XBRL. For example, Japan requires XBRL filings.

FRC member Doug Tanner asked how XBRL will impact the FASB's Financial Statement Presentation project. The response was that XBRL-US and the FASB are working together to make it seamless to adopt or take into consideration new standards and pronouncements, which may result in a more "free-form" format for companies to submit their filings to the SEC. FRC member Randy Shearer expressed concerns about how MD&A (Management Discussion & Analysis) information will be treated in XBRL in terms of comparability. The SEC staff indicated that nothing more can be done than creating a broader framework to deal with comparability issues.

IFRS update—In November 2007, the SEC voted unanimously to exempt foreign private issuers (FPIs)

from preparing a reconciliation of International Financial Reporting Standards (IFRS) to U.S. Generally Accepted Accounting Principles (GAAP). Sixty FPIs filed their financials with the SEC during 2008 without submitting a U.S. GAAP reconciliation. The new roadmap for U.S. companies using IFRS is still in progress because of the limited number of commissioners. Staff Accounting Bulletins (SABs) about audit issues and independence won't be impacted by IFRS applications.

FASB Update at FRC Meeting

FASB member George Batavick attends FRC meetings regularly to update the Committee about issues that are currently on the FASB's agenda. FRC members have been wondering what the future role of the FASB will be in the standards-setting process since there seems to be a future for convergence of accounting standards. Batavick said that his vision is for FASB and IASB resources to be used to come up with global standards-setting processes. The resources would be located in Norwalk, Conn.; London; and somewhere within the Pacific Rim.

SBC Update

The Small Business Committee conducted its second meeting on June 13, 2008, right before IMA's Annual Conference in Tampa, Fla. I think that it worked well for the Committee to have its meeting then because it showed IMA members that the organization has made a serious commitment to issues that impact small and medium-sized entities. Conference attendees approached me; Jeff Thomson, IMA president and CEO; and Bruce Pounder, chair of the SBC, to ask how they could participate in the Committee's activities.

Based on the positive response we received about the SBC, I would strongly recommend that the Committee make regular plans for one of its meetings to take place at Annual Conference locations.

Bruce was recently appointed chair of the SBC, and I think the Committee will make great strides on behalf of IMA under his leadership. One concern that Bruce and the Committee members share is that they need to have the capacity to follow up on the many issues that impact small and medium-sized entities. They suggested that they need to find members who are willing to serve on resource working groups that can support the SBC in its work. This alternative form of participation would allow members to be engaged in activities related to small and medium-sized entities without the burden of travel costs required to attend meetings. The Committee started with 13 members earlier this year and is seeking more for the 2008-09 fiscal year. It will have approximately 17 members as a result of recruitment efforts that took place at the Annual Conference and a review of members' profiles that were submitted on the volunteer services section of the website.

Bruce has set up [Committee Web.com](#), a Sharepoint services website that allows collaborative communication to take place among groups such as the SBC (you need a user ID and password to enter the site). He also encouraged Committee members to share their ideas on a topic I raised during the group's first meeting in March 2008, which was developing a definition that IMA can use to determine what companies fall under the size category of small

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businesses. At the second meeting, Bruce shared a definition that is currently going through a review by the SBC to become final: "Our committee is an advocate for financial standard laws, rules, and regulations that do not disproportionately burden smaller companies." This statement may be incorporated in the Committee's charter as its mission statement, which may be expanded to refer to formal definitions from the Small Business Administration (SBA) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Convergence of Accounting Standards

A hot topic in the accounting profession is the potential plan for the convergence of accounting standards, as proposed by the SEC, that would impact U.S. GAAP and IFRS. FRC and SBC members have participated in events on behalf of IMA to express views about the convergence of accounting standards. FRC member Andre Van Hoek attended the FASB's Global Accounting Standards Forum on June 16, 2008, in New York City. Forum participants expressed their views on whether or not U.S. companies should have an option or a mandate to adopt IFRS for financial statement preparation. Andre described IMA's position, which is to favor an optional approach in the short term, followed by a mandatory requirement, so that companies aren't rushed into a new accounting system. This view is stated in an FRC comment letter to the SEC about their concept release to determine if U.S. companies should have the option of adopting IFRS. You can read the letter on IMA's website at www.imanet.org. Click

on External Relations/Professional Advocacy/Financial Reporting Committee Letters. The letter was issued during November 2007.

Bruce Pounder also served as an Annual Conference speaker. His session was titled "Convergence: The Next Big Challenge in Corporate Financial Reporting." Bruce indicated during his presentation that convergence of accounting standards will help streamline and simplify financial reporting. He also explained that, as a result of convergence, U.S. GAAP is changing, is becoming optional, and will eventually be discarded in favor of a single set of high-quality, country-neutral standards.

One last note: Bruce is now writing a monthly financial reporting column for *Strategic Finance* that will reference activities of the FRC and SBC and include updates related to the convergence of accounting standards, among other topics.

The Financial Reporting Committee and the Small Business Financial and Regulatory Affairs Committee will play a collaborative, integral role as the "voice" of IMA regarding technical and regulatory issues. Please contact me at lmills@imanet.org for additional information about their work. ■