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By Stephen Barlas, Dallan Christensen, Bill Cordes, Mike Osheroﬀ, Kathy Williams



IMA Issues New Definition of Management Accounting

By Kathy Williams

Last month the Institute of Management Accountants (IMA®) published a new Statement on Management Accounting (SMA) titled *Definition of Management Accounting*. The new definition reflects the increasingly strategic role of the management accounting profession:

“Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization’s strategy.”

In 1981, when IMA was the National Association of Accountants (NAA), it released its original *Definition of Management Accounting* as its first SMA. But given developments in the profession since then, such as changes in regulations, globalization, and technology,

IMA decided it was time for an update. So last year a subcommittee of IMA’s Foundation for Applied Research (FAR) started work on a new definition. This new definition is based on 10 years of research supported by IMA that called for management accountants to move from compliance to strategic roles in their organizations and on input from other accounting associations and professionals who responded during a public comment period.

If you would like to read the entire SMA, which includes an explanation of backgrounds, processes, criteria, and rationale in addition to the definition, visit www.imanet.org/pdf/definition.pdf. The complete library of SMAs is available at www.imanet.org/smas.



IFAC Launches Financial Crisis Website

Given that the global financial crisis has been affecting almost every organization and individual, the International Federation of Accountants (IFAC) recently

CMA Exam Question Writers Wanted

If you would like to use your experience and knowledge to help make the Certified Management Accountant (CMA®) exam better for everyone, then now is your chance. The Institute of Certified Management Accountants (ICMA) updates the exam questions on a regular basis and is seeking people to write some new ones.

Both practitioners and academics are encouraged to serve as subject-matter experts to develop the exam questions. Those who write the questions work on an

independent, contracted basis providing multiple-choice questions. They also write scenarios and case studies with associated essays and/or calculation questions. Question writers are compensated for each accepted question, essay, or case study depending on the type and quality of the question submitted.

For more information and to receive an application, please contact Bill Cordes, ICMA exam development manager, at 1-800-638-4427, ext. 1555, or via e-mail at wcordes@imanet.org.

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launched a new page on its website to serve as an international clearinghouse of programs, articles, speeches, and other initiatives undertaken by IFAC, its independent standards-setting boards, members, associates, and other constituents that are relevant to professional accountants and stakeholders.

Some of the topics covered are an alert on *Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment*, a press release on convergence in fair value standards, a discussion of best practices, and more. There are also links at the top of the page to IFAC Activities, Member Activities, Relevant Links, and a Discussion Board that take you to more in-depth information about the financial crisis and what others are doing about it.

To view the site, visit <http://www.ifac.org/financial-crisis/>. ■



Where Were the Auditors?

One of my favorite courses in business school was Auditing 101. In it I filled out workpapers, sample reports, description of operations, and an opinion of the reliability of financial statements, all for a sample, fictitious firm. It made such great logic to me: rules, regulations, procedures, and, yes, penalties for noncompliance.

In real life, in charge of the entire audit process were workers with the title Auditor. They were in charge of certifying that financial statements reflected Generally Accepted Accounting Principles and that management statements were a true reflection of operations.

As I read about the Madoff scandal, I wondered where all the auditors have gone. Have they been hired only because of political affiliation and thus may or may not be qualified for the position of auditor, or have they been eliminated by an administration bent on letting the market settle its own affairs?

I suspect the latter.

Mike Osheroff
Vancouver, Wash.

GOVERNMENT



SEC Publishes IFRS Roadmap

By Stephen Barlas, Editor

The Securities & Exchange Commission (SEC) is moving forward toward a “staged” implementation of International Financial Reporting Standards (IFRS) for U.S. companies. The proposed rule issued in late November by the Chris Cox-led SEC is open-ended enough so that there will be no problems letting it run its course after the Obama administration begins. Whether a Democratic-led government will be as enthusiastic about imposing even a staged implementation...well, that’s another question. There are certain to be serious questions raised about whether the United States should go to IFRS at all. Al King, vice chairman of Marshall & Stevens, isn’t sure IFRS is any better than U.S. Generally Accepted Accounting Principles (GAAP). He notes that companies can revalue assets upward under IFRS. “Permitting revaluations opens the door to real abuse,” he says. He also wonders whether the SEC has done a cost/benefit analysis. “Mandating a switch to IFRS from GAAP is going to require massive resources at a time when the economy is none too strong, and, with no substantive arguments in favor of a switch, I believe this idea should be scrapped,” he explains.

Under the SEC proposal, an issuer whose industry uses IFRS as the basis of financial reporting more than any other set of standards would be eligible to elect to use IFRS beginning with filings in 2010. Based on the SEC’s experience with those voluntary filers, if things work out, the Commission would then mandate IFRS filings for large accelerated filers for fiscal years ending on or after December 15, 2014. Accelerated filers would begin IFRS filings for years ending on or after December 15, 2015. Nonaccelerated filers, including smaller reporting companies, would begin IFRS filings for years ending

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BOOKS

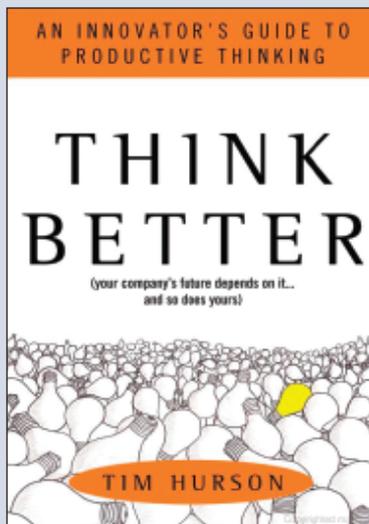


A Framework for Creative Thinking

Financial professionals are often considered the guardians of traditional practices and methods. But many of us are now called on to drive breakthrough ideas and results for our companies or clients. How can we break free of our traditional thought patterns and consider new ideas and patterns? In his book, *Think Better*, Tim Hurson encourages us to do just that by following his Creative Problem Solving (CPS) thinking model, a consistent, repeatable process that spurs creative ideas.

CPS encourages its users to separate thinking about a particular problem into two distinct sections: divergent and convergent thinking. Divergent thinking requires the user to think of many different and creative ideas about the problem. Convergent thinking then forces the user to determine the few key ideas or connections between ideas that solve the problem best. While this idea seems simple in theory, Hurson provides several enlightening stories to illustrate his point, demonstrating why a framework for thinking is crucial. One example is the story called "Elephant Tether," which shows how NASA engineers were tethered by their own models for technological superiority when working to design a pen that could write properly in zero gravity. Russian space engineers solved the same problem without a tether by giving their cosmonauts pencils.

The CPS model can lead to break-



through ideas through creative thought. Hurson skillfully outlines how today's focus on incremental improvement, or "kaizen," can create strong patterns that prohibit creative thought. Many finance professionals will undoubtedly see their own organizations reflected in Hurson's kaizen discussion and identify with the extra focus on kaizen instead of breakthrough ideas. Hurson then introduces the concept of "tenkaizen," or reproductive revolution, to drive the concept of breakthrough thought home to the reader. He devotes a chapter to the power of remaining in the question or problem at hand. By demonstrating how many people are satisfied with the first answer that appears "good enough" and stop thinking about alternatives, Hurson shows how such thinking can limit the quality of ideas and solutions. Hurson goes on to outline how the use of the

simple word "else" can stimulate ideas and connections beyond the initial thoughts. Such ideas, called "third third" ideas, can produce such ideas as a supply company hiring blind workers to solve the problem of lost productivity from reading the newsprint used to cushion glass shipments. For many readers, these concepts and discussions will demonstrate how the focus on decision-making speed hinders our ability to find the truly innovative or creative ideas.

Hurson goes into detail about the individual steps of the CPS model. He first takes readers through the divergent thinking process to focus on generating many unique ideas. Then convergent thinking takes over to evaluate the ideas critically and determine which are the best. Hurson liberally sprinkles examples to illustrate the power behind his ideas. While the stories do become somewhat repetitive, they provide ample opportunity to connect his concepts to individual circumstances.

The CPS model provides a systematic method to generate many new ideas and focus on those generating the highest value. In an age where professionals are required to "think better," Hurson's CPS model and the insight developed through his consulting work provide an intuitive, repeatable process to generate new and better ideas in all aspects of your business and personal life.—Dallon Christensen, CMA, CFM, CPA.CITP, Dallon@BeaconBusinessConsulting.com

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on or after December 15, 2016. But a Democratic-chaired SEC with a Democratic majority could kill IFRS entirely, alter Cox's possible implementation schedule, or do something else.

GOVERNMENT **Treasury Finalizes Foreign Acquisition Rules**

Given the aggressiveness with which sovereign wealth funds are swooping in to pick up devalued U.S. corporations—and not just in the financial sector—it's worth mentioning the final rule from the Treasury Department implementing the Foreign Investment and National Security Act (FINSA) of 2007. A key part of the final rule is its delineation of when a foreign buyer would have "control" over a company with a vital national security role. Control is gained by a foreign company when it has power over the U.S. company's "important matters." Although an investor might have influence within a business—for example, through a board seat, exercising pro rata voting rights attendant with share ownership, or otherwise—the investor doesn't have control unless it is able to determine, direct, take, reach, or cause decisions regarding the types of important matters that are listed in the statute.

GOVERNMENT **Pension Funding at Issue**

Congress is likely to backtrack on some pension funding provisions in the Pension Protection Act of 2006. That law requires companies to bring their pension plans to 100% funding

on a phase-in schedule. Each year the companies must meet a certain funding benchmark until it reaches 100%. For 2008, the target funding percentage is 92%. If companies don't meet that benchmark, they are forced to fully fund their pensions immediately. That will be hard to do for many recession-beaten companies. That's why Congress passed the Worker, Retiree and Employer Recovery Act of 2008 on December 11, the last day of the congressional session in 2008. As of this writing, President Bush was expected to sign the legislation. The bill waives a requirement that companies fully fund their pension plans immediately if they fail to meet certain benchmarks, even if their pensions have suffered big losses. Experts say that corporate funding obligations in 2009 could triple because of the 2006 law, resulting in some companies doing away with jobs.

NEWS **XBRL Reporting Is Now Mandatory**

Last month, the Securities & Exchange Commission (SEC) ruled that the largest public companies, those with a worldwide public float greater than \$5 billion, will have to begin reporting financial statements in eXtensible Business Reporting Language (XBRL) format starting with their first fiscal period on or after June 15, 2009. All other large accelerated filers will be required to file in XBRL format 12 months later, and all other public companies will need to do so starting 12 months after that.

To help companies with these filings, XBRL US, a nonprofit consortium for XML business reporting standards, has established programs and created tools as guides. For

example, a free educational webinar, "XBRL for Filers," covers the planning process; how to map, tag, and create extensions; and how to guard against risks. To register, visit <http://xbrl.us/events/Pages/current.aspx>.

There's also a preparer training session titled "XBRL Filer Training Workshop," a program that will give you the basics on how to map and tag your own financial statements, issues to consider, how to get started, and more. To register, visit <http://xbrl.us/events/Pages/training.aspx>.

And there's an "XBRL US GAAP Taxonomy Preparers Guide" on how to tag financials, create extensions, and work with the taxonomies. Visit <http://xbrl.us/Documents/PreparersGuide.pdf>.

More information also is available at www.xbrl.us and www.xbrl.org.