

What Our Unreadiness Says about Us

The results of recent surveys indicate that U.S. corporate financial managers and other accounting professionals are often unaware of and unprepared for previously announced changes in financial accounting and reporting. Does this mean we've lost our sense of professionalism?

A number of recent surveys of corporate financial managers and other accounting professionals in the United States have collectively revealed a disturbing state of affairs within the profession. With regard to several major changes in financial accounting and reporting that had been previously announced and were imminent when the surveys were conducted, significant percentages of survey respondents admitted to being unaware of the changes. And even when aware of the changes, respondents frequently indicated that they had done little or nothing to prepare for them. In this month's column, I'll discuss some of the more-telling survey results and explore the question of whether or not the results reflect of a lack of professionalism among those who would claim to be professionals.

Is There a Problem Here?

As I emphasize each month in this column, corporate financial man-

agers and other accounting professionals continue to be challenged by changes in financial accounting and reporting that are increasing in both frequency and significance. From a U.S. perspective, recent changes include:

- ◆ The Securities & Exchange Commission's (SEC's) mandate for the companies it regulates to begin furnishing financial information to the SEC in eXtensible Business Reporting Language (XBRL) format.
- ◆ The Financial Accounting Standards Board's (FASB's) adoption of its Accounting Standards Codification™.
- ◆ The International Accounting Standards Board's (IASB's) issuance of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

During March and April 2009, Grant Thornton LLP surveyed 530 U.S. CFOs and senior comptrollers and asked, "Are you familiar with eXtensible Business Reporting Language (XBRL), referred to by the SEC as 'Interactive Data'?" The results: 35% of the survey respondents who worked for companies regulated by the SEC (i.e., "public companies") said "no." Additionally, 64% of all public-company

respondents indicated that their companies had no plans to report to the SEC using XBRL. The problem with this response pattern? Months before, the SEC had adopted a rule requiring all public companies to start furnishing XBRL data to the Commission over a two-year phase-in period that began on June 15, 2009. For more than a third of senior financial executives in public companies to have been unaware of XBRL and for nearly two-thirds of them to have had no plans to comply with the SEC's requirement is to me—and many other observers—startling.

In the same survey, the same financial executives were asked, "Are you aware of the FASB's Accounting Standards Codification project?" This time, 54% of all respondents (including those working for both public companies and private companies) answered "no." Around the same time, when I asked a large seminar audience composed mostly of experienced CPAs—who I was sure were aware that the Codification would impact them—what they had done to prepare for the Codification, nearly four out of five indicated that they hadn't yet begun to acquire the specific skills



that they would need. For a majority of senior financial executives to be unaware that they and their staffs would have only until July 1 to completely relearn how to research and cite authoritative U.S. Generally Accepted Accounting Principles (GAAP) and to deal with a host of new potential weaknesses in internal controls over financial reporting (ICoFR) borders on inconceivable. And for an even larger majority of accounting professionals who were aware of the Codification to have not begun the processes of acquiring new skills and preventing new ICoFR weaknesses is simply mind-boggling.

Assessments of awareness about other major financial accounting and reporting initiatives haven't been any more encouraging. As of early June 2009, an online poll conducted by the American Institute of Certified Public Accountants (AICPA) indicated that more than 60% of respondents were completely unaware of the forthcoming IFRS for SMEs, which was issued on July 9, 2009, and which provides a long-awaited "little GAAP" tailored to the financial-reporting needs and capabilities of the millions of smaller, private companies in the U.S. and around the world.

Excuses, Excuses

Is there an explanation for this widespread lack of readiness among purported professionals? In discussing the survey results with colleagues representative of the survey respondents, what I heard validated the survey results. I also heard many explanations offered for those results. The most common ones can be paraphrased

as follows in the same first-person manner that they were articulated to me:

- ◆ I was already overwhelmed with work before the financial crisis hit. Now I simply don't have the time to keep up with everything that's changing.
- ◆ It's better to wait until a change is an absolute certainty before doing something about it because it might be delayed or not happen at all.
- ◆ I don't worry about such things. I have people on my staff whose job it is to worry about those things for me.
- ◆ I'm going to retire soon, so there's no reason for me to keep up.

A couple of underlying assertions in these explanations bother me. The first is that willful ignorance is okay, at least under some circumstances. The second is that denying, avoiding, or evading change is sometimes preferable to embracing it. This leads me to my main point: These implied assertions are flatly inconsistent with the ideals of professionalism. In other words, being the last to know and/or the last to act aren't traits of professionals. And in my opinion, that reduces the explanations to mere excuses.

On Aug. 13, 2009, Bruce Pounder will present the CPE audio seminar "FASB Codification: Lessons Learned from the First 45 Days." For more information, visit <http://tax.cchgroup.com/Codification.htm>.

An Invitation

To be clear, I know firsthand how difficult it is to keep up with the accelerating stream of externally imposed changes that every accounting professional must deal with these days. Like everyone else, I've got a potentially terminal case of "standards overload." But I also know that it's possible to be part of the solution rather than just being content to whine about the problem.

Nobody can be an expert in everything, but everybody can be an expert in something. If more of us were to focus on staying abreast of changes in one area, and if we were to make our expertise in that area available to others through writing, speaking, or mentoring, then we would all get by and maintain our professionalism in the bargain. I've made a very personal commitment to doing that, as have many other members and staff of the Institute of Management Accountants (IMA®). So I close this month's column with an invitation: If you hate the problem as much as I do, think about becoming part of the solution. And don't hesitate to take advantage of the learning opportunities made available through the work of fellow professionals, especially through organizations like IMA. **SF**

Bruce Pounder, CMA, CFM, Dip-IFR (ACCA), is president of Leveraged Logic, a provider of consulting and educational services to financial professionals. He is chair of IMA's Small Business Financial and Regulatory Affairs Committee and the liaison from that Committee to IMA's Financial Reporting Committee. You can reach Bruce at BPounder@LeveragedLogic.com.