

Committees Spur New Advocacy Efforts

IMA's Financial Reporting Committee and Small Business Financial and Regulatory Affairs Committee continue to be a voice for the association's advocacy efforts.

Greetings from the world of Professional Advocacy and the Financial Reporting Committee (FRC) and Small Business Financial and Regulatory Affairs Committee (SBC). Some of you may wonder why we have two committees that, at times, address the same issues. The diverse backgrounds of Committee members allow the Institute of Management Accountants (IMA®) to have a stronger voice for its members regarding technical issues that impact the management accounting profession.

FRC is composed mainly of members from large companies, as well as accounting firms, consultants, and other constituents involved in preparing and analyzing large-company financial statements. Accordingly, it can express opinions on issues from a large-company perspective. In contrast, the SBC is composed of members who own, manage, and advise smaller businesses and who can therefore speak on behalf of the small-business community. The synergies between the two com-

mittees are strong, and both groups are passionate about keeping abreast of technical issues that impact the management accounting profession and serving as advocates for IMA.

FRC Update: Liaison Meeting with the FASB

The FRC conducts four formal meetings each year, including an annual meeting with the Financial Accounting Standards Board (FASB) at its headquarters in Norwalk, Conn. Chairman Bob Herz, the other four Board members, and certain staff members attended the September 21, 2009, meeting. The commitment from the FASB to participate in meetings with the FRC, particularly in light of recent actions that reduced the Board from seven to five members, is an indication of the respect the Committee has generated among the Board members and in the accounting profession. Mick Homan, vice president of corporate accounting at Procter & Gamble, is FRC chair. Jeff Thomson, IMA president and CEO, is the Board liaison for the Committee.

Let's look at some of the significant topics discussed at the joint meeting.

FASB members and staff dis-

cussed their progress on joint projects with the International Accounting Standards Board (IASB) pursuant to convergence efforts under the Boards' Memorandum of Understanding. Most of the FASB's current projects, including those developed in response to the recent financial crisis, are being worked on jointly with the IASB with the goal of issuing aligned guidance.

In the past, most convergence projects have been led individually by staff from one of the Boards, with the other Board then holding its own deliberations. Now, however, the Boards have agreed that full partnership on deliberations tends to be more successful in driving converged standards, so projects generally will be jointly staffed and deliberated. During the meeting, FRC members expressed concern about how joint projects were conducted in the past and about the lack of convergence in the final proposals from the respective Boards. The FRC supports the more collaborative approach toward future projects.

The financial reporting projects discussed during the meeting, most of which are also convergence projects, focused on

accounting for financial instruments, accounting for lease arrangements, and financial statement presentation.

The FRC was generally supportive of the FASB's direction on both the financial instruments and leasing projects. But with respect to financial instruments, the FRC expressed some concern about the extent to which fair value would be used as the primary measurement attribute, particularly for debt-type instruments that are intended to be held to maturity, and the divergent approaches developing between the FASB and the IASB.

Regarding leases, the Committee generally supported expanding the scope of the project to include both lessee and lessor accounting, as well as addressing certain lessor accounting interdependencies between this project and the project on revenue recognition. With respect to the FASB's project on financial statement presentation, while the Board has relaxed its position on certain elements of the proposed approach, the FRC continues to be concerned about the mandated use of the direct method of cash flows and reconciliation requirements between direct and indirect cash flows.

The Committee also received an update on the Financial Accounting Foundation (FAF) from IMA member and former FRC member Jay Perrell, who is currently a trustee for the FAF, and Terri Polley, FAF president. The FAF is responsible for funding the activities of both the FASB and its counterpart for state and local governments, the Governmental Accounting Standards Board

(GASB). The Foundation also selects the members of both Boards and their respective advisory councils. Along with providing an update about FAF activities, Jay encouraged IMA to continue to solicit recommendations for members to serve as future FAF trustees. Terri discussed a series of meetings the FAF has conducted with preparers, auditors, and investors to determine issues of concern that impact the account-

tives from the Committee on Financial Services (U.S. House of Representatives) about that Committee's suggested amendment to the Investor Protection Act. The amendment proposed an additional layer of federal regulatory oversight of the current accounting standards-setting process. The FRC communicated continued support for the private-sector standards-setting model and expressed reservations with any

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ing profession. FRC member Mitch Danaher, deputy controller of General Electric, attended one of these meetings on behalf of IMA. In general, the issues raised by constituents during the meetings were no surprise to FAF representatives or the FRC and focused primarily on concerns about the standards-setting process, convergence of standards with the IASB, and interactions with regulatory bodies.

Congressional Issues: Investor Protection Act

As part of its advocacy efforts, the FRC has traditionally issued comment letters to regulatory bodies that oversee financial reporting—primarily the FASB, IASB, Emerging Issues Task Force (EITF), and the Securities & Exchange Commission (SEC). But recently it expressed its views to Congress by submitting a letter to representa-

congressional effort that would interfere with the private-sector efforts. The Committee also pointed out the potential for politicization of the standards-setting process that could result from the proposed amendment. You can find the November 3 letter on IMA's website (www.imanet.org) under External Relations/Professional Advocacy. There's a page for the Financial Reporting Committee in the Advocacy section.

SBC Update

At the September 2009 meeting of IMA's Board of Directors, SBC Board liaison Audra Mace described the work the SBC has done since its inception in March 2008. The Board was amazed at how much this group of only 14 members has accomplished in such a short period of time. Audra also received feedback from

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the Board that, going forward, the Committee should focus on issues that aren't being addressed by the FRC so it can have a distinct identity. As a result, the Committee will increase its efforts to monitor proposed federal legislation that could adversely impact small businesses, such as the Employee Free Choice and Healthy Families Acts.

The SBC enjoyed Jeff Thomson's presentation at its October meeting in Baltimore, Md. Jeff gave an extensive overview of IMA's strategic plan for fiscal years 2010-2013, explaining that the focus of the plan is on membership growth and expansion of awareness about the Certified Management Accountant (CMA®) certification program. This update enabled SBC members to determine if the current structure of the Committee is aligned with IMA's strategic plan.

During 2009, the SBC functioned through three subcommittees: External Advocacy, Professional Education, and Other IMA Services. At the October meeting, the External Advocacy subcommittee was recognized as being directly aligned with the Committee's chartered purpose that in turn was recognized as being aligned with IMA's strategic plan. SBC members concluded that their focus should remain on external advocacy as stipulated in the Committee's charter but that a new operating model would be needed to better support external advocacy and possible additional deliverables. A working group led by Cindy Stark-Jones will articu-

late the business case for additional deliverables such as Continuing Professional Education (CPE) offerings targeted at IMA members who work for and with smaller businesses. The group plans to collaborate with IMA staff to survey IMA members to identify underserved needs of members within the small-business community.

On another note, the success of IMA's 2009 Annual Conference & Exposition in Denver, Colo., was due in part to participation from SBC members. Cindy Stark-Jones served on the Conference programming committee and ensured that Conference sessions covered issues that impact the small-business community. Several other Committee members also served as session presenters, panelists, moderators, and brown-bag discussion facilitators. Cindy is also on the programming committee for the 2010 Annual Conference & Exposition in Baltimore.

SBC Recruitment

The Committee recruitment process officially takes place during the spring of each fiscal year, but IMA members are always welcome to express their interest in participating. There's room for growth within the SBC, which currently has 14 members but, according to its charter, can have up to 25. IMA members can commit to being full members of the Committee or can serve as an occasional resource to the SBC. If you're interested in working with IMA's Small Business Financial and Regulatory Affairs Committee, please contact me at lmills@imanet.org. **SF**