

# IMA Technical Committees and Panels Are an Influential Voice

Through the efforts of its technical committees and panels over the past year, IMA® continues to serve as a strong voice for management accountants regarding such issues as the convergence of accounting standards, small businesses, XBRL, internal controls, and more.

**G**reetings from the world of Professional Advocacy! In my new role as IMA's director of market advocacy, I have the pleasure of working closely with all of IMA's technical committees and panels. The diversity of issues these groups addressed during 2011 was very impressive, and I think you'll agree once you've read their updates.

## FRC Update

IMA's Financial Reporting Committee (FRC) has been working on important technical issues for approximately 25 years. Until recently, it was the only technical committee that expressed positions on behalf of IMA members regarding issues that have an impact on the management accounting profession. During the 2012 fiscal year, which ends June 30, 2012, the

Committee is headed by Allan Cohen, controller at NBC Universal.

In November 2009, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) reaffirmed their commitment to their Memorandum of Understanding (MOU) to complete projects that would move toward the convergence of standards. Specifically, this plan includes possible adoption of International Financial Reporting Standards (IFRS) by U.S. companies. FRC members have been quite busy during the past few

years monitoring and reviewing proposed guidance issued by both Boards.

The FRC has submitted influential letters to the U.S. Securities & Exchange Commission (SEC), the FASB, and the IASB about concerns related to the quality of proposed guidance issued under the convergence MOU. Currently, the Boards are focusing on finalizing guidance on four concepts that are considered critical to this project: revenue recognition, leasing, financial instruments, and investment companies.

On May 26, 2011, the SEC released a staff paper outlining condorsement, a possible method of incorporating IFRS into the financial reporting system of U.S. issuers. Condorsement would be a hybrid approach of endorsement and convergence on a standard-by-standard basis. During December 2011, the SEC announced that it will delay its eagerly anticipated decision for a few more months on whether or not to incorporate IFRS into the U.S. financial reporting system.



*Do you believe the incorporation model being floated by the FASB and the SEC goes far enough to achieve convergence benefits? Do you agree with the SEC's seemingly "be deliberate" approach to get the convergence process right, or is it taking too long?*

### **SBFRC Update**

For many years, regulatory bodies have been focusing on issues that have had an impact on large public companies. Now these groups have recognized that small public and private companies also are impacted by technical issues that affect their financial reporting systems. This evolution encouraged IMA to develop its Small Business Financial and Regulatory Affairs Committee in 2008. During the 2012 fiscal year, the SBFRC has been headed by Irvin Andre Alexander, interim CFO for Special Olympics.

Under Andre's leadership, the SBFRC has taken the lead in addressing standards-setting procedures over financial reporting issues that impact private companies. This focus started in 2009 with the development of a Blue Ribbon Panel by the Financial Accounting Foundation (FAF), National Association of the State Boards of Accountancy (NASBA), and the American Institute of Certified Public Accountants (AICPA). IMA has an impressive track record of members being involved with influential groups that make critical decisions regarding the management accounting profession. IMA Global Board members Bill Knese and Hubert Glover were members of the Blue Ribbon Panel. Bill was a

representative for IMA, and Hubert was a member at large.

On September 15, 2010, the SBFRC submitted a letter to the Blue Ribbon Panel, suggesting that U.S. Generally Accepted Accounting Principles (GAAP) be modified to incorporate exceptions for private companies and that an interim standards-setting group that can monitor such issues be established.

On October 4, 2011, the FAF Board of Trustees issued for public comment a *Plan to Establish the Private Company Standards Improvement Council*. The plan calls for the creation of a new council that has the authority to identify, propose, and vote on specific improvements to U.S. accounting standards for private companies. Changes would be

## **IMA seeks to identify current and emerging technologies that enable management accounting professionals to be strategic partners.**

subject to ratification by the FASB. Although the FRC didn't provide input to the Blue Ribbon Panel, the Committee worked closely with some members of the SBFRC to develop a working group that prepared a letter and submitted it to the FAF, stating their agreement with the FAF's proposal to develop a council that can monitor issues that impact private companies.

On another note, last month we began a quarterly Small Business column that will appear in *Strategic Finance*. This column will allow members of the SBFRC to express their views on various top-

ics that impact the small business community. If you'd like to read the first column, written by Andre Alexander, see "A Voice for Small Businesses" on page 22 of the February 2012 issue.

*What are your thoughts about the FAF's proposal to establish a Private Company Standards Improvement Council to monitor financial reporting issues for private companies?*

### **XBRL Committee Update**

For many years, IMA's technical committees would focus on expressing positions regarding guidance related to the implementation of accounting rules and regulations. In recent years, committees and panels have been created among IMA members to allow the organization to express

positions on a variety of issues that impact the management accounting profession. IMA seeks to identify current and emerging technologies that enable management accounting professionals to be strategic partners. This focus resulted in the creation of IMA's XBRL Committee, which concentrates on issues related to eXtensible Business Reporting Language (XBRL).

During the 2012 fiscal year, the Committee has been under the leadership of Brad Monterio, a member of IMA's Global Board of Directors and managing director of Colcomgroup, Inc. Among oth-

er important issues, such as information transparency, enhanced risk management, and better management decision making, the XBRL Committee has been closely monitoring the development of a global, uniform framework for integrated reporting (i.e., the combination of financial and nonfinancial/environmental, social, and governance (ESG) information in a series of inter-linked reports) created by the International Integrated Reporting Council (IIRC) based in London. On December 16, 2011, the Committee submitted a comment letter to the IIRC that provided opinions and feedback about the IIRC's discussion paper on an integrated reporting framework. We hope the letter will influence the development of the framework.

*Do you believe the potential benefits of XBRL for internal applications are well understood? If not, what could be done to improve the understanding? Regarding integrated reporting, why is it that Europe seems to be much further along than the U.S. in the area of external nonfinancial reporting?*

### **COSO Update**

As one of the founding organizations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), IMA has worked closely with COSO over the years to ensure that products and guidance provided by the organization are practical to management accountants. IMA President and CEO Jeff Thomson was IMA's representative on the COSO board until December 1, 2011. IMA Chair-Emeritus Sandra

Richtermeyer is the current COSO board member for IMA.

On December 19, 2011, COSO released for public exposure and comment a revision of its *Internal Control—Integrated Framework* that was originally issued in 1992. J. Stephen McNally, IMA Global Board member and finance director/controller at Campbell Soup, has been representing IMA on the COSO *Internal Control—Integrated Framework* Refresh Project Advisory Council. Advisory Council members are responsible for supporting the COSO Board and the PricewaterhouseCoopers (PwC) Project Team in preparing the revised internal control framework and related documents for public release. As part of his role with the COSO Advisory Council, Steve suggested that IMA should create a new COSO Internal Controls Integrated Framework Refresh Ad Hoc Panel that would report to IMA's Governance Committee and would be composed of members who can provide input toward his work with COSO. The creation of this panel has provided other prominent IMA board members and members who participate on other technical committees of IMA the opportunity to give critical feedback on the updated framework, ensuring that the final product is practical for management accountants.

IMA members are encouraged to provide comments to COSO regarding the public release of the updated *Internal Control—Integrated Framework*. A webinar about COSO's revised internal control framework took place last month to inform members

about the public release and why it's important for COSO to receive your input. The comment period is open until March 31, 2012. You can provide feedback to specific questions raised by COSO or submit a general letter that expresses your views about the guidance. The feedback questions, an executive summary, and guidance can be found and downloaded at [www.ic.coso.org](http://www.ic.coso.org). Comments can also be submitted on that website.

*What are your thoughts about COSO's updated Internal Control—Integrated Framework, which hasn't been revised since its original issuance in 1992? Are there any additional concepts that you think should be considered? There are other internal controls and risk management frameworks in use around the world besides COSO's. Should there be a global effort to converge these frameworks?*

### **IMA Comment Letters and Positions**

IMA's technical committees and panels have presented influential positions on behalf of the organization regarding technical issues that have an impact on the management accounting profession. The positions have been communicated primarily by comment letters, which you can find on IMA's website at [www.imanet.org/about\\_ima/advocacy\\_activity](http://www.imanet.org/about_ima/advocacy_activity).

Please contact me at [LMills@imanet.org](mailto:LMills@imanet.org) to share your thoughts about the challenging questions raised in this article. Also please share your views about other positions that IMA's technical committees and panels should address. **SF**