

# IMA's Recent Advocacy Efforts

An update on the activities of the IMA® technical committees and panels looks at the efforts being taken by IMA to advocate for management accountants regarding critical issues currently impacting the profession.

**G**reetings from the world of Professional Advocacy! IMA's technical committees and panels continue to monitor important issues that affect IMA members and the profession, including the convergence of accounting standards, development of critical frameworks that impact preparers and users of financial statements, internal controls, XBRL (eXtensible Business Reporting Language), and more.

## FASB Disclosure Framework

On July 12, 2012, the Financial Accounting Standards Board (FASB) issued an Invitation to Comment on its *Disclosure Framework* discussion paper. The objective and primary focus of this project is to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that's most important to users of an entity's financial statements. Although reducing the volume of notes to financial statements isn't the primary focus, the Board

hopes that a sharper focus on important information will result in more clarity.

Achieving the objective of improving effectiveness will require development of a framework that promotes consistent decisions about disclosure requirements by the Board and the appropriate exercise of discretion by reporting entities. The Board also is considering whether and how to provide guidance to improve the organization, formatting, and style of notes to financial statements.

This Invitation to Comment is being monitored by most of IMA's technical groups since it will have an impact on preparers and users of financial statements of companies of all sizes. IMA plans to submit a comment letter to the FASB in response to this invitation by the comment deadline of November 16. When issued, the letter will appear on IMA's website under the "Advocacy Activity" section ([www.imanet.org/about\\_ima/advocacy\\_activity.aspx](http://www.imanet.org/about_ima/advocacy_activity.aspx)).

## FRC Update

The Financial Reporting Committee (FRC) continues to monitor the development of the FASB and the International Accounting

Standards Board (IASB) convergence project. The objective of the project is to develop a single set of global accounting standards.

During June and September, the FRC held its annual meetings with senior staff from the U.S. Securities & Exchange Commission (SEC) and members of the FASB. These meetings included thorough and open discussions regarding the Committee's concerns related to the convergence of U.S. Generally Accepted Accounting Principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). On July 13, 2012, the SEC staff issued its final report on an IFRS work plan. The report didn't make a recommendation to the Commission regarding whether IFRS should be incorporated into the financial reporting system for U.S. issuers.

The report contained 19 references to letters from the FRC about its concerns related to the convergence of U.S. GAAP and IFRS. These references by the SEC staff indicate that our technical committees have an influential voice on issues that impact the accounting profession. Go to [www.sec.gov/spotlight/globalaccountingstandards/ifrs-work-plan-final-report.pdf](http://www.sec.gov/spotlight/globalaccountingstandards/ifrs-work-plan-final-report.pdf) to review the report.

*What do you see as the challenges of a set of “more converged” global accounting standards? Is investor comparability possible since individual countries are adopting IFRS in different ways to align with their national standards?*

### **SBFRC Update**

The Small Business Financial and Regulatory Affairs Committee (SBFRC) significantly expanded its scope and influence during the 2012 fiscal year. The Committee collaborated with the FRC to issue a compelling letter in response to the Financial Accounting Foundation’s (FAF) proposal to develop a Private Company Standards Improvement Council (PCSIC). The plan called for 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 subject to ratification by the FASB.

On May 23, 2012, the FAF announced that plans will move forward with establishing a Private Company Council (PCC). The announcement reflected that the FAF listened to the significant feedback it received, including comments from IMA, and incorporated changes to ensure that private company standards are flexible and of high quality. The FRC and SBFRC received praise from the FAF for their professional, relevant, and timely approach to professional advocacy.

During the 2013 fiscal year, the SBFRC will continue to monitor issues that impact small companies. See the Small Business column on p. 21 for a description of

the FASB’s Invitation to Comment on its *Private Company Decision-Making Framework* discussion paper.

*What are some of the issues that should be addressed initially by the Private Company Council when it launches its formal agenda later this calendar year?*

### **COSO Update**

IMA is a founding member of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). IMA’s COSO Ad Hoc Advisory Panel continues to play an integral role in COSO’s refresh project, which is an initiative to revise COSO’s *Internal Control—Integrated Framework (ICIF)*. Building on the success of the original framework, the revised framework is intended to help organizations improve performance with greater agility, confidence, and clarity. The updated framework retains the core definition of internal control and the five components of a system of internal control.

IMA’s COSO panel has conducted reviews of multiple drafts of COSO’s revised framework, along with supplemental documents such as *Internal Control over External Financial Reporting: Compendium of Approaches and Examples (ICEFR)* and *Illustrative Tools for Assessing Effectiveness of a System of Internal Control*. The *ICEFR* document will assist the users of COSO’s framework who are responsible for developing and maintaining a system of internal control over external financial reporting. The purpose of the *Illustrative Tools* document is to serve as a guide for senior man-

agement accounting professionals to use when assessing the effectiveness of a company’s internal controls.

On September 18, 2012, COSO released an exposure draft that provides a public release of the *ICEFR* document. Also available for public review is the *Tools* document, along with a revised version of *Internal Control—Integrated Framework* that reflects comments received from constituents during its initial public release from December 2011 to March 2012. Simultaneously, IMA issued a position statement about the refresh project’s impact on small businesses. IMA’s COSO Ad Hoc Advisory Panel plans to provide comments to COSO during the 60-day public exposure period for the *ICEFR* exposure draft.

*What tools or resources should be made available by IMA to assist stakeholders in establishing or enhancing a system of internal controls relating to operations, compliance, or financial reporting objectives?*

### **XBRL Committee Update**

IMA’s XBRL Committee has utilized its expertise to educate the market about XBRL for internal and external applications. Efforts include a column in *Strategic Finance* covering XBRL as well as informative sessions about XBRL at IMA’s Annual Conference & Exposition.

The XBRL Committee has collaborated with the FRC and SBFRC to share information and get a better understanding of the challenges that preparers of financial statements face when using

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XBRL. FRC members who prepare financial statements expressed concern with the SEC's filing requirements that 100% of financial data is tagged in detail. Certain information, such as litigation, is company specific and isn't comparable. As a result, block tagging may be acceptable to users.

The XBRL Committee is exploring opportunities to conduct research to determine how preparers can fulfill the SEC filing requirement without 100% detail tagging of data. This type of feedback will put the Committee in a very strong position when attending and making presentations at conferences conducted by XBRL International and other organizations that monitor the developments of XBRL.

*What further resources could IMA provide to demonstrate the benefits of exploring XBRL for internal applications such as transaction processing, grant preparation, operational reporting, and business intelligence?*

### IMA Comment Letters and Positions

The positions taken on behalf of IMA's membership are 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. I would also like to know your views about other positions that you believe IMA's technical committees and panels should address. **SF**