Special report: How the consensus shifted away from IFRS adoption

BY CHRIS GAETANO
Trusted Professional Staff

When the Securities and Exchange Commission (SEC) released its proposed road map for International Financial Reporting Standards (IFRS) in 2008, then Chair Christopher Cox described the move toward a “true lingua franca for accounting,” that would be used in capital markets everywhere, as a near inevitability. Though the larger world remained a multilingual place, he said during an open meeting in Washington, thanks to IFRS, financial statement users around the globe would not have to wait long to speak the same tongue.

At the time, approximately 113 countries permitted or required the international standards, and Cox’s message was clear: The United States risked being left behind if it did not adapt. The agency’s plan outlined several milestones, including improvements in the ability to use interactive data in IFRS reporting, education and training that, if met, would facilitate the country’s evolution.

Since Cox’s speech, however, the SEC’s discourse on IFRS and its relationship with U.S. generally accepted accounting principles (GAAP) has shifted dramatically. Indeed, in a June 2014 speech, Cox likened the entire project to the Tower of Babel. While at one time, he said, full-scale adoption may have been possible, today, the prospect “is bereft of life.” The SEC’s Chief Accountant James Schnurr sounded a similar alarm last month during a talk at Baruch College. Though many constituents still find the idea of a single set of global accounting standards attractive, he said, on a practical level “there is virtually no support to have the SEC mandate IFRS for all
Continuing the progress we’ve made

I know that by working together over the next year, we’ll be able to build upon our past successes and carry forward the tradition of encouraging and cultivating the next generation of CPAs. In fact, our newly revised strategic plan mandates it.

I still don’t have an answer. But what I do know for sure is that the NYSSCPA has held a special place in my life for the last two decades and that members like you have made it a special institution for the past 117 years. I know, for sure, that nothing of any significance or real consequence in life is achieved alone, which is why our 28,000 members are such an important collection of professionals. I know that by working together over the next year, we’ll be able to build upon our past successes and carry forward the tradition of encouraging and cultivating the next generation of CPAs.

In fact, our newly revised strategic plan mandates it. The plan, which was approved by the Board of Directors in March, was updated to provide a more targeted approach for bringing our core values and goals as an organization to life. In the last fiscal year, we were focused on getting the structure of our new approach down on paper, and I thank our 2014–2015 President Scott M. Adair and his task force for providing us with an excellent strategic foundation to build upon. This year, the emphasis will be centered on putting the plan into practice and ensuring that it drives every Society program and initiative.

I know, for sure, that it’s important to have a guiding philosophy in life. Mine may be summed up in four words: Do all things well. That’s the motto of Bishop Kearney High School, which I attended as a young man in Rochester. Nearly 30 years after graduating, I appreciate those words more and more each day. David J. Moyhnann, the Society’s 2009–2010 president, whom we lost earlier this year, invoked a similar sentiment, albeit with slightly different phrasing, when he was installed: Quality matters. If you knew Dave, you knew that phrase and the challenge that lay behind it. It was a call to action for the profession and the state’s business leaders. I met Dave in the early stages of my professional journey—a college professor, the person who gave them their first job, the manager who took a little extra time to teach them about the profession. I’d like to share with you a few such people from my State Society life, and say two of the most important words in the English language: Thank you.

Fran Engel, my college tax professor, called me a few years into my career, when she was president of the NYSSCPA’s Buffalo Chapter, and asked if I would be on the chapter’s first YCPA committee. Fran believed in me, and for this, I’d like to thank her.

I know that we have issued the following deadlines by which such materials must be received:

July issue—June 23
August issue—July 13

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Annual Meeting
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In addition to Falbo, the Society installed F. Michael Zovistoski as president-elect; John J. Lauchert as secretary-treasurer; Christopher G. Cahill, Jennifer R. George, Stephen T. Surace and Michael M. Todres as vice presidents; and 11 directors to the board. They include Edward L. Arcara, Jack M. Carr, Elliott L. Hendler, Barbara A. Marino, Mitchell J. Mertz and Jeffrey F. Allen as directors-at-large, and Patricia A. Johnson, Iralma Pozo, Janeen F. Sutryk, Steven A. Stanek and Denise M. Stefano as directors as chapter representatives.

As he passed the baton to a new cadre of Society leaders, outgoing 2014–2015 President Scott M. Adair described his term as “an exciting year” that he would “never be able to repay the profession for.” Among his achievements, such as revamping the organization’s seven-year-old strategic plan and strengthening the Society’s digital outreach, Adair said he was proud to have played a role in expanding the lines of communication with NYSSCPA chapters.

“That’s very important to me, since I grew up in the chapters,” he said. “That’s how I made my entry into the State Society board.”

Praising Falbo’s work as president-elect, Adair said that he was excited to see him step into the president’s role. “I can’t tell you, as a professional and as a person, how honored I am to call Joe Falbo a friend,” he said.

Falbo will be tasked with continuing the advances that the Society has made in recent years. Just last month, the NYSSCPA opened a satellite office in Albany in an effort to deepen relationships with legislators and regulators, and to be able to respond even more quickly to issues affecting the profession. Falbo will also be working to expand the organization’s NextGen program, which offers career support and networking opportunities to the profession’s next generation of leaders. His commitment to boosting young leadership has deep roots—he co-founded a Young CPA Committee in the Buffalo Chapter early on in his career at the Society.

“I am confident we will build upon our past successes and carry on a tradition of encouraging and cultivating our next generation of CPAs,” he said.

During the meeting, which was held this year at the Eventi Hotel in New York City, the Society also revealed the results of a memberwide vote on proposed revisions to the bylaws. The changes, which, among other things, clarify the organization’s role in ethics investigations and expand its communication channels with members, were passed with 1,417 votes for all of the proposed revisions and 159 votes against all or some of the revisions.

Honoring icons

This year’s event included some political star power, with Dana Perino, George W. Bush’s White House press secretary and a co-host of the Fox News talk show “The Five,” serving as keynote speaker. Perino, author of the New York Times bestseller And the Good News Is... Lessons and Advice from the Bright Side, said that her role in the Bush administration had given her “a front-row seat to history.” Sharing stories from her time in the nation’s capital, she noted that one of the most important lessons she had learned in an increasingly polarized political climate was that “civility is a choice.”

“We choose to be or not [be civil] every day when we wake up,” she said, adding that she worked “for a president and first lady who insisted on” treating others with respect.

But much of the night was focused on icons within the CPA world, as the NYSSCPA conferred honors upon two members whose contributions have had a profound impact, not only on the Society, but on the profession as a whole: Sid Kess, the 2015 winner of the Dr. Emanuel Saxe Outstanding CPA in Education Award, and the late David J. Moynihan, the NYSSCPA 2009–2010 president, who was posthumously honored with the Society’s Distinguished Service Award. Moynihan passed away in January after a yearlong battle with cancer. His daughter Allison and wife Sara accepted the award on his behalf.

Kess, who celebrated his 56th year as an NYSSCPA member this February, has been a trusted guide for accountants since 1952, teaching review courses, seminars and conferences, and producing audio cassettes, newsletters and books. All told, he’s estimated to have taught more than 1 million CPAs.

Moynihan joined the NYSSCPA in 1982. As president, he led the Society at the height of the country’s economic crisis and during a time of immense change for New York CPAs: When he took office, the state had just passed the Accountancy Reform Law—the first significant amendment to the state law that regulates the CPA profession in more than 50 years.

Though the award was conferred after Moynihan’s passing, the 12 members of his 2009–2010 Executive Committee, who collectively nominated him for the honor, submitted his name for consideration before his death.

Of Moynihan, Adair said that there was “no one person, no one CPA, I can think of who embodies the spirit of the Distinguished Service award” more.

He was “a CPA who was passionate about his work and his community, a mentor to so many,” Adair recalled.

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Fine Print: Contest ends September 7, 2015. Complete contest rules can be found at nysscpa.org/mgam.

NYSSCPA
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From the Cover

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Indeed, Moynihan’s presence loomed large that night, with both an emotional video tribute and triumphant news about The Moynihan Fund, an educational trust that the Society created in his honor. The fund will be administered by the Society’s Foundation for Accounting Education (FAE), and will encompass all of the FAE’s college accounting scholarships and high school accounting introduction programs.

When it launched the fund this spring, the NYSSCPA set a 12-month fund-raising goal of $100,000, with a larger goal of raising $500,000 during the next five years.

In April, an anonymous Society member, inspired by Moynihan’s legacy, challenged his fellow CPAs to raise $10,000 by the night of the Annual Meeting and Dinner. If they succeeded, the donor—who would reveal his identity at the dinner—pledged to match the $10,000 with a personal donation of that same amount.

Not only did members of the CPA community meet the challenge, but they exceeded it, surpassing the entire first-year goal and raising more than a total of $200,000.

True to his word, the donor, NYSSCPA Past President David A. Lifson, presented the Society with a check for $10,000, which he said he had written with “great pleasure and a tremendous amount of pride in our profession.”

“I never once questioned the ability of our profession to support the memory of such a good person and to support such a good cause,” he said.

To watch the David J. Moynihan tribute video, log onto the NYSSCPA’s YouTube channel at www.youtube.com/user/TheNYSSCPA.

nsaunders@nysscpa.org
Many in the accounting world had long since reached the same conclusion. Donna J. Fisher, the senior vice president of tax, accounting and financial management for the American Bankers Association, recalls the urgency with which people spoke of IFRS several years ago, as well as the accounting firms that were telling banks they needed to get ready for the new standards, and soon. “Now, we’re not hearing any of that. It’s gone completely silent,” she said.

Renee Mikalopas-Cassidy, a past chair of the NYSSCPA’s International Accounting and Auditing Committee, said that while there had been broad interest in IFRS by the NYSSCPA’s International Accounting and Auditing Committee, IFRS was a “tougher sell than everyone thought,” largely because of fundamental philosophical disagreements over what accounting standards should do and be. The main bone of contention: whether standards should be primarily rules-based, as has been with GAAP, or primarily principles-based, like IFRS. While “we like to think of ourselves as free spirits,” Golden said, the United States is, in general, a rules-based culture that likes having clear, delineating distinctions between what is and is not acceptable.

Much of that comes from a desire to ensure that all bases are covered, legally, in the event of a problem. Americans are much more likely to litigate than their foreign counterparts, said Robert W. Stewart, senior vice president of public affairs at the Financial Accounting Foundation (FAF).

“The U.S. is a society that is somewhat litigious, so preparers want very detailed guidance,” he said. He added that the FAF had found that investors also desire that level of detail when weighing their options.

What turned a once hot topic so cold? And what does it mean for CPAs?

A tough sell to make

According to Jo Ann Golden, an NYSSCPA past president who sits on the Society’s Financial Accounting Standards Committee, IFRS was a “tougher sell than everyone thought,” largely because of fundamental philosophical disagreements over what accounting standards should do and be. The main bone of contention: whether standards should be primarily rules-based, as has been with GAAP, or primarily principles-based, like IFRS. While “we like to think of ourselves as free spirits,” Golden said, the United States is, in general, a rules-based culture that likes having clear, delineating distinctions between what is and is not acceptable.

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By now, there are many who simply prefer GAAP and think that a switch would impair accounting quality. GAAP is considered by some to be a more mature set of standards that has had more time to cover more ground and undergo more trial and error than the comparatively younger IFRS.

That perception of higher quality has been a big factor in people’s hesitance to embrace full-scale adoption, according to Fisher. Other countries that adopted IFRS, she said, may not have had such developed and robust standards in place when they did so; in those cases, taking on IFRS represented an improvement.

“We have a very high-quality set of accounting standards,” she noted. “It’s hard to think about just giving that up for the sake of a single set of accounting standards.”

According to Paul A. Zatorow, an accounting professor at New York University’s Stern School of Business, there is a school of thought, which he himself subscribes to, that “our financial reporting and disclosure system is as good as it gets,” and that switching to IFRS is a situation where “we have everything to lose and nothing to gain.”

“It may be a little arrogant, but I do think that is the way people here think about it,” he added.

Down for the count?

Despite the waning interest in IFRS over the past few years, there is a possibility that as the economy globalizes even further, IFRS matures, and other capital markets grow, support can pick up again, said Paquita Davis-Friday, an accounting professor at Baruch’s Zicklin School of Business.

Indeed, the stalled progress of the standards’ adoption doesn’t mean that, in principle, Americans don’t support the idea of a single set of global accounting standards, Fisher said. The problem is “how do you get there from here?”

That point was also echoed by Gary Kubiak, an International Accounting Standards Board (IASB) member, who noted that the while “the long-term end point” of a single set of global standards is clear, “achieving any form of international standardization takes time— and IFRS is still a relatively young initiative.”

He pointed out that the IASB isn’t hanging all of its hopes for IFRS on full adoption. Foreign companies listed in the United States are allowed to use IFRS. Relevant stakeholders, including regulators, investors and auditors, are already familiar with IFRS statements, and U.S. investors use IFRS when making investments abroad.

“The decision on [the] use of IFRS by domestic companies is only one dimension of IFRS usage in the U.S.,” he added.

What’s more, while adoption, for now, seems to be off the table, there’s still another major avenue for the increased internationalization of U.S. accounting—the convergence project, in which the Financial Accounting Standards Board (FASB) and the IASB have cooperated, with the intention of creating a common set of high-quality, mutually intelligible standards on significant accounting topics, such as revenue recognition, leases and fair value accounting.

While this process itself has had its own fair share of difficulties, with many of its major projects facing significant delays since it was first formally launched in 2002, it remains a much more politically palatable option for more international integration into U.S. accounting practices.

In a speech earlier this month at the 34th Annual SEC and Financial Reporting Institute Conference, Schnurr himself said that he believed convergence was still a worthy use of time and energy, and that both the FASB and IASB should continue their work to reduce or eliminate differences between their two sets of standards.

“In my opinion, in the near term, FASB and IASB should continue to focus on converging the standards,” he stated. “The boards should renew their commitment to cooperate and develop standards that eliminate differences between IFRS and U.S. GAAP when ever it meets the needs of its constituents and improves the quality of financial reporting.”

“Post 2 of this story, which takes a closer look at the FASB and IASB’s convergence project, in an upcoming issue of The Trusted Professional.”
Society to FAF: Don’t dilute PCC

BY CHRIS GAETANO

The following list includes all comment letters released by the NYSSCPA between May 1 and May 31. To read all comment letters published by the Society, visit nysscpa.org/page/society-comment-letters.

Comments to the FASB on Two Proposed Accounting Standards Updates — Income Taxes (Topic 740): I. Intra-Entity Asset Transfers (File Reference No. 2015-200) and II. Balance Sheet Classification of Deferred Taxes: Released May 29

Comments to the AICPA Professional Ethics Division: Released May 14 — Comments to the AICPA Professional Ethics Division on their proposed revisions to the definition of “affiliate” (AICPA, Professional Standards; ET Section 0.400.02). The proposal provides guidance on how to treat multimember employee benefit plans under this definition.

Comments to the AICPA on Exposure Draft — Firm Mergers and Acquisitions, Proposed Interpretation of the AICPA Professional Ethics Division: Released May 14 — Comments to the AICPA Professional Ethics Division on their proposed interpretation that would provide guidance to members in situations where independence, with respect to an attest client, may become impaired as a result of a firm merger or acquisition.

Comments to the Financial Accounting Foundation (FAF) on the Three-Year Review of the Private Company Council (PCC): Released May 11 — NYSSCPA response to the FAF’s request for comments on the PCC’s effectiveness, accomplishments, and its future role in setting standards for private companies.

NYSSCPA comment letters

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- The Affordable Care Act: a financial planner’s road map
- Current regulatory rules and AICPA’s new standards for financial planners
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- College financial planning and student loans
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- Steven Melnik, CPA, JD, LLM, Conference Chair
- Sid Kess, CPA, JD, LLM, AEP®, Of Counsel, Kostelanetz & Fink, LLP, Conference Chair
- Ed Slott, CPA, popular PBS television personality and IRA distribution expert
- Deborah Fox, CEO and Founder of Fox Financial Planning Network
- Jeremiah W. Doyle IV, JD, LLM—estate planner extraordinaire
- Steven G. Siegel, JD, LLM, financial and tax planning guru

Visit www.nysscpa.org/Kess or call 800-537-3635 to register!
How they made the switch

Four CPAs who joined the profession later in life reflect on their varied journeys

BY CHRIS GAETANO
Trusted Professional Staff

In the May 2015 issue of The Trusted Professional, we asked managing partners about the advantages and challenges of hiring a newly licensed CPA who chose accounting as a second career. In this issue, we speak to career changers themselves about what it’s like to take a more circuitous route to the profession. Here are their stories.

What line of work had you been in?

I attended the Fashion Institute of Technology [FIT] in New York City and graduated with degrees in apparel manufacturing and fashion buying and merchandising. I’d wanted to start a clothing company that met the needs of working women, but left the industry to raise a family. My husband and I had four children during our time in New York. We had our fifth when we moved to Albany to be closer to relatives.

What made you decide to shift to accounting?

I took three accounting classes at FIT, so I already had some familiarity with it. My husband had his own business at the Commodities Exchange, and I prepared his taxes. When he became a trader, he needed to hire a CPA because mark-to-market accounting is so specialized. After I found a way to save $15,000 on our taxes one year, the accountant recommended that I go into the profession myself.

When we moved to Albany, there wasn’t much opportunity in apparel manufacturing, so I started working part time as a tax preparer. Several years later, when my youngest was ready for preschool, I decided to pursue a master’s degree in accounting at the University at Albany. During the four years it took me to complete the program, I also ran my own business, providing bookkeeping and tax services. I interned at UHY and KPMG, and eventually landed at LCS&Z, LLP, where I was exposed to many facets of the public accounting world. I also became heavily involved with the NYSSCPAs Northeast Chapter and began teaching finance and accounting courses at UAlbany and Sage College. My experiences in the last five years prepared me well for my current position as controller for Monolith Solar Associates in Rensselaer.

What was the biggest difficulty you faced?

The hardest part for me was the work-life balance—going from being a full-time mom, to being a part-time student, to working full time. When I started working full time, it was tax season, so I went from being home a lot to barely being home at all. It was difficult giving my family what they needed while still being able to focus on my new job. I couldn’t have done it without the abundant help from my husband and my mom.

Studying for classes and the CPA exam was tough. I found I couldn’t study at home because there were so many distractions, so I camped out at Panera Bread. I worked part-time at KPMG while studying for the exam and, as a result, was able to pass all four parts in six months. I see so many new graduates jumping right into full-time work and then never having time to study for the exam. Taking that six months to get the exam out of the way helped me tremendously and enabled me to focus better on my new career.

How do you think your background has informed your accounting career?

I had much more life experience than most people fresh out of college, and my employer took that into consideration and was happy to pay me more for it. Having a family and home-schooling my kids gave me a lot of leadership experience and honed my organizational skills. I was able to move into a managerial role quickly because of this. When I got involved in the NYSSCPA and became an officer, that helped even more. My interest and experience in manufacturing also gave me an edge in the audit and tax profession because I can approach problems from both the real-world side and the more academic accounting side.

What advice would you give to someone who wants to make a similar transition?

Anytime you transition from one area to another, you should have a passion for your new field—not just a desire for change—because you’re going to need to be really committed to make the jump.

—Jennifer Pickett

What line of work had you been in?

I was a plumber. My father had a plumbing business, and I started working with him when I was in the seventh grade. At first, it was just in the shop, but by high school, I was going on jobs. After I graduated, I wasn’t sure what degree I wanted to pursue in college. My mother was an accountant, and an uncle suggested I follow suit. I looked at him like he had two heads—I didn’t want to go that route. But he told me that it was a good business background to have and that it would help if I wanted to run my dad’s business, so I took his advice.

What made you decide to shift full time?

I hurt my back and developed knee problems. My doctor told me that I had better find another line of work soon, or I’d be walking with a limp. But I enjoyed what I was doing so much—I loved handling tools—that I continued to work as a plumber for another three years. Eventually, it got to the point where I couldn’t even bend down to wash my face—I had to squat. So, I finally decided to switch to accounting full time. My father’s response was, “That’s a woman’s job!” Since my mother was an accountant, for him it was something that women did. But I convinced him to let me try it a while and see how it goes. I went to work for what is now Lumsden & McCormick, LLP, for a while to start making that much again but, eventually, I did, and then some.

How do you think your background has informed your accounting career?

It’s interesting. I work with commercial clients—businessmen—and one thing I learned from being a plumber was how to think like a businessman. It allows me to connect with my clients on another level.

—Stephen T. Lovullo

What line of work had you been in?

I was a journeyman plumber. My father had a plumbing business, and I started working with him when I was in the seventh grade. At first, it was just in the shop, but by high school, I was going on jobs. After I graduated, I wasn’t sure what degree I wanted to pursue in college. My mother was an accountant, and an uncle suggested I follow suit. I looked at him like he had two heads—I didn’t want to go that route. But he told me that it was a good business background to have and that it would help if I wanted to run my dad’s business, so I took his advice.

What made you decide to shift full time?

I hurt my back and developed knee problems. My doctor told me that I had better find another line of work soon, or I’d be walking with a limp. But I enjoyed what I was doing so much—I loved handling tools—that I continued to work as a plumber for another three years. Eventually, it got to the point where I couldn’t even bend down to wash my face—I had to squat. So, I finally decided to switch to accounting full time. My father’s response was, “That’s a woman’s job!” Since my mother was an accountant, for him it was something that women did. But I convinced him to let me try it a while and see how it goes. I went to work for what is now Lumsden & McCormick, LLP, for a while to start making that much again but, eventually, I did, and then some.

How do you think your background has informed your accounting career?

It’s interesting. I work with commercial clients—businessmen—and one thing I learned from being a plumber was how to think like a businessman. It allows me to connect with my clients on another level.

—Charles J. Young

What line of work had you been in?

One of my good friends is an officer in the sheriff’s department. I did a few ride-alongs and thought it would be a great job. I joined the force at 21, and stayed there for 20 years as an officer in the road patrol.

What made you decide to shift to accounting?

In 1986, I got my taxes done at H&R Block and ended up having to write a check to the government. I didn’t like that and decided I’d try to do my taxes myself. I read IRS Publication 17 [Your Federal Income Tax for Individuals] cover-to-cover and found it pretty interesting. The following year, I took the H&R Block tax course and started doing taxes for family and friends. I found that I really liked it. I eventually

See Career Change, on page 10
Career Change

Continued from page 9

started a part-time business doing tax returns while I was at the police department.

All the while I was working as a police officer, I had been taking evening courses in business, computer science, math—all sorts of things. I knew that since I could retire from the department after 20 years of service, I’d want to leave and try something else. When I retired, I went back to school full time for my M.B.A. at Rochester Institute of Technology. That particular program qualified me to take the CPA exam. I interned with the firm that is now EFP Rotenberg LLP, and I’ve been there ever since.

What was the biggest challenge you faced? Being an older, nontraditional student was a little hard to overcome with certain firms. It’s not something I can put my finger on, but I felt like I didn’t get a good vibe with some of the recruiters at job fairs. The CPA who ultimately hired me for an internship, though, said he decided to take a gamble on me because I had a maturity he liked.

Over the past eight years, I’ve developed, quite organically, a specialty in tax resolution and tax controversies that was recognized in the firm and led to me developing a niche for myself and becoming a very important asset to the firm and led to me developing a niche for myself and becoming a very important asset to the firm and led to me developing a niche for myself and becoming a very important asset to the firm and led to me developing a niche for myself and becoming a very important asset to the firm and led to me developing a niche for myself and becoming a very important asset to the firm and led to me developing a niche for myself and becoming a very important asset to the firm and led to me developing a niche for myself and becoming a very important asset to the firm.

What do you think your background has informed your accounting career? I like learning and took a lot of different courses throughout my police career, so my background is a lot broader than most. My past experiences, especially, prove helpful during tax season. It’s a very stressful time, but having been through different kinds of stress as an officer, I was equipped to deal with it.

What advice would you give to someone who wants to make a similar transition? Recognize what differentiates you from everyone else and use it to your advantage. In my case, as I’m sure is true for others starting their second career, it was maturity and life experience.

What line of work had you been in? My first bachelor’s degree was in biology, and I ran a laboratory for three years after college. During my senior year, however, I noticed that my grades in my major were lower than my grades in other subjects, so I went to the counseling center to try to figure out what else I might want to do. I took an aptitude test and was told that I’d make a mediocre doctor, lawyer or businessperson, but that I’d be one heck of a computer programmer.

There was a school across the river with lots of computers where I could get something called an M.B.A. Since I did like the accounting and economics courses I’d taken, I enrolled. From there, I became a consultant for what was, at the time, the third largest health care consulting firm in the United States.

What made you decide to shift to accounting? A lot of the hospital boards of directors wanted to hear the letters CPA after my name. Ultimately, I liked accounting so much that I went back and got a bachelor’s degree in it so that I could sit for the CPA exam—around the age of 35. I passed all four parts the first time. Then I said, “Now I want a Ph.D.” So, I went back and got it in accounting, finance and statistics.

I was teaching within four days of submitting my dissertation. Frankly, I did not want to practice traditional accounting. Instead, I was interested in using accounting as a tool for research. I did maintain a small retail practice of my own for a while, doing mostly tax and consulting, but my primary focus now is on teaching and research. I’ve been at the Sage Colleges for three years full time, and one year part time before that. It’s something I really enjoy. The best part of my job is being able to change a student’s life.

How do you think your background has informed your accounting career? My research is in the area of health care finance and accounting, which involves a lot of statistics. This is why it was so important for me to develop the skills that I did. For example, right now, I’m looking at hospital charges in New York—a 10 percent sample of the 2.5 million discharges a year. I’m doing my best to predict, upon admission, what range of charges is going to be attributed to an individual episode of care. My preliminary results actually allow me to explain about half of the total variation of the data, which, frankly, is astonishing. It may mean we can at least predict the ranges people can fall into with some degree of accuracy.

What advice would you give to someone who wants to make a similar transition? You’ve got to want to be a CPA. It takes dedication. It takes effort. I’ve seen this myself going through the process and I’ve seen it in my students. You have to have a fire in your belly to make it happen. If not, well, I’ve also seen a lot of people fall by the wayside.
When client funds disappear

Preventing theft in high-risk engagements

BY RON KLEIN, J.D., CFE

With certain CPA firm engagements, there is a higher risk that a client's funds may be misused, especially if internal controls are not strong enough to prevent staff from abusing signatory authority that has been entrusted to them. The engagements in question can range from basic bookkeeping and bill paying on behalf of clients, to business management engagements in which the firm has broad control over the client’s financial affairs. Executor/trustee engagements are also prone to the misuse of client funds.

The public perceives CPAs as experts in tracking financial activity and setting up effective internal controls for preventing and detecting fraud. If a CPA firm has neglected to set up adequate controls within its own business and client funds are lost, the client will be more inclined to litigate the matter, knowing that a jury will have high expectations of the CPA’s responsibilities to prevent fraud. If a CPA firm has neglected to set up adequate controls within its own business and client funds are lost, the client will be more inclined to litigate the matter.

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The firm should find out whether any of its CPAs are serving as executors or trustees. There should be a detailed understanding of those engagements and establish a combination of controls that will prevent the misuse of client funds. The following are examples of good controls:
• Performing a background check on employees who work in check preparation and signing
• Segregating duties (ideally, check preparation and signing should be performed by different individuals)
• Requiring written authorization for all disbursements.
• Cross-training employees to review each other’s work
• Requiring a second partner review of staff and partner activity
• Restricting access to check registers and undated bank–client statements.

The following are examples of good controls:
• Segregating duties (ideally, check preparation and signing should be performed by different individuals)
• Having someone other than the check preparer open bank statements and review them
• Requiring staff in cash disbursement services to take time off
• Having a partner review or perform check preparation and signing (do not be predictable in this process)
• Having a two-signature requirement for all checks in excess of a certain amount (pre-agreed with the client)
• Requiring written authorization for all disbursements.
• Requiring the client to review and sign a list of recurring expenditures on a quarterly basis
• Presenting a list of checks disbursed for the client’s review and written approval
• Providing a second partner review of staff and partner activity
• Requiring written authorization for all disbursements.

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• Providing a second partner review of staff and partner activity
• Requiring written authorization for all disbursements.

1. Determine whether the firm has any engagements in which it is controlling client funds. Do any of the firm’s CPAs or their staffs have signatory or check-writing authority over client funds? Who is signing the checks? For what purpose are the checks being signed?
2. Find out whether there are any procedures in place for accepting new engagements in which the firm’s CPAs or their staffs have signatory authority over client funds. Who can accept those types of engagements? There should be clear, centralized control over the acceptance process.
3. Gain a detailed understanding of those engagements and establish a combination of controls that will prevent the misuse of client funds. The following are examples of good controls:
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 Executor/trustee engagements

CPAs who act as executors or trustees may have signatory authority over client or trust funds. While executor engagements are generally for a short period of time, trust engagements can last for an indefinite period, depending on the trust agreement. The agreement will appoint the CPA as trustee and will list his or her power and authority.

The firm should find out whether any of its CPAs are serving as executors or trustees, and whether there are any procedures in place for accepting and monitoring such engagements.
BY MIRA B. WEISS, ESQ.

Benjamin Franklin is famously quoted for saying, “In this world nothing can be said to be certain, except death and taxes.” Now, baby boomers can add a third certainty to that list: the extraordinary cost of long-term care. Although $10,000 seems like a lot of money, that amount will only buy about one month of Medicaid nursing home care or one month of private home care services in New York today; thus, a tax payer who needs long-term care but doesn’t have an extremely generous long-term care insurance plan will be hard-pressed to survive in New York.

In general, baby boomers—those born in the United States between 1946 and 1964—will find long-term care services unaffordable. It is projected that between 2010 and 2030, the population over age 80 will increase by 79 percent, and of these individuals, the majority can expect that long-term care services will absorb up to 84% of their discretionary spending. Only a small fraction of the population has coverage for long-term care services through insurance—and even those who do might find the benefits insufficient.

Traditionally, New Yorkers relied on family, neighbors and community health care services to supply long-term care needs. For most individuals, however, these resources may now be nonexistent or unavailable. Families live in diverse geographic areas and frequently don’t have time to devote to caring for relatives; in addition, they might not be able to contribute financially to their care or to take time away from work. The corporatization of health care and the development of health systems combining hospitals, nursing homes, nursing agencies and physician practices into an integrated delivery system marks the end of the community-based health care that people have always known.

During the 49th Annual Heckerling Institute on Estate Planning in January 2015, Stephan R. Leimberg described the state of tax laws as driving clients away from traditional trusted advisers, such as accountants and attorneys, to a subset of practitioners specializing in estate planning services and elder law. He posited that beating the tax system by transferring assets through a gift or trust from an estate in order to avoid a step-up in basis and probate no longer drives tax planning. As a result, interest in irrevocable trusts and other sophisticated tax planning devices, products and instruments will dry up. But where does that leave CPAs and their practice?

Looking to the future

The future for tax preparers is in incorporating the management of the extraordinary expense of long-term care into their practice. This requires a working knowledge of government benefits—such as Medicaid, which is available to more New Yorkers than is generally recognized; Social Security and Veterans Administration benefits— instruments such as special needs and pooled-income trusts; options for funding to “age in place” (i.e., reverse mortgages, life estates, prenons dominium); and resource allocation benefits—instruments such as special needs trusts; and the tax implications of the ACA, to the recent controversy over the MCTMT, to special New York rules for flow-through entities, the NYSSCPA’s electronic tax newsletter, the NYSSCPA’s publication for tax pros written by tax pros.

Ron Klein, J.D., CFE, is risk management counsel for CAMICO (www.camico.com). For information on the Camico program, call Camico directly at 800-652-1772, or contact: (Upstate) Reggie DeJean, Lawley Service, Inc., 716-849-8618, and (Downstate) Dan Hudson, Chesapeake Professional Liability Brokers, Inc., 410-757-1932.

UPCOMING INDUSTRY COMMITTEE MEETINGS

Construction Contractors
Emerging Tech Entrepreneurial
Entertainment, Arts and Sports
Family Office
Hospitality Industry
Internal Audit
Investment Management
Real Estate

This is a partial listing, which is subject to change. For a complete and updated listing of meetings, visit www.nysscpa.org, click on “About Us,” and choose “Committees” from the drop-down menu.

Interested in joining a committee? Fill out an application online or contact Nereida Gomez, Manager, Committees, at 212-719-8358 or ngomez@nysscpa.org, to find out more information.

UPCOMING CONFERENCES

The CPA as Financial Planner

Wed., July 15—Thurs., July 16

Managing assets for aging baby boomers and their parents

Client Funds

Continued from page 11

engagements. Trust engagements tend to be performed by senior members of a firm with little or no oversight from others.

Claims from trusteeships have been severe over the years, particularly claims involving the misuse of client funds. The most significant internal control over CPA executor/trustee activities is oversight by the partner group, managing partner or a senior member of the firm. Additional controls may include requiring—

•quarterly or annual reporting to all interested parties (the grantor if living, other trustees, beneficiaries, attorneys, etc.),

•a file maintained in a normal file system,

•annual review of the engagement,

•two signatures if a co-trustee/executor exists,

•controls established for a co-trustee,

•errors and omissions (E&O) insurance for a co-trustee, and

the area of responsibility for each trustee to be in writing.

Another consideration: If the clients are elderly or senior citizens, laws designed to protect elders from fraud may be invoked in order to impose punitive damages and recovery of attorneys’ fees. Furthermore, jurors tend to support strict punishment of financial advisers who defraud the elderly—all the more reason to be sure that the firm has established adequate controls.

For information on the Camico program, call Camico directly at 800-652-1772, or contact: (Upstate) Reggie DeJean, Lawley Service, Inc., 716-849-8618, and (Downstate) Dan Hudson, Chesapeake Professional Liability Brokers, Inc., 410-757-1932.
Understanding the Military Spouse Residency Relief Act

BY DANIEL G. MAZZOLA, CPA, CFA

The Servicemembers Civil Relief Act (SCRA) was enacted to protect military personnel from being sued while in the service of the United States for up to one year following active duty. It postpones or suspends certain civil obligations in order to enable service members to devote their full attention to duty and to relieve the stress of their family members. Under the U.S. Tax Code, an individual who moves from location to location would normally be responsible for filing multiple part-year and nonresident income tax returns; however, the SCRA stipulates that service members will neither gain nor lose state residency status based upon their presence—or lack thereof—due to military orders. Thus, service members are permitted to maintain one tax domicile throughout their military career, even if they live in numerous states. In 2009, the Military Spouse Residency Relief Act (MSRRA) was enacted in order to grant the same privileges to spouses who accompany service members on their travels. Key components of the MSRRA exemption are that the spouse is in the state solely to live with a service member who is present in the state in compliance with military orders, and, for some states, that both spouses claim the same state as their legal residence. The MSRRA helps prevent a form of double taxation that would occur when a service member's spouse works and would otherwise be liable for taxes in a state other than the one in which a residence is maintained. It would be impractical to allow service members to stay at one duty station for an entire career, and therefore, they must move frequently. Service members simply go where they are ordered to go, with spouses quickly accompanying them. Moving regularly can be a complex administrative process. For example, a service member is transferred to a place where the spouse is permitted to follow but chooses not to. The spouse would not lose eligibility in cases where the service member is transferred to a place where the spouse is not allowed, such as a war zone.

Tax implications of the MSRRA

The MSRRA helps prevent a form of double taxation that would occur when a service member's spouse works and would otherwise be liable for taxes in a state other than the one in which a residence is maintained. It would be impractical to allow service members to stay at one duty station for an entire career, and therefore, they must move frequently. Service members simply go where they are ordered to go, with spouses quickly accompanying them. Moving regularly can be a complex administrative process. The MSRRA grants a reprieve from the practical and financial burdens of having to change a state of domicile every time the military decides to transplant a family. It gives spouses the same legal protections as service members because they are no less immune to the hardships associated with these frequent relocations.

The MSRRA is a complicated law because each state has different rules and requirements. Service personnel and their spouses are encouraged to use resources such as the U.S. Armed Forces Legal Assistance (AFLA) website to obtain free and confidential advice. Daniel G. Mazzola, CPA, CFA, is an investment advisory representative with American Portfolios Financial Services, Inc. This story originally appeared in the NYSSCPA’s Tax Stringer.
New fiscal year brings new opportunities for Buffalo Chapter

BY MICHAEL MILISITS
Rockland Chapter Immediate Past President

ow that busy season is behind us and we’ve taken some days off to regroup, it’s time to get our heads back in the game. You can start by setting a goal for yourself. Make this the year that you start getting your CPE early. Make this the year that you attend one more networking event.

The Rockland Chapter board has set a goal of its own: to get our events started right away. To that end, we’ve been frantically sending emails and making phones calls to finalize details.

The chapter hosted its 15th annual Officer Induction and After Tax Season Dinner at Westchester Burger, White Plains, on May 5. The event was well attended, and I wanted to take this opportunity to thank everyone again for coming. It was a great night and gave everyone a chance to share their war stories and network with some of our closest friends from the Rockland business community. With the business community’s support, we have been able to bring our chapter’s members what they really deserve—quality education at unbelievable prices and networking opportunities to build long-lasting relationships with CPAs, bankers, brokers, lawyers and payroll processing firms. We look forward to their continued support and encourage members to come to our seminars and events in order to take advantage of what they have to offer.

On May 20, True Benefit and Chase Bank presented a seminar sponsored by ADP on the Affordable Care Act and the financial impact of fraud. The speakers were insightful and right on point. All members in attendance walked out better prepared for the challenges that lie ahead of them.

On June 9, Anthony Enea, Esq., presented a seminar titled, “Critical Issues Facing Senior Clients.” Anthony is an expert in the field and attendees left asking themselves, “Am I prepared? Are my clients prepared?”

On June 16, Joel Greenwald presented a seminar titled, “Best Employment Law Practices for Accounting Firms and Their Clients.” He covered various topics including toxic employees, employees’ privacy rights, employees entitled to overtime and noncompete agreements.

On June 18, a representative from Merrill Lynch led and sponsored a seminar on retirement planning that included the different types of plans for small-to-large employers.

On June 23, the Rockland Chapter will be hosting a family and friends night at Provident Bank Park in Pomona to see the Rockland Boulders take on the Sussex County Miners. This will mark the third time the Rockland Chapter has hosted a family and friends night to watch the Rockland Boulders play, and the past two games were un lethargically memorable.

Make sure you sign up early. The cost to attend is equivalent to a night out with the family and not only includes the admission to the game but an unlimited selection of food and drink. There is no dress code and no obligation to network. Put simply, come see a ballgame, bring your family and friends, and have some fun.

On July 21–22, we will hold our 13th Annual Summer Symposium, which provides excellent CPE on accounting and auditing topics, along with numerous networking opportunities.

As this new fiscal year starts off, I remind all that the Buffalo Chapter still needs interested people to bring forward new ideas that we can implement to help improve our profession. We will always need fresh blood willing to commit, work hard and contribute to our great Society. If you would like to join our close fellowship here in the Buffalo Chapter, please contact me so that I can help you to get involved.

It is with a saddened heart that we inform everyone of the passing of the chapter’s Past Treasurer Rosemarie Steeb on May 20. Rosemarie volunteered many years of service to the profession, and she will truly be missed. She was always smiling and willing to make everyone’s life better, and provided much warmth and energy to any life she touched. Our condolences to her family.

m@mem@thehuntergroup.com
Manhattan/Bronx Chapter looks to build on tradition of strong leaders

BY DIGANT BAHL
Manhattan/Bronx Chapter President

F or those of you who were unable to attend the NYSSCPA’s Annual Election Meeting on May 14, I would like to introduce myself as your incoming 2015–2016 Manhattan/Bronx Chapter president.

Before I discuss my goals and aspirations for the year, I’d like to begin with a few words about our outgoing chapter president, Iralma Pozo. Iralma did an amazing job of leading the chapter and donating her time to our events. She has also been so patient in showing me the ropes. I begin my term with an extraordinary foundation—one that Iralma and other renowned past presidents, such as Barbara A. Marino, J. Michael Kirkland, Gina Goodenow and William Aiken, have worked hard to build.

I thank them for all their hard work; their ongoing, altruistic dedication has paved the way for yet another successful year.

To tell you a bit about my background, I first joined the Society in 2004. I’d been involved with the State Society of CPAs. I heeded his advice, and I continued to be involved with the NYSSCPA by attending events and training programs hosted by the Foundation for Accounting Education (FAE). I’ve served on the board of the Manhattan/Bronx Chapter for the last four years, and am humbled to write this introduction today as your chapter president.

Benjamin Franklin, one of our nation’s Founding Fathers, once said, “Tell me and I forget, teach me and I may remember, involve me and I learn.” Therein lies a lesson about the importance of getting involved. NYSSCPA members have opportunities to participate in a whole array of events and should take advantage of them. I can personally attest to the benefits, which include long-lasting relationships built with partners, presidents, CEOs, CFOs and many other professionals, each of whom has his or her own specific area of expertise.

During the course of the next year, our chapter will arrange a series of events and will provide opportunities for its members to get involved. In fact, the NextGen Conference for Young CPAs is right around the corner—on July 31—and I would highly recommend it for all potential mentors and mentees alike. I would also like to send a message to young CPAs: This year, try something new. Talk to someone you don’t already know. Attend a conference that addresses an issue you are unfamiliar with. Take a brief course in an unrelated field. I urge you to wholeheartedly engage in the Society—whether it be seeking advice on professional issues from seasoned CPAs; writing for one of our numerous publications (The CPA Journal, The Trusted Professional or the Tax Stringer); or taking part in a conference, seminar or training offered by the FAE. These are just a few of the many options available for getting involved, but the realm of learning opportunities is endless.

I also strongly encourage the veteran professionals to continue to share their pearls of wisdom with their younger counterparts, as has been the tradition at the Society since the NYSSCPA was incorporated in 1897.

Going forward, I will continue to support and improve the efforts for youth interested in the profession. I promise to devote more resources to our high school outreach program and to The Moomihan Fund, an educational trust that encompasses all of the FAE’s college accounting scholarships and high school accounting introduction programs, including the Career Opportunities in the Accounting Profession (COAP) program.

Finally, I promise to continue the NYSSCPA’s tradition of facilitating excellent networking and professional development opportunities for our members. All of the board members and I are looking forward to announcing more events in the coming months, and I am very optimistic about what this year has in store for all of us.

dbahl@asnyinc.com

The Manhattan/Bronx Chapter’s Poetry and Pizza Night, held April 30 at the NYSSCPA’s Wall Street office, featured nearly a dozen poets, spoken-word artists, singers and musicians. For more pictures, go to www.flickr.com/photos/nysscpa.

For outgoing Westchester president, the chapter’s future looks bright

BY WILLIAM H. ZEBORIS
Westchester Chapter Immediate Past President

It is hard to believe that my term as president has come to an end. Our chapter had a great year, and none of our successes would have been possible if it were not for my board of directors, our committee chairs and our members. I would like to thank all of you for your contributions.

As a chapter, we try to find programs that benefit all of our constituents. We present CPE programs to assist our members on the technical side. We have programs tailored to accountants in industry and programs created especially for our NextGen members. We participate in joint meetings with our peers in the legal and insurance communities, and we also interact with Westchester’s two business groups, the Westchester Business Council and the Westchester County Association.

Some of the most rewarding events have been in support of a charitable cause. At the end of April, the chapter put together a team to participate in the annual March of Dimes walk. Though we had a small group complete the walk, we were still able to raise approximately $1,200. The leaders of this effort, and by far the largest fund-raisers, were a group of graduate students from Mercy College. (Thanks to the efforts of Denise Stefano, a past chapter president and the head of the accounting department at Mercy College, we have seen a tremendous increase in our student membership numbers.) This group of bright and energetic students not only raised funds and walked the walk—they made a difference. If they are representative of the next generation of CPAs—and I believe they are—then our Society, our chapter and our profession are in good hands.

wzeboris@citrincooperman.com
# Chapter News

## Chapter Events and CPE

### Buffalo

**Buffalo Chapter Summer Symposium**

- **Where:** Millennium Airport Hotel, 2040 Walden Ave.
- **Contact:** Greg Altman at galtman@healthsciencescharterschool.org

### Nassau

**14th Annual Ellen Gordon CPA 4(a) Cause 5k Run/Walk**

- **Proceeds to Benefit Island Harvest**
- **When:** June 20, 8:30 a.m. (registration 7:30 a.m.)
- **Where:** Eisenhower Park, Field #1 East Meadow
- **Cost:** $20-$30 per person

### Rockland

**A Night at Provident Bank Park**

- **When:** June 23, 6 p.m. (gates open); 6:30 p.m. buffet; 7 p.m. game start

### Suffolk

**Suffolk Chapter’s 14th Annual Long Island Ducks Baseball Outing & Picnic**

- **Where:** Bethpage Ballpark, 3 Court House Drive, Central Islip
- **Cost:** $50 picnic and ticket (10 years and older); $24 picnic and ticket (9 years and younger); $10 ticket only

### Southern Tier

**NextGen Luncheon “Identifying and Working with Your Archetypes”**

- **Where:** Binghamton Club, 83 Front St, Binghamton
- **Contact:** Nikki R. Meyers, at nikki@vapc.us

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### Estate Planning and Administration — Information Everyone Is Dying to Know!

**Course Code:** 29086601

**Contact:** Matthew Ryan at mryan@avz.com

### Young CPAs/NextGen 20th Annual Young Professionals Golf Classic

**Course Code:** 45080601

**Contact:** Lou Mauro at lmauro@avz.com or 631-434-9500

**RSVP by Aug. 25**

### CPA, Banker & Attorney Golf Outing

**Course Code:** 45090601

**Contact:** Mail check to Madelyn Hornstein at mhh@dbbllc.com

**RSVP by June 12**

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The Financial Accounting Standards Board (FASB) has asked stakeholders to identify issues that should be on the board’s agenda going forward. What major area would you like to see the FASB focus on in coming years?

JOHN A. BASILE | Partner, New York
As a practicing professional, I would like to see the FASB focus more on accounting for small and medium-sized enterprises. “One-size-fits-all” accounting does not always provide the most relevant information to financial statement users. Owners, lenders and others require clear and concise financial data relating to a company’s financial condition, operations, and cash flows and related disclosures. While the FASB has been moving in this direction with respect to goodwill accounting and other areas, more needs to be done, especially relating to fair value matters, income taxes and disclosures.

JOHN.T.BASILE@bakertilly.com

ROBERT M. ROLLMANN | Partner, Harrison
Prior to the formation of the Private Company Council (PCC), the FASB historically had a sort of “one-size-fits-all” approach to GAAP (generally accepted accounting principles), especially when it comes to private companies. Over the past few years, the FASB has worked to simplify some areas of GAAP for both private and public entities and, in recent years, the PCC’s initiatives have certainly eased the cost and complexity of complying with GAAP for private entities. But, at times, in the course of FASB deliberations on new ASUs or changes to existing GAAP for private companies, they still have a knee-jerk reaction of “more is better,” and you wind up with situations where the financial statements have a paragraph or two telling the reader about what the company does, and several pages of disclosures in areas like defined benefit plans and fair value measurement and derivatives, just to name a few! I frequently question whether such extensive disclosures are of value to the reader of private company financial statements. At some point, the FASB needs to step back and ask if this is really serving the interests of the majority of private companies, as opposed to the small number of analysts who want that information.

ROBERT.M.Rollmann@odpkf.com

PAUL E. BECHT | Partner, Melville
I’m really interested in what the board is doing as far as simplifying financial reporting, to make things understandable for the majority of companies out there that aren’t publicly traded and don’t necessarily need the complex financial statements that some of the larger corporations do. There’s so much that has to be considered when putting together a financial statement—if we could just make the accounting simpler, including footnote disclosures, and in plain English, it would reduce compliance costs and make life easier for both preparers and readers. A good example is the proposed lease standard. Right now, companies report many of their leases as operating leases and it’s a fairly simple exercise, but when the new pronouncement comes out, that will change. I’d like to see the FASB try to simplify reporting for private companies because the standards, as proposed, will just add one more layer of complexity to the balance sheets, which, ultimately, isn’t helpful.

PAUL.BECHT@bakertilly.com

IRALMA POZO | Adjunct Lecturer, New York
There are a few things the FASB should give its attention to. First, several issues still need to be addressed within the convergence project—what immediately comes to mind, for example, is revenue recognition. From reading articles, listening to CPE sessions and talking to CFOs, it’s clear to me that there are still a lot of concerns about how the standard will affect the bottom line, since it impacts a vital part of business operations. A lot of the concerns I’m hearing are about how complex it all is, which ties into another major issue that the FASB should concentrate on: the complexity of their accounting literature in general, especially for smaller entities. Many times, it’s just overwhelming, especially when you’re not a Fortune 500 company with the resources of a large accounting team. People are just trying to run their businesses but, often, all the disclosure requirements seriously impact that. Furthermore, the quality of the financial reporting itself can suffer when you have all this complexity without the resources to address it.

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