

Leaders' Edge

The newsletter of The Michigan Association of
Certified Public Accountants

September/October 2008



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[Navigator of the Profession – Wayne B. Titus, III, CPA](#)

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[From the Chair of the Board Thomas H. Beard - Looking Forward](#)

I am honored to serve as your chair of the board for this coming year. We are fortunate to have an outstanding board of directors, exceptional volunteers on our task forces, and a top-notch staff to help us navigate the future. The MACPA Strategic Plan provides the roadmap to help us succeed on our journey. Our leadership team is once again rolling up their sleeves to update the Strategic Plan – as it is a living and breathing document, one that provides continuity and direction from year

You talk.
We'll listen.



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Top Stories

SEC Proposes Roadmap Toward Global Accounting Standards

On August 27, 2008, the Securities and Exchange Commission announced a proposed Roadmap that could lead to the use of International Financial Reporting Standards (IFRS) by U.S. issuers beginning in 2014. Currently, U.S. issuers use U.S. Generally Accepted Accounting Principles (GAAP). The Commission would make a decision in 2011 on whether adoption of IFRS is in the public interest and would benefit investors. The proposed multi-year plan sets out several milestones that, if achieved, could lead to the use of IFRS by U.S. issuers in their filings with the Commission.

The increasing integration of the world's capital markets, which has resulted in two-thirds of U.S. investors owning securities issued by foreign companies that report their financial information using IFRS, has made the establishment of a single set of high quality accounting standards a matter of growing importance. A common accounting language around the world could give investors greater comparability and greater confidence in the transparency of financial reporting worldwide.

"An international language of disclosure and transparency is a goal worth pursuing on behalf of investors who seek comparable financial information to make well-informed investment decisions," said SEC Chairman Christopher Cox. "The increasing worldwide acceptance of financial reporting using IFRS, and U.S. investors' increasing ownership of securities issued by foreign companies that report financial information using IFRS, have led the Commission to propose this cautious and careful plan. Clearly setting out the SEC's direction well in advance, as well as the conditions that must be met, will help fulfill our mission of protecting investors and facilitating capital formation."

Chairman Cox noted that since March 2007, the Commission and staff have held three roundtables to examine IFRS, including one earlier this month regarding the performance of IFRS and U.S. GAAP during the subprime crisis. Almost one year ago, the Commission issued a concept release on allowing U.S. issuers to prepare financial statements using IFRS.

Today, more than 100 countries around the world, including all of Europe, currently require or permit IFRS reporting. Approximately 85 of those countries require IFRS reporting for all domestic, listed companies.

The full text of the SEC's release is expected to be posted the [SEC website](#) as soon as possible.

Top Stories

Michigan Association of CPAs 2008 Awards & Recognition

The MACPA recently paid tribute to the exemplary service and contributions of members at the 2008 Awards Dinner. Held at the elegant Townsend Hotel in Birmingham, the September 8 event also featured a Silent Auction to benefit the Michigan Accountancy Foundation (MAF) Fifth/Graduate Year Scholarships. The 2008 Scholarship recipients are recognized on the [MACPA website](#). The MACPA would like to thank the MAF Fifth/Graduate Year Scholarship partners for their generous support and dedication to the future of the profession: *Deloitte, Ernst & Young, KPMG, PricewaterhouseCoopers, Doeren Mayhew, Paul Goebel Group, The Rehmann Group, the families of Eleanore Kline, Jeffery Barry and Stephen Klausner.*

Outgoing Chair of the Board

Gail Sparks Pitts



Gail Sparks Pitts, controller, Oakland Community College, is the first African American female to serve as chair of any state CPA society. Gail is particularly committed to students, recruiting them for opportunities in the profession as well as understanding the need to build for the future of the MACPA and the profession.

Distinguished Achievement Award

Leslie Murphy



The MACPA's highest honor recognizes Leslie Murphy, Murphy Consulting, Inc., for her unparalleled expertise in the areas of corporate governance, workforce development, and staff retention. A retired partner from Plante & Moran, Leslie is recognized as one of the highest-ranking women in public accounting in the country. In 2005, as she took the helm of the AICPA, Leslie was first Michigan CPA in six decades to lead our national Association, where she not only represented 17,000 Michigan CPAs, but also the 340,000 members of the AICPA.

Distinguished Service Award

Sean Keenan



With many years of involvement with the MACPA, Sean Keenan is a past chair of the board, and he's contributed his expertise to committees and task forces including Strategic Planning, Diversity, Finance, Audit, and many others. Assurance Partner in the Detroit office of the KPMG, Sean is a CPA Ambassador, and has represented the MACPA and the profession with distinction. Sean has encouraged and mentored many CPAs in their involvement with this Association.

Outstanding Visionary Award

S. Scott Voynich



Shortly after the Sarbanes-Oxely Act was enacted, Scott Voynich became chair of the AICPA. He embraced the need for change, working tirelessly to restore credibility in the accounting profession, always emphasizing the profession's core values of integrity, competence, and objectivity. Scott also has been instrumental in the AICPA's nationwide efforts to advance CPA license mobility legislation.

Public Service Award

Wayne Titus III



Wayne Titus, III is a CPA and a Personal Financial Specialist who operates his own firm, AMDG Financial, in Plymouth. Wayne realizes that his CPA designation not only gives him tremendous professional opportunities, but also allows him to enhance the lives of others both near and far. In addition to working with numerous local non-profit organizations, Wayne has devoted an incredible amount of time and energy enriching the lives of people of El Salvador.

Business & Industry

Paul MacDonald

The recipient of our 2007 Business & Industry Award and nominee at the national level, Paul MacDonald is one of only three AICPA members being inducted into the AICPA's Business & Industry Hall of Fame this year – 2008-2009. In addition to demonstrating leadership and strategic ability within the Red Wings Organization, Paul is involved in several key functions at the League level.

Diversity Award

Sean Keenan

Within his firm – KPMG – diversity is a priority to which Sean Keenan is fully committed. He values his role as mentor to African Americans who are part of his teams. In addition, through The MACPA strategic planning process, Sean initiated a change in the core values of the MACPA to include diversity. As a result, consideration of every MACPA strategic initiative takes diversity into consideration.

Accounting Teaching Excellence Award

L. Charles Bokemeier

An accounting teacher for more than three decades, Charles Bokemeier is Professor of Practice in the Department of Accounting at MSU. An outstanding teacher and administrator, Charlie is well respected by his colleagues and beloved by his students. He takes the responsibility of educating future accounting professionals very seriously, presenting rigorous and demanding coursework and setting very high standards. Charlie serves as honors advisor and faculty advisor to the accounting students association.

Thomas Hoatlin Award

Gregory Nowak

The first Thomas Hoatlin Award will go to Greg Nowak. Greg has been an invaluable resource to state government officials throughout the process of development and implementation of the Michigan Business Tax. This award is presented at the Association's Michigan Tax Conference.

Legislative Impact

Andy Coulouris

The MACPA honors State Representative Andy Coulouris, sponsor of the CPA license mobility legislation. He chairs the House Committee on Banking and Financial Services, where the legislation received its hearing. Andy was instrumental in seeing the legislation through the Senate as well.

Chair's Service

Members of the Legislative Advisory Group

In recognition of service to the MACPA above and beyond the traditional level of volunteerism, these members of the Legislative Advisory Group played an instrumental role in the successful passage of CPA license mobility legislation.

Stephen Epstein, Chair
Dennis Echelbarger
Peggy Haw Jury
Walter Koziol
Wayne Pahssen

Outstanding Task Force Award

Michigan Tax Conference Planning Committee

The Michigan Tax Conference Planning Committee is recognized for its exemplary efforts in planning and executing the remarkably successful Michigan Tax Conference. This first-time event was originally planned as a one-day state tax conference for an audience of 200; but evolved into two full days with nearly 30 general and breakout sessions. Featuring renowned speakers from around the country, the Michigan Tax Conference drew nearly 1,000 attendees, making it one of the biggest and most successful state tax conferences in the United States. Members of the committee include:

Judith Trepeck, Chair
James Beckman
Terry Conley
Mark Faulkner
Joanne Faycurry
Patricia Foster
Samuel Hodges
Edward Kisscorni
Cynthia Knoll
Michelle Lowrie
Paul McCord
James Miesowicz
John Neberle
Gregory Nowak
Douglas Relyea
Wayne Roberts
Curtis Ruppel
Robert Shannon
Terry Stanton
June Summers Haas
Joseph Tomczyk
David Turzewski
Jack Van Coevering
Patrick Van Tiflin
Robert Wagner

2008 Special Recognition**Outgoing MACPA Board Officers**

Peggy Haw Jury, served 1997 to 2008

Outgoing MACPA Board Members

Michael Metzger, served 2002 - 2008
Carla Sledge, served 2002 - 2008

Outgoing PAC Board Chair

John Pridnia, served 2005-2008

Outgoing Audit Committee Chair

Walter Koziol, served 2003-2008

Outgoing Michigan Accountancy Foundation Trustees

Allan Nietzke, served 1990-2008

Outgoing Task Force Chairs

Dennis Blough - Specialized Interest Track Leadership

Jeffrey Bushey – Agribusiness

Dana DePalma - New Professionals

Thomas Frazee - Automotive Dealers

Stephen Loree - Healthcare

John Mack - West Michigan Tax Symposium

Angelia McGarry – Information Technology

Patrick McKeever - Membership Advisory Leadership

Kevin McKerverey - International Practice

Keith Moreland - Educators

Douglas Relyea - State & Local Tax

Duane Reyhl - Accounting & Auditing Standards

Mark Rottermond - Communications

David Swistock - Management Information Shows

Hannah Thoms - Personal Financial Planning

Robert Walworth - Fraud

Peter White - Governmental Accounting and Auditing

Employer Appreciation

Oakland Community College

Family Appreciation

Michael Pitts

Top Stories

Navigator of the Profession – Wayne B. Titus, III, CPA



Wayne Titus, III, CPA

For over ten years, Wayne Titus has served the public as a Certified Public Accountant in various areas culminating with the establishment of his own practice, AMDG Services, in 2002. Over the years, Wayne realized his CPA designation not only provided tremendous professional opportunities, but it also allowed him to enhance the lives of others both near and far. Wayne has devoted an incredible amount of time and energy to enriching the lives of Salvadorans, serving on the board of the Plymouth-Canton Music Boosters, and working on behalf of many other worthy causes. But, most of all, he is devoted to his family and religious faith. Wayne is the recipient of the MACPA's 2008 Public Service Award.

What made you decide to go into the accounting profession?

The consultative nature of being a CPA appealed to me most. I came into accounting in a way probably different from most. I hated my introductory accounting courses in college and consequently didn't take any other accounting courses at the time, but graduated with a BA in Business Administration. During the late 1980s, I worked with my dad in the retail boat business in Florida. The recession then impacted my father's business and his accounting system left him "blind" in terms of financial reporting and management of the business. The person responsible for the system was the controller for my dad's business and a CPA. I learned how very important a good CPA is to most small business owners and it inspired me to become a CPA.

I was happily married at the time (and have been for 21 years), and Lisa was pregnant with our eldest son. Remembering my aversion to accounting classes in college, Lisa was surprised at my desire to go back to school and get my CPA license. Thankfully, things were different when I went back to school and focused on obtaining a BS in Accounting. I interviewed with Ernst and Young and started working with entrepreneurial businesses in October 1991. I focused on developing "computer audit" skills, utilizing ACL software and developing expertise in systems audit while obtaining my Certified Information Systems Auditor accreditation along the way. From that point forward, I developed expertise on business process and controls to achieve specific objectives, mainly financial objectives in support of financial audit, but also related to process improvement and other consultative issues.

I was able to utilize and leverage these skills working with a team in Europe in evaluating and redefining international audit approaches for PricewaterhouseCoopers with the financial audit teams to teach and implement this approach on quite a few of our Fortune 50 clients.

When I became a fee-only financial planner, I continued my interest in business processes and implementation of an ISO-like approach in my own business. The Centre for Fiduciary Excellence certified the process, and AMDG Financial became one of the first 10 firms in the

world to achieve this required annual certification.

What makes going to work every day fun and exciting for you?

Working with people who appreciate the services my business can provide for them. I see it as an opportunity for me to do what I like most: working directly with people, understanding problems, developing strategies and approaches to help solve them, and teaching and coaching my clients to adopt these processes based on their personal values.

Explain any obstacles you had to overcome to get to where you are today.

The biggest obstacle that I faced was both a financial and mental one.

During 2000 and 2001, I struggled with who I was serving and what impact I was making. In my mind, the accounting industry, and myself in particular, were not serving those who needed to be served – families and small businesses. At the time, accounting and financial scandals appeared in the press on a daily basis, with stories of people losing jobs and their life savings.

I didn't really know what else I could be doing, so I began two years of prayer and reflection. Finally, in late December 2001, I developed an idea of implementing a process to integrate tax, financial and investment strategies for families and small businesses. The solution was a singular wealth management service based strictly on fiduciary responsibility standards with a fee-only approach. The real issue was how to accomplish this and still support my family. I had become a slave to my income. Working for a Big Four accounting firm as a senior manager on the partner track, I was pretty comfortable with the income and lifestyle. The thought of leaving this "security" was challenging.

Lisa wanted to help and was willing to go back to teaching. After 11 years as a stay-home mom, the timing seemed right for her to rejoin the workforce. Lisa worked and we adjusted our lifestyle significantly. Lisa's income during the first few years of my practice paid our basic bills. When she was laid off in the fall of 2005, I needed help in the office and hired her as my office manager. We still work together every day, though I consider her a "free-agent." She has the option of renewing her contract, or not, on an annual basis!

Your involvement in the MACPA has been extensive. Can you explain how your participation in Association initiatives and programs have made a difference in your practice?

One of the other reasons I left my corporate position to start my own practice was to focus on better balancing my lifestyle. Spending time with my family and giving back to my community were areas that I always felt suffered. So getting involved more deeply in my profession was an immediate "must."

I began attending MACPA events, especially the Fall Advisory Forum, to stay connected. It's easy to bounce ideas off others when you're in a firm with multiple CPAs. However, a sole practitioner doesn't have the daily exposure, the challenges or the dialogues that are so important to build skills in our profession.

There was a posting by the MACPA a number of years ago seeking volunteers for a Hospice of

Michigan project. I joined the Financial Planning Task Force and we developed the resource guide, "Financial Affairs at the End of Life." Participating in this task force was great for me personally and professionally. I've stayed in touch with other task force members, giving me the opportunity not only to keep in touch with others of similar interest, but also to be a part of a great resource I think is so important to so many families. I'm honored to have participated.

Not many people can say they have changed the lives of an entire community, but you can. Please explain your work in El Salvador, including the initiatives you've spearheaded to improve the quality of life for its people.

In 2002, a friend asked me to consider joining a non-profit board serving poor and marginalized communities in El Salvador. I knew nothing about El Salvador or the communities this organization served. I read a small biography, *Oscar Romero: Memories in Mosaic* by Maria Lopez Vigil, which recounts many different people in his life and the role he played in the lives of Salvadorans. It was very inspirational and prompted me to read more about the history of the country, current issues of the people, their government, and especially about the Civil War that ended in 1992 with over 80,000 innocent men, women and children murdered or "disappeared." After learning this, how could I ignore my friend's request?

My involvement started out with attending an annual board meeting in El Salvador, but soon I realized that wasn't deep enough for me. I wanted to really get to know the people, relate the efforts with the results. Since 2003, I've engaged my church in supporting a medical clinic there, and I'm currently developing an endowment and expanding services at the clinic. I have been working towards leveraging my involvement in Rotary District 6400 to develop a cohesive group of Rotary clubs that are located in Michigan, Ontario, Ohio and Indiana in support of what I call TAP (**T**he **A**gua **P**roject ~ Clean Water for Central America). I just led a weeklong trip of 11 delegates, including my 17-year-old son, to launch a well water project we started over a year ago. We also visited the site of our next project, a \$58,000 solar powered water project. We identified two additional sites, which we are studying for feasibility and sustainability. One of these projects will serve a large rural area and costs may exceed \$200,000.

When people ask about these projects, they often wonder about corruption. Since being involved in this region of El Salvador, I've met and have become close friends with many local Salvadorans and with a few U.S. nationals who have lived in El Salvador for over 20 years. They know firsthand which people and organizations are trustworthy. Additionally, when Rotary is involved, we work with a "host" club. I've worked on several local humanitarian projects initiated by the club in El Salvador. Working through Rotary requires checks and balances – knowing people on the ground and committing to walking in solidarity with those folks helps ensure that we deliver our projects to the people who need it most.

I see my role as helping people change their own lives, not me changing their lives. When your friends need help, you are there for them, right? This is what we are all called to do — to be a friend, whether in our own neighborhoods, country or in developing nations. If we're open to learning about the issues people face and developing relationships, the other "stuff" seems to magically happen along the way.

You're quite involved with the Plymouth-Canton Music Boosters. What is the significance of music in your life?

I never was a good musician and gave up trying in the 5th grade. However, I did sing in my school chorus and I continue to enjoy singing. Lisa has the musical talent. I'm sure she passed it to our sons, Wayne and David, who are both percussionists in the Plymouth-Canton Marching Band and Winter Drum Line programs supported by the Boosters. My sons are really the reason that I got involved. The Marching Band, Winter Drum Line and the Winter Guard are consistently among the best in the country. It takes a significant level of organization and funding (program costs approach \$350,000 to \$450,000 annually) to run these programs successfully year after year. The local school district cannot provide the level of funding needed to support these highly competitive programs, and the gross income required to generate these funds normally exceeds \$1,000,000! That's a lot of financial transactions!

When I got involved in 2004, PCMB didn't have an accounting system, but used a pretty sophisticated group of spreadsheets to track member accounts and kept an expense register in a checkbook. My special interest in business processes, process controls and consulting kicked in. Developed with the assistance of quite a few dedicated individuals, PCMB now has a robust, online accounting system, which allows volunteers to access and enter transactions remotely. I wanted to help move this organization into the future because the programs are so important and they positively impact my children and others.

What does winning MACPA's Public Service Award mean to you?

It's very nice. Peer recognition for using my time and abilities to serve others is an honor, and many other CPAs out there should also be recognized. None of us do it for the acknowledgment, and while it makes me a bit uncomfortable, I definitely feel a boost too! I try to live my life in a way that is humble, and at the same time, I am enthused and invigorated helping to make a difference. By extending myself, focusing on doing the right things for the right reasons, I believe the outcomes provide real benefits. My hope is that through this annual award, others are inspired to do what they believe they've been called to do and enthusiastically go for it!

How do you balance your personal and professional life?

This has been a constant struggle for me throughout my career. Staying balanced requires constant adjustments. I believe that living a good life involves giving the first fruits of our labor, sharing our gifts with our community (locally and internationally), nurturing our families and praying with a grateful heart. The trick is to be able to recognize when the balance has shifted and to take action to "re-balance." For me, there is never one static point where all of my professional and personal obligations have an "equal" share of my time. Frankly, before starting my practice, it seemed that sharing and nurturing "slices of the pie" were always the smallest portion. Now, as my own boss, I'm able to allow for larger portions of these slices in my personal life, providing better balance between my professional and personal commitments. I still have to work at this daily, but I try to remain aware of the shifts and Lisa checks me by scheduling – and balancing – my calendar!

What advice would you have for those considering entering the CPA profession?

A CPA can assist the world in invaluable ways because our training involves so many aspects of problem solving. As a new CPA, I thought I had achieved something really great, but now I

know that passing the CPA exam is really just the beginning! You can use and expand your skills in ways that benefit the profession and your community. I encourage anyone considering a career as a CPA not to simply focus on a job like taxes or auditing, but to explore opportunities, gather many experiences, assimilate the knowledge gained from them and apply it in various problem-solving situations. The more diverse your experiences as you get started, the better equipped you will be to serve others down the road.

What do CPAs need now to be successful in the future?

We are a profession founded on protecting the public interest. I believe we need to continue focusing on that objective to remain successful in the future. There are so many conflicting interests in this global economy. Who stands for the public interests? We have a fiduciary responsibility to the public we serve. We need to keep focusing on developing leadership skills and to be the voice of reason in situations calling for strong advocacy and independence in the face of adversity, especially where the public interest is threatened. If CPAs continue to do the right thing, the right things will happen.

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Message from the Chair of the Board

Thomas H. Beard - Looking Forward

"The best way to predict the future is to invent it."

- Alan Kay



*Thomas H. Beard
2008-2009 MACPA
Chair of the Board*

I am honored to serve as your chair of the board for this coming year. We are fortunate to have an outstanding board of directors, exceptional volunteers on our task forces, and a top-notch staff to help us navigate the future. The MACPA Strategic Plan provides the roadmap to help us succeed on our journey. Our leadership team is once again rolling up their sleeves to update the Strategic Plan – as it is a living and breathing document, one that provides continuity and direction year to year.

While we have achieved a major advocacy milestone this past year (the passage of CPA license mobility) and we've further strengthened our community outreach (with doing tax returns for the underprivileged, collecting books for school children, and the outstanding participation in Junior Achievement and the Race for the Cure), we will continue to create opportunities to strengthen our profession.

This past week at our Awards Dinner, we paid tribute to many individuals who have truly made a difference in their organizations, in our communities, in our profession, and most of all, in the MACPA. Take a moment to read about our award winners in this [article](#).

I think you'll be as impressed as I am, not only at the people who share their talents with us, but also at the amount of time and dedication so graciously given on our behalf. Thank you again, and congratulations, to all these award winners.

Looking ahead, I know our Association and our profession face many changes, not the least of which will be addressing the migration toward "global" accounting standards. The MACPA is committed to keeping our members informed and at the forefront of this critical issue. Our upcoming [Members Advisory Forum](#) offers an opportunity for all members to learn more. Plus, our leadership team will attend the October AICPA Council meeting to gain further insight and participate in dialogue with leaders of other state societies and the AICPA.

Another vital issue that we face in our profession is succession. Over the next several years, a large percentage of our profession will reach retirement age. We must work on preparing the next generation of leaders and MACPA is on the forefront of this great effort. Involvement by young people, and mentorship by those of us in leadership is a real priority for the future.

The MACPA is committed to two-way information channels. Your participation in the process

is vital as we strive together to meet the challenges of the future. Please feel free to contact me, other board members or our staff members if you have questions, comments or concerns. I appreciate your confidence in me, and I look forward to serving you during the coming year.

Thomas A. Beard

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Accounting & Auditing

FASB Slates Fair Value Webcast

The Financial Accounting Standards Board (FASB) will air a webcast on the application of statement 157, fair value measurements, on Monday, September 29, 2008 from 11 a.m. to noon. The live webcast is offered free of charge. Viewers will have the opportunity to email questions to panelists during the event.

The FASB will archive the live webcast on the FASB website for access by the public. To register for the live or archived webcast, click [here](#).

Panelists Leslie Seidman, a member of the FASB; Jim Kroeker, deputy chief accountant at the SEC; Don Charles, partner, Ernst & Young; and Tony Sondhi, president of A.C. Sondhi & Associates, LLC, will discuss current issues relating to fair value measurements. Moderated by FASB Technical Director Russ Golden, the panelists will discuss common application and implementation activities on measuring assets and liabilities under Statement 157.

Accounting & Auditing

DOL Issues Guidance on Schedule C Reporting for 2009 Form 5500

The U.S. Department of Labor's Employee Benefits Security Administration (EBSA) released guidance to help plan administrators and service providers comply with the new requirements for reporting service provider fee and compensation information applicable to Form 5500 Annual Returns/Reports filed for plan years beginning on or after January 1, 2009.

EBSA released 40 frequently asked questions (FAQs) developed in response to questions from the employee benefit community on the new Schedule C requirements. The FAQs cover such issues as the alternative reporting option for eligible indirect compensation, electronic disclosure of fee information by service providers, fee reporting for brokerage window options in participant directed plans, and reporting on gifts, entertainment and other non-monetary compensation.

The Department recognizes that it may be difficult for some service providers to make recordkeeping and information management system adjustments sufficiently in advance so that their systems will be fully operational when clients request data for their 2009 plan year Form 5500. Therefore, the department is not requiring plan administrators to report service providers on the Schedule C (for 2009) as failing to provide fee and compensation information under certain conditions. The service provider must furnish a statement that (i) the service provider made a good faith effort to make any necessary recordkeeping and information system changes in a timely fashion, and (ii) despite such efforts, the service provider was unable to complete the changes for the 2009 plan year.

The FAQs on Schedule C reporting can be found at www.dol.gov/ebsa/faqs/faq_scheduleC.html.

Ian Dingwall Is Back!

[Audit & Administration of Employee Benefit Plans ... Where Does it Start?](#)

September 24, 2008

Birmingham, Michigan

The Chief Accountant of the Employee Benefits Security Administration (EBSA) of the U.S. Department of Labor, Ian Dingwall, returns to Michigan to outline the responsibilities, risks and even penalties, for both auditors and plan administrators. Following his presentation hear from two auditors and two financial managers about their processes and preparation for a smooth audit and reporting cycle.

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Tax Tidbits

MBT Q&A Series: Small Business Alternate Tax Credit

Part three of *The Leaders' Edge* MBT Q&A series focuses on the new Small Business Alternate Tax Credit. The MACPA Business Tax Restructuring Task Force and Michigan Department of Treasury have both provided extensive guidance addressing how the Small Business Alternate Tax Credit is calculated, to whom it may apply and its similarity to the Small Business Credit provided for under the Single Business Tax (SBT).

The Small Business Alternate Tax Credit (section 417) under the Michigan Business Tax (MBT) is available to any taxpayer that meets the following three criteria:

1. Gross receipts do not exceed \$20 million (phase-out begins at \$19 million).
2. Adjusted business income minus the loss adjustment does not exceed \$1.3 million, as adjusted annually for inflation using the Detroit consumer price index.
3. The individual compensation or distributive income does not exceed \$180,000 (phase-out begins at \$160,000). MCL 208.1417(1).

If a taxpayer (including a unitary group) meets all three criteria, then the taxpayer's MBT will be 1.8% of federal taxable income with adjustments.

The following questions and responses address the different aspects of the Small Business Alternate Tax Credit:

MACPA Guidance

(Please note that the responses provided to MACPA member questions are not official. MACPA accepts no responsibility for out-dated or incorrect information. The responses below are simply interpretations of [Public Act 36 of 2007](#). MACPA members seeking official guidance should contact the Department of Treasury directly.)

Disqualifications – Schedule C Income (Sole-Proprietor)

<http://www.michcpa.org/Content/18435.aspx>

Calculation of Credit – Order Taken

<http://www.michcpa.org/Content/18115.aspx>

Application of Credit – Interpretation of MBT Act Language

<http://www.michcpa.org/Content/18093.aspx>

(Please visit the MACPA's [MBT Resources Page](#) for additional information on the Michigan Business Tax.)

Treasury Guidance

Disqualifications – Schedule C Income (Sole-Proprietor)

<http://www.michigan.gov/taxes/0,1607,7-238-47449-183317--F,00.html>

Similarity to Single Business Tax (SBT) – Stock Ownership

<http://www.michigan.gov/taxes/0,1607,7-238-47449-183319--F,00.html>

Credit Eligibility – Using Data from SBT Tax Periods

<http://www.michigan.gov/taxes/0,1607,7-238-47449-194356--F,00.html>

(Additional information provided by Treasury regarding the Act is available [here](#).)

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Of Interest

The Skill Accountants Need Most

By John L. Daly, Executive Education, Inc.

Almost 20 years ago, the "Big Eight" accounting firms published their famous "white paper" on accounting education. In it, the first deficiency mentioned was communications skills. More recent studies also draw the conclusion that accountants need to improve their writing skills. A study by Albrecht and Sack ranked written communications effectiveness as the most important of 22 skills accountants need.

Despite these conclusions, most of us have not taken a business-writing seminar in years. Most of us probably do not think we need to take a writing class. The results of a Cornell University study might explain why. The study found that people who have a very low level of skill at something are often not aware of their shortcoming.

How good are your writing skills? One way to assess them is to go to the options menu of MS Word. Turn on all of the grammar and style checking choices. Then use Word to evaluate something you wrote.

A fellow accountant confided in me recently:

"I don't like to use the Word style checker. It leaves green squiggly lines under my sentences."

As the author of a business book published by Wiley & Sons, I always thought that my own writing skills were well above those of the average accountant. However, turning on the grammar and style checking features of Word showed me how much my writing skills needed work. Before I began trying to improve my writing, my documents typically had 30 percent passive sentences and a readability index of about 35 – 60 to 70 is a good target for most documents.

One important way we can all improve our writing is to eliminate most passive sentences. A passive sentence combines various forms of the verb "to be" (is, are....) with another verb used in the past tense. Passive sentences cause the reader to "tune out" your message because they:

- Contain extra words that waste time.
- Make it more difficult for the reader to find out what the sentence is saying.
- Produce a sentence that is not "lively."

MACPA's upcoming CPE schedule features numerous programs with John Daly and other experts from Executive Education, Inc. CPAs in business and industry will be interested in sessions on quick close, corporate ethics, IFRS, negotiating with your banker and more. For more information visit the [MACPA CPE Course Catalog](#), click on advanced search and select the vendor type, Executive Education, Inc.

Word will automatically identify passive sentences in our writing if we turn the grammar and style checker option "ON." Unfortunately, Word will usually not fix the problems that it identifies. You can fix a passive sentence by moving the subject to the beginning of the sentence and changing the verb form.

It took me almost two months of using the grammar and style checker to feel skilled at eliminating passive sentences. Now I write consistently without them and feel confident editing other people's work.

Did the effort really produce results for me? The proof came when I reedited a colleague's 80-page finance seminar. Once, I had considered the material very "dry." After making all his passive sentences active, I viewed the material differently. I thought "he really has a way with words," and "this is really good stuff!" With a little work, you too can take your writing to another level. It will be worth the effort!

About the Author

John L. Daly MBA, CPA, CMA, CPIM is president of Executive Education, Inc. in Chelsea, Michigan. He is a frequent speaker on accounting topics. He credits attending Jeannie Ballew's Effective Business Writing seminar for his increased appreciation of writing skills. You may contact him at daly@executiveeducationinc.com.

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Legislative & Regulatory

Perspective on Ethics Issues: A Reflection on the Past Year

By Michael E. Slomski, CPA MSF, chair of the MACPA Professional Ethics Task Force

The Professional Ethics Task Force is looking for educational topics that will need to be addressed for the coming CPE year. If there is a particular subject area where you believe additional guidance would be beneficial to the membership, or wish to inquire further regarding a Professional Ethics issue, please contact the MACPA Regulatory Affairs Department at ethics@michcpa.org.

Before we look ahead, I would like to briefly revisit just a few topics that were more frequently brought to the attention of the Ethics Task Force in the past 12 months.

Independence issues were an important concern during the 2007-2008 CPE year. With the recent changes implemented by the AICPA in regard to gifts and entertainment, relating to [ET Section 101](#) and [ET Section 102](#), members have become increasingly more analytical as to the impact that social interaction with clients, vendors and employers will have on attest engagements. The AICPA issued a [Frequently Asked Questions summary on ET Section 101-3](#) about a year ago that has proven to be a tremendous "self-help" tool for members questioning independence, integrity and objectivity situations.

Looking closer at the topic of independence, the AICPA has been debating the issue of **client indemnification of CPA firms** for damages incurred through the failure of an attest engagement. Currently, the inclusion of a statement in an attest engagement letter limiting a CPA firm's liability has been challenged as a threat to independence; however, it has yet to be resolved by the AICPA that independence is threatened by such an inclusion in the engagement letter.

What is the impact to the CPA firm if the attest client requires, as a condition of the engagement, that the CPA firm indemnify the client for damages, losses and costs arising directly or indirectly to actions of the client? Would independence be impaired in such a situation? The answer...Yes! (ET Section 101.1A, ET Section 101.02 and interpretation 101-C of ET Section 101.02) Closer scrutiny may lead a member to reconsider undertaking the engagement. As the indemnification clause limiting CPA firm damages is resolved by the AICPA, this "reversal of fortune" limiting client liability will also be revisited.

Another issue that merits mention is that of completing **tax returns for clients involved in divorce proceedings**. This situation is common to all practitioners no matter what the firm size. When clients are getting divorced, long-term relationships and friendships are no excuse for complacency in providing professional advice to both parties. The optimum situation would be to disengage from both parties to avoid a conflict of interest, etc. Yet, this is not always possible. Individuals that are a party to a divorce proceeding will often request that the CPA complete their final joint tax return. If this should occur, the CPA needs to be exact and

precise in preparing his or her engagement letter so that both parties understand the intent of the service to be rendered. Lack of proper documentation can lead to a multitude of potential ethics violations by a dissatisfied, former spouse including [ET Section 301](#), *Confidential Client Information* and ET Section 102, *Integrity and Objectivity*. The involvement of the CPA must be unequivocally fair and independent of each party's particular interests. (A sample engagement letter for such a relationship is available [here](#).)

Implicit understandings of the CPA with the parties concerned can ultimately lead to ethics disaster.

Last but not least, the Professional Ethics Task Force does not become involved with **outstanding fee issues**. Payment for services rendered is an issue between the CPA firm and the client or former-client. The only situation that may precipitate the involvement of the Task Force is one concerning record retention and outstanding fees; however, each case would have to be reviewed on its own merit.

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Legislative & Regulatory

Legislative Update

Congratulations to MACPA members Mary Treder-Lang, CPA (Grosse Pointe) and Tom McMillin, CPA (Rochester Hills) on their successful primary campaigns for the Michigan House of Representatives. Mary and Tom will be on the **November ballot** in House Districts 1 and 45, respectively. It has been several years since the MACPA has had one of their own in the Michigan Legislature. Members who would like to support either candidate should contact the Association's Government Relations Department to learn more.

On the national **CPA license mobility** front, state societies and boards of accountancy continue to make significant headway in pursuing changes to licensing regulations across the country. To date, 27 states, including Michigan, have been successful in enacting mobility legislation bringing the national total to 28. Five additional states are pursuing passage of legislation this year.

The Michigan Legislature resumed full session and committee work this week. The MACPA continues to provide feedback both to members of the legislature, as well as the Department of Treasury as they implement the new **Michigan Business Tax (MBT)**. While additional *major* changes to the structure of the tax aren't expected before the first year is complete, more than 100 individual pieces of legislation are currently in place seeking to amend the Act in one way or another.

Public release of MBT forms and instructions is anticipated in early-November 2008.

Finally, as the International Accounting Standards Committee (IASC) works toward convergence of current U.S. accounting and auditing standards and the implementation of the anticipated **International Financial Reporting Standards (IFRS)**, MACPA has taken some of the initial steps necessary to determine how the Administrative Rules for the accounting profession here in Michigan will need to be amended to comply with new reporting standards. The members of the MACPA Legislative Advisory Group, Accounting and Auditing Standards Task Force and Government Relations staff will be integral in working with office-holders and members of the State Board of Accountancy, ensuring a smooth transition over the next few years.

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Continuing Education

Exceptional Tax Insights Await You at the Michigan Tax Conference

How has the Michigan Business Tax (MBT) impacted Michigan business and the overall economy? What is being done to attract business to the state? What is the latest guidance available on the MBT?

Our experts are here to answer your questions and provide insight at the [2008 Michigan Tax Conference](#) coming up in November in Novi. The MACPA, the State Bar of Michigan's Taxation Section and the State of Michigan Department of Treasury present this year's conference.

Back by popular demand, Richard Pomp and Paul Frankel will enlighten you on significant developments in state taxation, as well as review case law issues. Harley Duncan and Doug Lindholm make their second appearance to offer an engaging national perspective of multi-state tax issues.

In-depth coverage of the Michigan Business Tax will range from administration and tax forms to questions about modified gross receipts, unitary, apportionment and credits. But this conference is more than just an update on tax issues. CPAs, CFOs, attorneys, financial managers and tax professionals from any company can network and learn from each other.

Other sessions include updates from the Michigan Unemployment Insurance Agency and the Michigan Economic Development Corporation, as well as an ethical discussion of challenges facing tax professionals.

The Michigan Tax Conference will be held on November 5-6 at the Rock Financial Showplace in Novi. Register for one or both days of the conference, just don't miss it. The MACPA's Michigan Tax Conference Task Force took special care in creating this conference to offer excellent guidance and networking to ensure this filing season runs smoothly for you and your company.

Register [online](#) or by contacting the MACPA's CPE Department at 248.267.3700.

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Association Briefs

In Memoriam

Steven D. Clark
August 14, 2008
Lake Ann, MI
Joined MACPA: October 31, 1987
Certified: April 29, 1987

Salvatore DeGregoria
June 17, 2008
Clinton, NY
Joined MACPA: October 31, 1970
Certified: July 29, 1970

Woodroe Eber
June 30, 2008
Mount Pleasant, MI
Joined MACPA: April 30, 1955
Certified: January 27, 1955

John T. Gillespie
Kalamazoo, MI
Joined MACPA: September 30, 1962
Certified: July 31, 1962

Richard E. Hamilton
January 28, 2008
Grand Rapids, MI
Joined MACPA: June 30, 1960
Certified: February 2, 1960

Shahid Hassan
May 15, 2008
Rochester Hills, MI
Joined MACPA: September 30, 1981
Certified: January 22, 1981

Michael Hynes
July 15, 2008
Troy, MI

Joined MACPA: March 27, 1980

Certified: March 27, 1980

Charled Ikle

February 12, 2008

Adrian, MI

Joined MACPA: October 19, 1951

Certified: July 25, 1951

Alton Kotowski

July 1, 2008

Sterling Heights, MI

Joined MACPA: November 30, 1981

Certified: September 24, 1981

Walter Naftaly

Oak Park, MI

Joined MACPA: November 27, 1952

Certified: July 31, 1952

Robert O'Brein

January 17, 2008

Rochester Hills, MI

Joined MACPA: November 30, 1976

Certified: September 23, 1976

Raj Palakkaj

May 29, 2008

Farmington Hills, MI

Joined MACPA: August 15, 2007

Willie Reese

March, 2008

Centerville, OH

Joined MACPA: November 28, 1978

Certified: November 28, 1978

Karl W. Schettenhelm Sr.

January 1, 2008

Rochester, MI

Joined MACPA: May 20, 1949

Certified: February 9, 1949

Joseph Skoll

September 5, 2007

Bloomfield Hills, MI

Joined MACPA: March 31, 1959

Certified: July 25, 1951

Arthur T. White

August 22, 2008

Battle Creek, MI

Joined MACPA: December 31, 1988

Certified: March 1, 1988

Lloyd Yeo

May 25, 2008

Saginaw, MI

Joined MACPA: October 31, 1958

Certified: August 1, 1958

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Association Briefs

Students Learn Why “Accounting Rocks” at MACPA’s High School Leaders Conferences

High school is an important time in a student’s life because it is usually when career decisions are made. To promote and inspire students to choose the accounting profession, the MACPA hosts **High School Leaders Conferences** every year at various colleges and universities throughout Michigan.

The conferences are daylong events packed with exciting and upbeat presentations by experienced CPAs about how a future in accounting impacts their lives. Students, teachers, principals and counselors enjoy a day of fun and learning with plenty of time for questions about the profession. In addition, high school students are able to network with college students to get a feel for what’s ahead.

This year’s series of conferences promises to include even more excitement and fun with the theme “Accounting Rocks.” In addition, the Conferences will be held in the fall and spring. The dates and locations currently confirmed include the following:

- Friday, October 17, 2008 – Oakland University, Rochester
- Tuesday, November 18, 2008 – Michigan State University, East Lansing
- Wednesday, December 10, 2008 – Wayne State University, Detroit
- Friday, February 6, 2008 – Aquinas College, Grand Rapids
- Wednesday, April 22, 2009 – University of Michigan-Flint, Flint (NEW LOCATION)

If you are interested in participating in the High School Leaders Conferences, or for more information, please contact David Johnson at djohnson@michcpa.org or call 248.267.3700.

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Association Briefs

Association Financial Statements Accessible Via the Web

Article IV, Section 3, of the Association's [bylaws](#) require that the MACPA audit report shall be distributed by mail communication or by publication in an official publication of the Association. The [MACPA Financial Statements](#), audited by MRPR Group CPAs & Advisors, for years ended March 31, 2008 and March 31, 2007, are available on the member website or they may also be reviewed at the [MACPA office](#) in Troy.

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Association Briefs

A Changing Profession

Big Picture, Critical Details: Get Both at Upcoming Members Advisory Forum

The ability to practice from state to state, the disappearance of accounting standards as we know them and Department of Labor scrutiny of employee benefit plans – these are just three of the important issues being discussed at the upcoming [MACPA Fall Members Advisory Forum](#). All members are invited to attend the Forum, which will take place on September 23, 2008 at the Rock Financial Showplace in Novi.

After many months of hard work by MACPA members and the Michigan legislature, CPA license mobility legislation was signed into law. Michigan was the 24th of 31 states to enact mobility legislation, which makes it easier for CPAs to practice across state lines. Peggy Dzierzawski, president and CEO of the MACPA, will explain why mobility is critically important to the future of the profession. She'll also highlight other Association's initiatives, which are having a major impact on the profession and our communities.

Adding to the changing landscape is the conversion of U.S. GAAP to International Financial Reporting Standards (IFRS) – moving from a rules-based approach to a principles-based approach – for accounting procedures and financial reporting. What does this mean for you? Ernest Almonte, incoming chair of the AICPA, will help us understand how the conversion of U.S. GAAP to IFRS will take place and why you should start preparing now. He'll also talk about the challenges we face in attracting and educating young people into the profession.

Plus, since audits of employee benefit plans have come under harsh scrutiny in the state of Michigan, we've brought in THE expert. Ian Dingwall, chief accountant of the Employee Benefits Security Administration, U.S. Department of Labor, will talk about why plan administrators and auditors need to step up efforts to meet new regulations. He'll discuss how to conduct more effective audits, as well as share insights on new developments from the DOL.

The line-up of speakers also will include Beth Bialy, chair of the Michigan State Board of Accountancy, Mark Koziel, senior technical manger of the AICPA Private Company Practice Section, and Tom Hoisington, president of Public Affairs Associates, Inc.

To help you navigate the changing landscape of the profession, attend the MACPA's Fall Members Advisory Forum. You can register [online](#) or by calling the MACPA's CPE Department at 248.267.3700. Register today.