



INAFP

Inland Northwest Association for Financial Professionals

INAFP NEWS

February 2010

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January Meeting Recap

Ron Vodicka of U.S. Bank presented at the January INAFP meeting. Foreign Exchange Hedging was the topic of discussion.

The purpose of currency hedging is to reduce and manage foreign currency exchange risk.

Some companies contact with a consultant to assist in establishing and monitoring foreign exchange risk.

Establishing a risk management process should include:

- Define FX philosophy and objections
 - Risk tolerance
 - Expertise of personnel
 - How much time to devote to FX management
- Identify and quantify FX exposure
 - Translational risk
 - Economic risk
 - Transactional risk
- Develop risk management policy and strategy
 - Transaction exposure
 - Cash flow
 - Imports and exports
 - Royalties or dividends
 - Merger/acquisitions/divestitures
 - Loan repayment
 - Translation exposure
 - Accounting risk
 - Non-cash gains or losses
 - Revaluation of profit and loss statement
 - Economic risk

- Business risk from changes in FX rates
- Import competitors
- Limitations
- Objectives
 - Identify risk/rewards
 - Quantify risk tolerance
 - Cost
- Execute the strategy
- Monitor and measure strategy performance
 - Re-evaluate processes
 - Stay abreast of developments
 - Review FX policy
 - Consider outside consultant

Back to the Future: U.S. Continues to Grapple with IFRS

Both Generally Accepted Account Principles (GAAP) and International Financial Reporting Standards (IFRS) share transparency and comparability as core objectives, and rightfully so. The benefits of global transparency and comparability offered by a single set of standards are difficult to dispute. The benefits accrue both to investors and issuers. Investors in the capital markets need actionable information to make decisions. Transparency into financial results and the ability to measure peer to peer are critical. Benefits for issuers include more efficient capital markets with greater access to capital and facilitation of cross-border acquisitions, divestitures and joint ventures.

Much of the heated debate around convergence focuses on whether a rules-based system like GAAP or a principles-based system like IFRS is best suited to meet the objectives of comparability and transparency.

Weighing in at over 10,000 pages, GAAP prescribes rules in order to reduce the role of an individual's judgment. Tipping the scales at a lithe 2,700 pages, IFRS promotes the use of judgment in determining relevant principles and their application in given situations and requires that the judgment used is explained in the financial statements.

Fans of GAAP are quick to remind us that the "P" in GAAP stands for "Principles" and that

GAAP migrated from a principles-based system to a rules-based system out of necessity over the course of decades. They believe that rules are required in large and complex economies; that principles allow too much room for discretion; that applying professional judgment will impair transparency and comparability by permitting deviation from established standards; and that returning to a more principles based system is a step backward.

To this group, common sense suggests that two companies operating in the same industry and following the same reporting rules will certainly create more comparable financials than the same two companies relying on professional judgment as the standard. For this reason, GAAP may well have the edge on IFRS with regard to objective comparability. Should IFRS be adopted, common sense further suggests that over a relatively short period of time the capital markets and global accounting firms will drive improvement in comparability as best practices emerge and are implemented.

IFRS proponents believe that more extensive footnote disclosure represents a step forward in terms of transparency. Joyce Joseph-Bell, senior director of Standard & Poor's Credit Market Services, referring to Europe's conversion to IFRS, noted that S&P saw improvement in the quality of information provided under IFRS. "There were greater opportunities to understand companies better because there was more transparency."

It started to bring more information that we were able to incorporate into our rating analyses," she said. Based on a recent study by Accenture, CFOs and other executives of U.S.-listed companies believe IFRS adoption will present an opportunity to transform their business and finance functions and create more value for their companies by mitigating financial reporting risk and increasing financial transparency.

Under IFRS, those charged with preparing financial statements will need detailed explanations in the footnotes to support the principles they apply. This approach to reporting -- examining data, interpreting and applying the appropriate principle, and then explaining these decisions -- requires a level of disclosure many say is not present in GAAP reporting. There is no question that the extensive footnotes in the financials prepared under IFRS are required reading and that analyzing those financials may be both more time-consuming and more enlightening.

SEC Chairwoman Mary Schapiro has indicated strong support for "a single set of high-quality accounting standards that work globally," and a recent Deloitte study indicated 70 percent of CFOs and other finance executives supported the SEC IFRS roadmap. For now, the issue of whether moving from GAAP rules to IFRS principles will clarify or confuse financial reporting is undecided. Strong opinions about the strengths and weaknesses of each exist on either side of the divide. In the end, taking a step backwards in terms of comparability over the near term in order to move forward over the long term may prove necessary in order to create a global standard.

February's Meeting Topic

Please join us and Bill Bley from the Northwest Clearing House Association (NWCHA) for a review of what happened in the ACH Network during 2009 and what is planned by the National Automated Clearing House Association (NACHA) in 2010.

Bill is the President and CEO of the NWCHA, a non-profit trade association assisting financial institutions and corporations with ACH check and other payment system education, risk prevention and promotion.

He has worked in the financial industry for 28 years, primarily as the manager of operating departments supporting retail and commercial cash management products. Bill is a member of the NACHA Rules and Operations Committee, the Arbitration Board and The Payments Institute faculty.

Bill graduated from Northern Illinois University with a BA in Sociology and Secondary Educations. He attended the Northwestern University Kellogg Graduate School of Management, the Pacific Coast Banking School and is an Accredited ACH Professional.

SAVE THE DATE

Northwest Association for Financial Professionals

The Annual Northwest Summit Conference will be held on **May 19 - 21, 2010** at The Governor Hotel in Portland, OR. More details to follow.

Are Your New Year's Resolutions Nothing More Than Pie Crust Promises?

Most of you have seen the movie Mary Poppins, either in your own childhood or with your children - and you probably remember the scene where the children implore Mary Poppins to promise them that she will never leave. Her answer is quick and simple - "That's a pie crust promise," she says, "easily made, easily broken." Far too often we make pie crust promises to ourselves and our firms.

How often it happens that we return from a strategic planning meeting or a conference all ready to implement some great new idea, only to get bogged down in client needs, staff issues, and various "fires" that need our immediate attention. New year's resolution typically suffer the same fate. We have great intentions, but little time for execution.

This year, why not set expectations that you really want to achieve and make time on your calendar to do so. Start your year off by resolving to take your firm to the next level. Schedule time for marketing meetings just as seriously as you would for a client.. Here are some ideas that you can work on as a partner group, or assign to a marketing committee if you do not have a professional marketer on staff. Invest some time in accomplishing these resolutions, and reap the benefits!

1. Define your growth goals
2. Establish a strategic plan to help your firm reach its potential
3. Have a process for driving a consistent marketing approach
4. Integrate marketing initiatives across all disciplines of the firm by focusing on strengthening the firm's over all culture and client service philosophy
5. Hold everyone accountable for implementing marketing activities
6. Track success (and failure!) and find ways to reward those who are doing their best

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President's Message

Greetings INAFP Members!!!

As the calendar year gets started, we are midway through our program year. I hope the topics that we have addressed so far have been insightful and thought provoking for those who have been able to attend our lunch meetings. We have more great topics lined up for the remainder of the year, many of which were requested through our annual survey. If you have topic ideas or speaker requests please be sure to contact Denise Burns (Denise.Burns@avistacorp.com) and we'll do our best to include it in our line-up for next year.

Bill Bley from the *Northwest Clearing House Association* will be our featured speaker in February. There has been a lot of activity in the electronics payment arena over the last year so this should prove to be an informative update. In March, Debbie Smart from *ACI Worldwide* will give a presentation on **Fraud and Security: The Next Generation – learn about the latest end-to-end fraud management solutions**. Stephen Prince from *Merchante-Solutions* is our speaker for April. He'll deliver a presentation on compliance issues affecting credit card transactions and consumer protection.

Are you looking for an opportunity to get involved? We will have openings coming up on the board starting in August. Serving on the INAFP board has been a great experience to get to know some new people and to influence some of the topics that have been presented at the meetings. If you are interested in a board position with a minimal time commitment, this could be the opportunity you've been looking for. Please contact me to express your interest in serving (beldred@urmstores.com).

May will be here before we know it, and so too will the regional conference. This year the conference is May 19-21 in Portland. As always, there are many fun activities planned. There are also many opportunities for continuing professional education for a good value. It should be another great event.

Hope to see you at the meetings this month.

Best Regards,

Brian Eldred

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