Introduction to Accounting and Financial Research: Definitions, Research Strategies, and Key Source Descriptions

The corporate researcher is often asked to perform accounting and financial research. This may involve researching specific financial disclosures or identifying business ratios for a company and its peers. It may require one to find an SOP (Statements of Position), SFAS (Statement of Financial Accounting Standards), APB (Accounting Principles Board Opinions), or an EITF (Emerging Issues Task Force). The world of accounting and financial research is defined by acronyms, industry jargon, and a set of knowledge which has specific meaning and application for the accounting and financial professional. To successfully conduct accounting and financial research, you will need to put the request into context, understand the best choice of resources, and devise an effective search strategy.

This chapter describes the process by which technical accounting standards are created and examines the tools and techniques that support accounting and financial research. The chapter begins with an explanation of the purpose and applications for accounting standards: Where do you locate them and how are you assured that you have the most current versions? What are the connections between more broad-based financial and business information and these accounting standards?

We then turn to a discussion of the specific types of research questions that accountants and those requiring financial information typically ask: What client-specific accounting and financial-
related issues do accountants normally address? What are the best research tools and strategies to use in order to address these information needs? And finally, what impact will the current focus on change within the accounting industry have on the standards-setting process, the roles and accountability of the CPA, and the information-gathering part of the equation?

Let’s begin by defining who accountants are and what they do. Accountants record and report financial transactions. Businesses must keep track of all such transactions in order to demonstrate financial integrity and as a measurement of their success. This financial assessment is a critical basis on which concerned parties, such as investors, creditors, and the public at large, make important business decisions.

There are several main branches or divisions of accounting:

- **Financial Accounting.** Reports financial information to persons outside the business enterprise. The financial accounting methodology is determined by a set of rules, known as Generally Accepted Accounting Principles or GAAP, which consist of standards, interpretations of rules, and recommended practice set by authorized entities. GAAP will be discussed in greater detail.

- **Auditing.** Tests reliability of a company’s financial information. An auditor examines a company’s financial statements and reporting structure and attests to its accuracy, completeness of disclosure, appropriateness of methods, and general conformity to GAAP. A formal set of auditing standards, known as Generally Accepted Auditing Standards or GAAS, are promulgated by the American Institute of Certified Public Accountants (AICPA). GAAS will be discussed in greater detail.

- **Managerial Accounting.** Reports internal information to corporate managers. A management accountant maintains records, plans budgets, and advises top management. There are specializations within this field, such as cost accounting, which studies the costs and makes recommendations for cost-control measures. Managerial accounting will not be a focus of this volume.
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- **Tax Accounting.** Focuses on developing business strategies based on tax consequences and compliance with the tax code and Internal Revenue Service (IRS) rules and regulations. Tax accounting and related research and resources will not be covered in this volume.¹

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Now let’s take a minute to introduce your clients, the individuals or departments for whom you might be asked to conduct accounting or related financial research within a corporate setting. In most cases, your clients will be accountants or financial advisors who need technical accounting or financial information for their own organization’s internal accounting department, Comptroller, CFO, or CEO. If your organization is in the business of providing accounting or financial services to other companies, you will likely be responding to requests for information that the accountants working at the client site need in order to audit their clients’ books, or to function in a financial advisory capacity to upper management, the Board of directors, or audit committee.

If your organization sells accounting and related services, you might receive requests for information from other internal departments, such as Marketing or Public Relations, which are focused on sustaining and growing the firm’s competitive position in the marketplace. They might come to you seeking information about the market share of key competitors to target new client initiatives, or for background profiles on prospective clients used by partners in preparation for client presentations.

In the course of conducting research and gathering information for your clients, you will be called on to tap into both primary and secondary sources. Although the distinction may never formally be made by your client, it is implied and therefore important for you to understand. Primary information is the original source of that information without any additional interpretation or analysis. In the context of this volume, examples of primary sources would be Securities and Exchange Commission (SEC) filings, a company’s annual report, technical accounting standards, or a company’s press release. Secondary sources typically draw on primary information but present a layer of analysis, evaluation, or interpretation. Examples are articles that discuss the application of an accounting standard, aggregated financial data such as industry

ratios, and company and industry analysis such as investment analyst reports. Understanding the difference between primary and secondary sources will help you to provide your client with the appropriate balance of “raw” information and secondary discussions which help to place it in context.

You will learn more about your clients and why they request certain information in the sections that follow. Let’s begin by introducing you to the world of technical accounting standards and related financial information.

**UNDERSTANDING ACCOUNTING STANDARDS: THE BASICS**

There exists a series of technical standards and a number of policy-setting bodies responsible for issuing these standards, responding to corporate financial reporting challenges, and in the case of the SEC, regulating and monitoring their applications in the business environment. You cannot effectively conduct accounting research without a good understanding of these basics. Let’s take a look at this framework.

**Accounting Standards: Why Have Them?**

An established and accepted set of accounting standards exist in order to minimize bias, misinterpretation, inexactness, and ambiguity in financial statements, and to make financial reporting easily comparable between enterprises. Simply put, these standards govern the preparation of financial reports. The recognized need for such standards led to the creation of a common set of accounting practices that are “generally accepted” and universally used.

Generally Accepted Accounting Principles (GAAP) are binding rules, enforced by conformity to Rule 203 of the AICPA Code of Professional Ethics. Rule 203 requires that independent accountants determine whether a company’s financial statements and disclosures are presented in accordance with promulgated GAAP before they can express an unqualified audit opinion on the financial statements. In other words, adherence to officially established accounting principles, to GAAP, results in financial statements that are not misleading.

These standards govern the preparation of financial reports and they define the financial accounting and reporting process that produces financial information critical to investment, investment, investment.
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credit, regulatory, and legislative decisions. Adherence to and belief in these standards are tied to business, consumer, and broader economic confidence and stability, as evidenced by the recent accounting scandals and resultant questions raised about accountant independence and corporate financial and managerial integrity.

Understanding Generally Accepted Accounting Principles: The House of GAAP

The role that accounting standards play in establishing the rules for disclosing both public and private financial reporting is defined by a hierarchy of authority that guides reliance on and weights the importance of the standards. Understanding this hierarchy is paramount to comprehending the meaning of GAAP. Understand it and the many mysteries of conducting accounting research become suddenly clear and logical.

One of the best explanations of the GAAP hierarchy appears in a 1984 article, “The House of GAAP.” In this article, Steven Rubin describes and defines the vast universe of accounting standards as a hierarchy structured along the lines of the floor plan of a house. In 1991 the AICPA’s auditing standards board made significant revisions to this structure and remodeled the “house of GAAP” by changing some of the levels of authority of certain accounting pronouncements. Continuing on Rubin’s theme, in 1991 Douglas Sauter published “Remodeling the House of GAAP” to update the hierarchy to reflect these revisions. Using Rubin’s visual model of a house, following is a description of the floor plan adapted to the revised hierarchy:

First Floor. Constitutes the highest level of GAAP authority; officially established, authoritative accounting principles; also referred to as authoritative literature or pronouncements, including:

- FASB Statements of Financial Accounting Standards (SFAS)
- FASB Interpretations (FIN) which modify, extend, clarify and elaborate on existing SFAS, AICPA Accounting Principles Board Opinions and Accounting Research Bulletins

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- AICPA Opinions and their Interpretations which have not been superseded
- AICPA Accounting Research Bulletins which have not been superseded
- Examples:
  - Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information
  - APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock

Second Floor. Pronouncements of organizations comprised of expert accountants who discuss and analyze accounting issues in public for the purpose of establishing accounting principles or describing existing accounting practices that are generally accepted and approved by FASB and GASB and have been exposed for public comment, including:

- FASB Technical Bulletins (TB)
- AICPA Industry Audit and Accounting Guides
- AICPA Statements of Position (SOP)
- Examples
  - SOP 97-2, Software Revenue Recognition
  - FASB Technical Bulletin No. 01-1, Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets

Third Floor. Includes pronouncements of organizations comprised of expert accountants who discuss and debate accounting issues in public forums for the purpose of interpreting and establishing accounting principles or describing existing accounting practices that are generally accepted, including:

- FASB Emerging Issues Task Force (EITF) consensus position
- AICPA Practice Bulletins approved by the FASB
- Examples:
  - EITF Issue No. 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities
  - AICPA Practice Bulletin 14, Accounting and Reported by Limited Liability Companies and Limited Liability Partnerships

Fourth Floor. If an accounting treatment is not specified in a source from any of the first three floors, the accountant may consider other accounting literature. The appropriateness of the
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source depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the author as an authority, including:

- AICPA Accounting Interpretations
- FASB Implementation Guides in Q and A format
- Not yet cleared AICPA Statements of Position and Industry Audit and Accounting Guides
- Industry practices that are widely recognized and prevalent
- Examples
  - AICPA Reporting the Results of Operations: Accounting Interpretations of APB Opinion No. 30

Fifth Floor. When a generally accepted accounting pronouncement is not covered by floors 1 to 4, the independent auditor may use other sources of guidance as deemed relevant, including:

- FASB Financial Accounting Concepts (CON)
- AICPA Accounting Principles Board Statements
- AICPA Issues Papers
- Pronouncements of other professional associations or regulatory agencies
- AICPA Technical Practice Aids
- Accounting textbooks, handbooks, and articles
- Examples:
  - AICPA Issues Paper, Identification and Discussion of Certain Financial Accounting and Reporting Issues Concerning LIFO Inventories
  - FASB Concept No. 5, Recognition and Measurement in Financial Statements of Business Enterprise

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Understanding the house of GAAP provides the researcher with a basic understanding of the accountant’s context for practicing his or her profession and gives you a clear road map for understanding the documents and devising a research strategy.
THE STANDARDS-SETTING PROCESS

The Financial Accounting Standards Board (FASB), AICPA, SEC, and more recently, the International Accounting Standards Board (IASB) work together to create new and amend older standards in order to establish and maintain a common language for communicating financial information. They do so under the watchful eye of the larger business and economic community and related constituencies and stakeholders.

Who Sets the Standards?

Following is a brief introduction to the four important players in the accounting standards setting process:

American Institute of Certified Public Accountants. Originally, the AICPA, the membership association for Certified Public Accountants (CPA), was the body responsible for defining accounting standards. From 1939 to 1959 its Committee on Accounting Procedures issued Accounting Research Bulletins (ARBs); from 1959 to 1973 its Accounting Principles Board (APB) followed with a series of opinions. In 1973, facing concern that the AICPA was too member-focused and could not objectively represent a more broad-based business and consumer constituency, the APB was dissolved and the standards-setting responsibility was transferred to the FASB. At this time, the AICPA shifted its focus to supporting its membership and constituency and to bringing to the attention of the FASB and the SEC issues that it determined to be important to the accounting and auditing professional communities. While the AICPA has continued its role as the authoritative body for establishing auditing standards, this responsibility is now being assumed by the Public Company Accounting Oversight Board (PCAOB), a body created by the Sarbanes-Oxley Act of 2002. The oversight board’s recent authorization to become directly involved with issuing auditing standards could have significant impact on the current standards-setting process. A discussion of the PCAOB and its potential impact on the industry follows in the sections below.

Financial Accounting Standards Board. Since 1973 the FASB has been the organization designated to establish authoritative financial accounting and reporting standards for business and other private-sector entities. Its mission is to be responsive to the entire economic community, not just the public
accounting profession, and to operate in full view of the community through a due-process system.

**Securities and Exchange Commission.** In addition to the AICPA and FASB, the SEC also plays a key role in the standards-setting process. Under the Securities Exchange Act of 1934, the SEC has statutory authority to establish financial accounting and reporting standards for publicly held companies. It supports as “de facto” the accounting standards established by the private sector, provides broad support to the FASB, and helps to identify emerging issues that it thinks FASB should address. Recent accounting-related scandals, such as the Enron collapse, have prompted the SEC, with the support of Congress, to become more directly involved in the oversight of the standards-setting process and the monitoring of corporate governance. In August 2002 as part of the Sarbanes-Oxley Act, the SEC’s Public Company Accounting Oversight Board (PCAOB) was created by Congress to crack down on corporate accounting scandals. Authorized to conduct inspections and discipline accountants, the oversight board supplants the self-regulation of CPAs who audit public companies.

**International Accounting Standards Board.** While international standards have traditionally taken a backseat to the national standards of the FASB, AICPA, and SEC, the increasing financial and economic demands and complexity of a global business environment are positioning them to play a more prominent role in the standards-setting process. Formed in January 2001, the ISAB replaced its predecessor, the International Accounting Standards Committee (IASC) as the international standards setter. Looking toward greater formalization of international accounting standards, IASB is structured similarly to the FASB. It is the intention of the IASB, in collaboration with the FASB and other accounting focused organizations, to “converge” standards and develop a single, universally accepted set of binding international accounting standards. The ISAC, and now ISAB, issue a series of standards known as International Financial Reporting Standards (IFRS), formerly called International Accounting Standards (IAS).
The Birth of a New FASB Accounting Standard

The final decision of the FASB to issue a new SFAS is the result of a deliberate and formal process. The FASB receives many requests for action on various financial accounting and reporting topics from all segments of its diverse constituency, including members of accounting firms, associations, lobbyists, the AICPA, and the SEC. Requests for action include both new issues and suggested review or reconsideration of existing pronouncements. The FASB remains alert to trends in financial reporting through observation of published reports, liaison with interested organizations, and discussions with the EITF.

In addition, FASB’s staff receives technical inquiries which may provide evidence that a particular topic or aspect of an existing pronouncement is in need of examination. The FASB is also alert to changes in the financial reporting environment that may be brought about by new legislation or regulatory decisions. FASB maintains an ongoing summary of current board projects on its Web site (http://www.fasb.org/project/index.shtml).

Based on input from its constituency, the board works with its technical staff to establish an ongoing list of technical projects in preparation for the possible issuance of a new statement of financial accounting standards. The following five reports and publications document this process:

1. A Discussion Memorandum is prepared by the FASB staff, which defines the problem and scope of the project, identifies any related financial accounting and reporting issues, research findings and relevant literature, and proposes alternative solutions and implications. The Discussion Memorandum lays the foundation for a public hearing and analysis of oral and written comments on the issue.

2. The analysis and feedback are gathered into an Exposure Draft that explains the board’s conclusions. At the end of a sixty-day comment period, the issue is further discussed and analyzed by the board and staff.

3. The completion of the process is signaled by the release of a new Statement of Financial Accounting Standards, technically known as an SFAS but commonly referred to as “a FASB.” A sequential number is assigned to each newly released FASB, e.g., SFAS 133.


4. An *Implementation* document may be issued to clarify, explain, or elaborate on the existing SFAS.

5. A *Technical Bulletin* may also be issued to address specific or technical issues not directly covered by the SFAS. *Technical Bulletins* are usually written in a Q&A format and offer practical clarification or guidance on a specific issue.

In 2002, as a direct result of a series of major corporate financial reporting scandals, the Sarbanes-Oxley Act was passed. This legislation directly impacts accountants and attorneys, officers and owners of publicly traded companies, as well as brokers, dealers, investment bankers, and financial analysts. The act, Public Law 107-204, established the PCAOB, responsible for registering, monitoring, investigating, and disciplining the activities of public accounting firms, including establishing the guidelines for the conduct of several key auditing procedures and delineating the types of services that CPAs are prohibited from providing to audit clients. The act additionally sets forth a number of requirements for corporations, their officers and board members by redefining working and reporting relationships with their internal audit committee and public accounting firms, creating changes in internal controls procedures, and enhancing financial disclosures. The passage of the Sarbanes-Oxley Act signals many significant forthcoming changes in GAAP and the current standards-setting process.5

**Other Accounting Standards**

Before concluding this discussion of accounting standards, it might be useful for the researcher to identify the other major accounting industry standards:

**Generally Accepted Auditing Standards (GAAS).** Established by the AICPA, these standards govern the conduct of exte-
nal audits by public accountants. The Statements of Auditing Standards (SASs) provide guidelines for the auditors’ fieldwork and financial reporting. They frame the format and contents of the Auditor’s Report or Opinion, which is the formal expression of their examination of a company’s financial statements. In May 2003 the PCAOB was given the official go-ahead to assume responsibility for establishing GAAS. It remains to be seen exactly how the PCAOB’s new role will play out, its impact on the AICPA’s responsibilities, and the form in which the two entities will co-exist.

**GOVERNMENTAL ACCOUNTING STANDARDS.** While GAAP defines the accounting standards for public and private business entities, there also exist standards specific to government organizations. Organized in 1984 to establish standards of financial accounting and reporting for state and local governmental entities, the GASB’s standards, known as governmental accounting standards (GAS), guide the preparation of external reports for these types of organizations. If your client is a governmental agency, you might need to reference one of the following special set of standards:

- **General Accounting Office (GAO).** Government Auditing Standards, commonly referred to as the “Yellow Book,” provides standards governing the audits of federal government and federal grants to local governments.
- **Office of Management & Budget (OMB).** The OMB publishes several “circulars” which provide guidelines for federal audits of government entities.

**INDUSTRY ACCOUNTING PRACTICES.** Some industries have created their own accounting practices to fill in the gaps not covered by floors 1 to 4 of GAAP. These practices are often available in print publications issued by the overseeing industry association; on occasion they are also posted on the association’s Web site. Examples of industries that have adopted their own practices are healthcare and insurance.

As this volume goes to press, the accounting industry is undergoing major changes that are having a significant impact on the
accounting industry and the standards-setting process. Among the changes are:

- increased role of the SEC in legislating, monitoring, and sanctioning accounting standards and corporate governance matters;
- the PCAOB’s assumption of responsibility for the auditing standards-setting process;
- increased financial accountability for public company corporate management, board of directors, and audit committees;
- an anticipated trickle down effect of the “spirit” of the Sarbanes-Oxley Act on privately held companies;
- FASB’s creation of a User Advisory Council in 2003, made up of users rather than preparers of financial statements, to provide input for FASB’s future standards-setting agenda;
- convergence of U.S. and international accounting standards to create global, universally accepted accounting standards alongside the adoption by all European Union listed companies to follow a single set of international accounting standards (IAS) by 2005.

As these developments play out, it will be extremely important to monitor all of these changes in order to be responsive to your clients’ information needs. Keeping abreast of these important industry events is paramount to ensuring that your research remains timely and accurate.

DEFINING THE ACCOUNTING RESEARCH PROBLEM: UNDERSTANDING WHAT ACCOUNTANTS ARE ASKING FOR AND WHY

Understanding the basics of the standards-setting process is a necessary starting point, but it is just one piece of the research puzzle. While it is not possible to document every variety of research requests your client might pose, there are predictable types which are common to virtually all accounting and financial research. In this section we will define and describe each of these, helping you to understand what the professional is asking for and why. Understanding the context behind the question is key to learning to speak your client’s language and to delivering information that is responsive to real-world accounting and financial-related issues.
Before beginning this discussion, let’s examine the questions you will need to ask the client to ensure that you understand exactly what is being asked of you and the purpose for the request. The research process really begins “offline” with a face-to-face reference interview with the client. Step one is taking the time to thoroughly discuss the topic with your client to make sure that you understand exactly what the client is asking for. In other words, what is the question at hand? Sometimes it is very straightforward. Your client wants to know who audits a particular public company or needs a print copy of a particular accounting standard. Unfortunately, most requests for information are not so easily answered and are rarely what they appear on the surface. Although unintentional, people rarely communicate exactly what they really need. That is where the power and the necessity of the reference interview come into play. As the researcher, it is your responsibility to initiate the essential two-way dialog that completely and accurately addresses the question or questions that you are being asked to answer.

When conducting any type of research, but especially technical research when you are not the content expert, begin by defining the scope of the project. Determine the information needed and the exact document types. For example, will you tap into primary sources such as SEC filings or secondary discussions such as journal articles? Determine key terminology and synonyms that will be essential for conducting effective searches. Don’t hesitate to ask for any definitions or clarification of context that will help guide you through the process.

Once you thoroughly understand the project scope, discuss the context in which the information will be used. Is the client trying to support a particular recommendation, prepare for a marketing presentation, or provide guidance to less experienced staff on the engagement team? The answers to these questions will dictate how deep into the content you search, what format you deliver the results in, and even how much of your time should be invested in the process. For example, research that will be used for making important recommendations to a company’s audit committee probably requires more time and specificity than a request for some background articles on a recent news event.

Be sure to address practical issues such as the amount budgeted, both for time (soft costs) and external expenses (hard costs), and a due date. Does your client simply want you to deliver the research results by a certain time or would it make sense to
establish a series of “check points” for keeping in touch throughout the process. If you are conducting research on a topic for which you are not the expert or for which scope is especially complex, it might be appropriate to establish a schedule for providing regular updates on the project status. Some clients will prefer to have you push results out to them on agreed upon intervals. Make sure to verify your client’s availability in case you need to ask questions or for points of clarification.

Always remember to play the skeptic. The more questions you ask—combined with some savvy fact checking on the side—the better prepared you will be to find the correct information efficiently. As you gain more experience conducting accounting and financial research, you will become familiar with the kinds of information your clients ask for and communication styles. However, no matter what your comfort level, it is a strongly recommended practice to review all the known facts or pieces of information before getting started. Become too comfortable and second-guess what your client needs and you are sure to make mistakes.

Now let’s begin that discussion about the most common accounting and financial-related topics that you may be asked to research and some practical insights into the “why.”

Requests for Accounting Standards

Accounting standards are the guidelines on which accountants rely for compliance with GAAP and you can expect many requests to focus on locating the full text and analysis of the following types of documents:

**Technical Pronouncements.** As described in the first section of this chapter, technical standards can derive from the FASB, AICPA, SEC, or ISAB, and in some circumstances, from industry practice. Often the request to you will be as basic as “can you locate an SFAS or SOP that discusses a particular topic.” Before you start your search, you’ll want to get some additional information: Does the requestor know the document’s exact title or corresponding number? Is it in final form or still in the proposed stage? How did the requestor learn about this document? Asking upfront for the answers to these questions will help to direct your strategy for locating the documents. The accountant may not always know the
answer, but it is still smart to ask. The more information you have, the less time you will waste.

By now, it is no secret that the accounting and financial industries have their own technical language. The more conversant you become with the many acronyms that will be tossed your way, the more efficiently you will be able to process your research requests and “talk the lingo” with your clients. You might want to consider purchasing a good handbook or dictionary to keep close at hand. Appendix 3: Reference Bookshelf identifies a few recommended publications, but there are many excellent choices on the market.

**ARTICLES.** In addition to relying on the relevant authoritative standards, accountants often turn to articles for thoughtful discussion on accounting pronouncements on a particular accounting-related topic. This approach can be helpful for a number of reasons. For instance, articles provide contextual analysis of a standard’s application, including practical examples. They can demonstrate how a new or amended pronouncement changes the required disclosure, and highlight new and forthcoming standards and the anticipated impact on the accounting industry. When your clients asks you to locate articles, try and find out as much as possible about the topic and the type of information for which they are looking: How far back should you search? Should you target technical accounting journals, general business and finance publications, academic articles, industry white papers, Big Four accounting firm publications, or other types of sources?

**Requests for Financial Disclosures**

There are a great many circumstances under GAAP rules that require financial professionals to report additional information to accompany financial statements. Examples include disclosure of the principal accounting policies followed, such as the method of inventory valuation, type of depreciation calculation method applied, whether or not the lower of cost or market valuation approach is used for inventory costing purposes, or the disclosure of operating segments, including identification of the types of products that comprise each segment’s revenue and the nature of any intercompany transactions between reporting segments.

When a company initiates a change in accounting, the accountant must also disclose the type of change, describe why it is being made, list the dollar impact caused by the change for the current
and immediately preceding reporting period, as well as the amount of the change in earnings per share. In cases where the amount of information is either excessively detailed or only applies to a narrow range of possible situations, the applicable GAAP documents are clearly identified in the footnote.6

Source: Accounting Reference Desktop, Steven M. Bragg, John Wiley & Sons, Inc., 2002. This material is used by permission of John Wiley & Sons, Inc.

As support for financial disclosures they want to make, a public company’s management often requires information about how other companies have disclosed similar transactions or events. It is common practice for individuals within the organization who have responsibility for financial reporting (such as director of financial reporting, CFO, comptroller) to ask the accountant to assist in drafting or reviewing financial statements and footnotes, and to recommend best practices in disclosure. While an official FASB pronouncement or other authoritative literature usually addresses general rules and principles of accounting or reporting, it does not necessarily address every specific situation. Therefore, when an accounting issue arises, management looks to the accountant to determine which authoritative guidelines best apply to the facts and circumstances.

In response to such requests, accountants may use a checklist of required disclosures that addresses currently existing GAAP and SEC reporting requirements; typically these are prepared by their accounting firm or by the AICPA. Such checklists generally indicate the “area” within the financial statement or the type of transaction, and reference the underlying authoritative literature that drives the disclosure requirements. This may be a specific financial line item, such as property and equipment or accounts receivable, or broader concerns, such as current, fixed, or intangible assets or accrued liabilities. These checklists generally reference financial statement issues both by category (for example, property and equipment) and by type of transaction (for example, acquisition of an asset). The auditors then help their clients determine the appropriate specific disclosures by providing them with the references to the technical standards and illustrations; in other words, to answer the question, “What is the required disclosure and why.”

These recommendations are obtained using representative footnotes or examples of financial statements that cover similar issues and disclosures drawn from publicly filed 10-Ks. In these cases, you may be asked to locate examples of public companies that have disclosed a similar issue in the financial statements, footnotes, or the Management, Discussion & Analysis (“MD&A”) sections of a 10-K. In some instances, based on knowledge of the client’s specific circumstances or financial transactions, accountants may also suggest introducing original disclosure content.

Conducting accounting research requires a good working knowledge of SEC filings. You should understand the purpose of specific filings, what kinds of information they contain, where specific information is found, and what the SEC’s required timetable is for making the filing. There are several excellent documents available in .pdf format for free on the Internet that explain the purpose of each SEC filings and their respective parts:

- Thomson Research (http://www.primark.com). Click on Guide to SEC Filings in the Content Support section
- SEC Web site (http://www.sec.gov/info/edgar/forms.htm). Click on Overview of the Most Common Corporate Filings
- LIVEDGAR (http://www.gsionline.com). Click on Free Resources

See Appendix 1: Guide to SEC Filings for detailed information about the more frequently referenced SEC filings and the particular sections which are heavily researched for accounting disclosures and financial information.

While accountants sometimes know the specific company whose SEC filing to target, more often they do not have a clue, leading them to ask you to perform keyword searches across the text of certain sections of company filings, such as the financial footnotes, auditor’s opinion, or management discussion. To conduct these searches, you will require some very specific information: What type of SEC filing and what specific parts within that filing should you narrow your search to? You need to determine what combination of keywords to search for and their proximity to each other. Will any specific SFAS be mentioned, and if so, what is the number and title. Be sure to ask if the accountant really expects there to be any such disclosure? Discuss how exhaustive a search you are expected to conduct. In some cases there simply is no example of a disclosure that fits a particular issue. The possibility of this outcome should be incorporated into the reference interview. You do not want to expend unnecessary time and energy looking
for an answer that cannot be found, but more importantly, you do not want to make any assumptions that may result in delivering to your client incomplete information.

Don’t shy away from the fact that the accountant is the content expert; you need to tap fully into their knowledge of the language and context in order to conduct intelligent research. Ask the right questions and the answers will help direct you to the best sources, ensure that you maximize the power of the search interface, and make the best use of your time. Disclosure searches can be very difficult since the accountant is often unsure of the exact wording or even if the disclosure exists. Be patient, try out many different search strategies, and do not hesitate to contact your client throughout the process to discuss the results and explore other ways to approach the research problem.

Requests for Business Ratios

You might also be asked to locate business ratios. Analysis drawn from company financial statements (income statement, balance sheet, cash flow statement) is used to assess an organization’s business condition and overall risk. Ratios provide useful aggregate comparative data on industry performance and are specifically used by accountants to benchmark the performance of their clients against their industry and peers. For example, analysis of a company’s “day sales in receivables” is an important indicator of how quickly a company is collecting cash from its sales; those with quicker collections present less of a cash/liquidity risk than a peer which takes a longer than average amount of time to make sales collections. The benchmark data is now typically a part of the business performance review that accountants must complete as part of a financial statement audit.

To fully understand and properly apply the ratios, it is important to be aware of several internal and external factors: the company’s business and its products, the company’s performance within the context of the economic climate, any legal or regulatory issues that the company faces, its context within the competitive environment, and current and historic industry averages and ratio behavior.7

When a company’s ratios are compared with those of comparable industry peers, they provide an additional layer of insight about how a firm performs relative to its industry. Analysis of a company’s ratios can help management monitor the company’s performance and identify areas that are performing well and those that are in need of improvement.

Requests for Financial Market and Economic Data

Accountants regularly request foreign exchange rates, stock prices, treasury rates, bond values, selected interest rates (prime rate, London InterBank Offered Rate [LIBOR], federal funds, etc.), and economic indicators such as the Gross Domestic Product (GDP), Consumer Price Index (CPI), inflation, and the Producer Price Index (PPI). This type of information “independently” tests the reasonableness of client assertions about the value of assets and liabilities on their books as reported by the clients and that may be documented in bank and brokerage reports, loan documents, and other types of legal contracts.

If a company has a large number of investments, your client may use statistical sampling to select items to test in order to ensure that the value of the investments as reported by the client and supporting documentation are accurate. For example, the company’s financial department provides the accountant with its monthly investment brokerage statements. These statements typically document the allocation of assets into cash, equity, and debt and detail each specific investment and their value as of a certain date. Based on this information, the accountant may select a sampling of stocks, bonds, and government treasuries and ask you to verify their value using an independent research tool.

Since a large part of the research that you may be called on to perform involves gathering financial market and economic data, let’s flush out the “why” for using this type of information a bit more.

Financial market data may be requested by an accountant for a number of reasons, including:

- **Support for the historical cost or fair value recorded for an investment.** Investments in marketable securities, including government securities, are typically recorded as historical cost paid for the investment; they may subsequently be “marked to market”
based on fair value. Pension fund investments are generally marked to market and must be based on fair values at the balance sheet dates; the auditor will seek independent data to verify the values assigned by the pension plan trustee or investment advisor.

- **Evidence that an investment has not declined in value below its original cost.** An investment whose value has declined below its original cost may need to be written down to its fair value.
- **Evidence of the value of a transaction.** For example, if a company’s stock is issued to acquire an asset or a business, the fair value of the stock on the date issued may be the basis for the accounting of the transaction.

General economic data may be requested for some of the following reasons:

- **Foreign currency exchange translations.** If a U.S. company acquires an asset in a foreign currency, it generally must translate the value of the asset into U.S. dollars, as that is its “functional” currency.
- **Lease escalation provisions.** A company’s lease may have a clause that states the rent expense escalates in correlation with a specified “standard” rate, such as the rate of inflation or tied to the CPI; the accountant may need to calculate the impact of that escalation on current year lease expense.
- **Calculation of interest expense.** A company’s debt may bear interest at a rate based on the prime or LIBOR rate plus a certain percent; the auditor may want to independently test the company’s calculation of those rates.

Before concluding this section, let’s briefly discuss the timeframe in which this data is needed. The economic data requested may be historical (e.g., to test transactions recorded in the past), current (e.g., to test a value at a balance sheet date), or forecasted (e.g., to estimate the impact that a change in an interest rate or other factor may have on future expense for disclosure in a company’s financial statements or press releases). Forecasted data may also be used to test a company’s financial statement projections used for valuing a business or an asset, or for evaluating the company’s ability to continue as a going concern. For example, if a company is in a precarious financial position, an auditor may want...
to test whether the “burn rate” of the company’s cash might result in its running out of cash before a certain date. The company’s burn rate will be derived from projected or forecasted financial statements that may include factors such as interest expense tied to an economic index (e.g., prime or LIBOR) or lease expense tied to the CPI.

**Requests for Corporate Strategic and Operational Intelligence**

In their capacity as accountants or financial advisors, your clients will need to review all matters and events that may impact the company’s financial performance and health. These can include business segments, real estate holdings, and external factors such as the competitive marketplace, regulatory environment, the economy, internal and external risks, and future strategic directions. While identifying this level of company intelligence is common to many types of business research, it is highly relevant to the financial professional’s financial reporting, analysis, and advisory capacity. Understanding the many nuances of gathering company and industry information will arm you with the questions that you will need to ask your clients so that you will provide them with just the right information. In this volume, we will focus on the sources that are most frequently referenced by the professional financial community. The *Introduction to Online Company Research* and *Introduction to Online Market & Industry Research* volumes in this series also discuss the many challenges and options for researching U.S. public and private companies in great detail.

**Requests for Information about Corporate Governance**

In the post-Enron era of accounting and corporate scandals, issues relating to corporate governance are in the forefront of the SEC, the accounting and financial industry, company management and boards, shareholders, and the public at large. The corporate researcher can expect to receive frequent requests for this type of information.

What is corporate governance? According to the Organization for Economic Cooperation and Development (OECD), corporate governance is the system that guides how companies are directed...
and controlled. Its structure specifies the framework for roles and responsibilities for the board, management, shareholders, and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which company objectives are set and the means for attaining these objectives and monitoring performance.\(^8\),\(^9\)

What does that mean within the context of this volume? Accountants regularly request information to identify and learn more about an organization’s top management and members of its boards. This research supports financial professionals in their roles as accountants and financial advisors to company management, the board of directors, or the audit or compensation committees. Information about board members and executive management may also be requested by accounting professionals, internal marketing, and other support departments for the purpose of developing proposal initiatives for prospective clients or to target professional networking opportunities. Following are three examples of frequently requested corporate governance research applications:

1. **Corporate Management and Board Member Biographical Profiles.** Gathering biographical background information can include locating an individual’s age, education, and employment history, activity on civic and business boards, and management style. Accountants and financial professionals use this information for professional networking and relationship building with current clients as well as for making sales presentations to prospective clients. Familiarity with an individual’s background is useful for gaining a better understanding of that person’s perspective as well as identifying possible

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9. Following are some excellent discussions of what corporate governance is and the impact of the Sarbanes-Oxley Act on regulating corporate management:

connections with a mutual friend, colleague, or client. Tracing the path of “who knows who” and “who can influence whom” is extremely important to an organization’s sustained and growing client base.

2. Compensation and Benefits. Compensation and benefits information requests may include an officer’s salary, benefits, bonus and perks, such as stock options or other forms of equity compensation. This information is often used by accountants who specialize in compensation or financial planning advisory services that may apply this information to benchmarking executive compensation, designing equity compensation plans, or for demonstrating to a company the accounting and financial reporting implications of certain employee benefits. Perks, such as loans to executives (such loans may be for corporate relocations, to cover tax impacts of other compensation, or many other reasons), have come under particular scrutiny from a corporate governance perspective in the wake of recent accounting scandals.

3. Audit Committees. You might also be asked to identify the members of a company’s audit committee. Accounting firm managers and partners meet with audit committees at least once a year to report on their findings and to present any recommendations. It is always smart business practice to “know your audience” by obtaining background information about the members of this or any committee before meeting with them.

Requests for Information about International Business

Reconciling accounting standards for companies headquartered or doing business in foreign countries is increasingly important in the global business economy. Accountants regularly need to identify existing accounting standards for specific countries and compare them with U.S. GAAP. Additionally, in their expanding roles as business advisors (for example, an accountant may advise clients on opening a new location or plant in a particular country), they need information on the accounting, tax, and corporate structures, local rules and regulations, and other risks related to conducting business abroad. There are two primary applications for using international information:

1. International Accounting Standards. You might be asked to identify standards or guidance comparing U.S. GAAP with another country’s accounting standards. Companies that own foreign subsidiaries or are looking to acquire or merge with a foreign company will need to identify accounting and disclosure rules
for the target country in order to recognize potential accounting differences that might impact their financial results or to understand which disclosures are required in their annual reports. Financial reporting professionals have to reconcile a subsidiary’s local country financial statements with the parent country’s GAAP. In other cases, professionals involved with cross-border financial filings must reconcile the GAAP typically used by a company with the GAAP of the reporting country. This occurs, for example, when an international company lists its stock on a U.S. stock exchange and it becomes a “foreign registrant” for SEC reporting purposes.

2. International Business Operations. Accountants frequently function as business advisors for their clients and can be asked to locate information about “doing business” in an international context. For example, they might have a client who is considering acquiring a company based in another country or setting up a manufacturing or service plant on foreign territory. Their clients will be interested in obtaining key economic, financial, and regulatory data for that country, such as tax rates, rules for setting up a corporation, local labor laws, and more.

Requests for Competitive Intelligence

While accountants and other financial professionals seek out primary and secondary research to directly support their client’s work, they also need information to maintain their own organization’s competitive position in the marketplace. For example, your marketing department may want assistance developing target lists of prospective new clients. Depending on how your company focuses its practice, you may be asked to identify companies in a certain geographic area, grouped by a particular industry, or within a certain revenue size. In addition, you might be asked by managing partners to actively track local, regional, or national competitors so that they are better informed about the competitive business landscape.

While a certain amount of competitor information can be gleaned from company Web sites and electronic database searches, you will also need to tap into the soft kind of intelligence available only through personal contacts and professional networking through association, civic, or fraternal organizations. Unlike technical research for which there is clearly defined content and resources, competitive intelligence is as much about who you know as the sources you use. While competitive intelligence research is
not the main focus of this volume, there are several types of competitive intelligence type requests that a client base of accountants and financial professionals might ask you to conduct. Following are a few examples:

- **Identifying Company Auditors.** For an organization that provides auditing and related services, knowing who your competition is and its share of a particular market is an essential step in formulating business plan and establishing targets and goals for sustained and future growth. For firms providing accounting services, this translates into defining the market or markets they want to compete in (generally determined by geographic and/or industry focus) and developing spreadsheets documenting the names of the firms that provide similar services to the companies making up that market. Marketing and communications departments regularly need this data to develop marketing pieces and to help management and sales teams with framing quarterly and annual goals.

- **Tracking Industry Trends and Competitors.** The current market for accounting and related financial services is extremely competitive and survival depends on sustaining a close watch over the many external factors that drive and impact the competitive marketplace. Internal departments such as marketing, public relations, and HR, plus upper management and those involved in developing sales plans, all need to be tracking significant events impacting the industry, including economic, regulatory, or political, as well as keeping an eye on the companies which are considered key competitors.

- **Audit Fees.** As a result of growing SEC concerns over risks to auditor independence, regulations were passed effective February 5, 2001, stating that all public companies were required to disclose in the company's annual proxy statement certain information relating to the fees paid by the company to its outside auditors. These rules were further impacted by the passage of the Sarbanes-Oxley Act of 2002 and resulting regulations have added further definition and limitations on the services that independent auditors are prohibited from providing to their audit clients. Audit fee disclosures must now be incorporated into the 10-K. These reported fees are broken out by: fees paid to the independent accountant for (1) audit services, (2) audit-related services, (3) tax services, and (4) other services.

You might be asked to research audit fees for a number of reasons. Clients use this information as a leveraging tool when renegotiating contracts with their auditors and when considering outsourcing some of the nonaudit services their auditors...
are no longer allowed to provide. Accounting firms are aggressively using this information to ensure that their pricing remains competitive.

- Accounting Salary Surveys. Your accountant might be working with a client to help streamline its internal accounting department and will be asked to identify some salary benchmarks. To remain competitive with other local firms, your own organization’s HR department may want to be kept informed about surveys that track salary ranges in the region for new and experienced accountants and financial managers.

Requests for Information about Accounting and Financial Software Packages: Annual Surveys and Product Reviews

Many accountants work with their clients to support financial-based technology needs, including recommending software for applications, such as accounts receivable, accounts payable, generating tax returns, or payroll, and provide technology-related training for the client’s internal accounting department staff. As part of the limitations that the Sarbanes-Oxley Act of 2002 imposed on services that accountants can offer to publicly held companies, they can no longer provide financial information systems design and implementation services if they also serve as that company’s auditor. It is allowable for accountants to provide these services if they are unrelated to the audit client’s financial statements or accounting records if these services are preapproved by the audit committee. However, an accounting firm can still provide services to private companies and this remains a viable service that continues to be supplied.

Requests for Accounting Industry Certification

You might be called on to locate state requirements for licensing, certification, or continuing professional education requirements for accounting and financial management professionals. As accountants move beyond the standard CPA certification to remain competitive by offering more specialized services, there will be an increased need for information about certification requirements, course materials, and exam schedules.
RESOURCES AND RESEARCH STRATEGIES:
DETERMINING THE BEST PATH FOR LOCATING INFORMATION

This discussion about sources for accounting and financial information focuses on both targeted subscription-based databases and free Web sites. However, it is important to note that several of the larger, broad-based database aggregators, such as LexisNexis and Factiva (see Chapter Four) also provide access to some of this information via their respective electronic interfaces. If you currently have contractual relationships with these vendors, you may already have access to the information or be able to add the content to your contracts for a reasonable cost. If your information requirements, however, are more targeted to accounting or financial information only and you cannot justify the cost of subscribing to any of these larger databases, you might want to explore purchasing a few of the products discussed in this section.

How much of the collective accounting standards can you locate on the free Web? Unfortunately, the majority of the AICPA, FASB, and IASB documents are only available electronically on a subscription or one-time purchase basis. (That said, the free Web never fails to surprise one, so it is always worth looking!) However, there is some good news. Much of the government-issued accounting and audit standards are accessible for free on their respective Web sites. The FASB and AICPA sites are effective avenues for free access to summaries and selective free text of recently issued or forthcoming accounting standards and their sites contain good links to timely industry news and related sites. There are a few print sources to recommend as well. If you need to reference accounting standards regularly, you might purchase a set of the core materials in hard copy (see Appendix 3: Reference Bookshelf, Primary Accounting and Audit Sources).

Sources for Accounting Standards

How do you locate the text of accounting standards or secondary analysis on their application? Fortunately, you have a variety of options, both print and electronic.

The technical documents outlined earlier in this chapter in the discussion about the house of GAAP can be divided into the following categories:

1. recently released and forthcoming documents,
2. core collections of documents,
3. articles and books,
4. University of Mississippi Accounting Collection (formerly AICPA library, and
5. accounting and related financial resource portals.

There are other sources that can help you find or learn about these standards. Some key print and electronic sources for locating and searching across these technical pronouncements are presented below. Although the focus of this volume is on corporate accounting and financial research, the most frequently requested government accounting standards are referenced in this section as well. Here is a detailed listing and description of these five categories.

**Recently Released and Forthcoming Documents.**

- **AICPA** ([http://www.aicpa.org](http://www.aicpa.org)). Summaries and select full text of recently issued pronouncements are posted for free on the AICPA Web site; click on the links to Accounting Standards and Audit & Attest Standards. The Congressional & Financial Affairs section contains news and resources covering federal and state legislative and regulatory developments of interest to CPAs. Clicking on Online Newsletters provides quick access to recently issued documents and committee agendas for forthcoming accounting and audit standards. Although limited to AICPA releases, you could use this section for if you are not able to subscribe to the print *Journal of Accountancy* magazine (see discussion below).
- **FASB** ([http://www.fasb.org](http://www.fasb.org)). Click on the links to Project Activities and Exposure Drafts on the FASB Web site to display the summaries and text of the most recent documents, and agendas for forthcoming releases.
- **SEC** ([http://www.sec.gov](http://www.sec.gov)). Click on the link to Information for Accountants on the SEC home page to view all of the news and documents relating to accountants and auditors. The SEC Web site contains selective full text of SEC accounting statements, including Staff Accounting Bulletins, Accounting and Auditing Enforcement Releases, and Financial Reporting Releases.

**Core Collections of Technical Documents.**

- **AICPA reSOURCE** ([http://www.cpa2biz.com](http://www.cpa2biz.com)). This subscription-based electronic database provides access to the full text of all AICPA’s professional standards, technical practice aids, financial reporting trends, and standard-setting guidance. The
Authoritative accounting standards issued by the AICPA (ARBs and APBs) are not included in this database; they are available in a separate combination package that is available from either the AICPA or FASB. If you regularly need to locate the full text of a whole range of AICPA standards and your research requires that you conduct keyword searches across the text of these documents, you will want to subscribe to this product.

- **AICPA Print Publications.** If your requests are limited to accessing the text of specific documents by title or number, you can purchase the annual softbound editions of a particular series or subscribe to a loose-leaf service. A loose-leaf service is a subscription-based print service that delivers periodic updated content. Unlike the annual editions, which are only published once a year, loose-leaf services are filed in a ringed binder so that update pages can be interfiled throughout the subscription term. Since the print editions will lag behind, you will have to regularly check the AICPA Web site to keep up with new releases. The following print editions or loose-leaf subscriptions can be purchased from the AICPA:
  - Accounting and Audit Guides
  - Statements of Positions
  - Statements on Auditing Standards
  - Checklists and Illustrative Financial Statements
  - Statements on Standards for Accounting and Review Services
  - Statements on Standards for Attestation Engagements
  - Technical Practice Aids
  - Professional Standards

- **Financial Accounting Research System on CD ROM.** If your research requires keyword searches across the FASB materials, you will want to subscribe to FARS, a Folio-based CD ROM product containing the full text of the Original Pronouncements (OP), Current Text (CT), Emerging Issues Task Force Abstracts (EITF), and FASB Implementation Guides.

  OP is a chronological arrangement of the full text of the AICPA and FASB authoritative promulgations, including current and superseded sections. CT presents a topical arrangement of these standards organized into general standards, applicable across all enterprises, and industry standards, applicable to enterprises operating in specific industries. Both the OP and CT contain indexes pointing to relevant authoritative documents, EITF summaries and FASB Technical Bulletins. FARS is updated six times a year; you will need regularly to check the FASB Web site to keep up with the most recent releases.

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- **FASB Print Publications.** If your requests only require that you locate the full text of the AICPA and FASB authoritative standards by title or number, you consider purchasing the annual softbound editions of the OP and CT or subscribing to a loose-leaf service. If you purchase annual editions, you will need to regularly check the FASB Web site to keep up with new releases.

- **Journal of Accountancy.** Published monthly by the AICPA, the *Journal of Accountancy* is the industry’s premier magazine, containing articles on accounting standards, technology, marketing, and administration. In each issue the Exposure Drafts Outstanding and Official Releases section (located toward the back) charts all recently released and forthcoming documents by the AICPA, FASB, SEC, and IASB. This matrix offers the most comprehensive and efficient way to keep current with the status of all new, amended, and superseded accounting and auditing pronouncements.

  Beginning with 1996, the full text of most of the *Journal of Accountancy* articles is available for free on the AICPA Web site; click on the link Online Journal of Accountancy on the Home Page. Unfortunately, the Exposure Drafts Outstanding and Official Releases section is not accessible electronically; you will have to subscribe to the print magazine to view this useful matrix.

- **General Accounting Office Government Auditing Standards** ([http://www.gao.gov](http://www.gao.gov)). Known as “generally accepted government auditing standards” (GAGAS), this collection of standards is commonly referred to as the “Yellow Book.” These standards apply to audits of government organizations, programs activities and functions, and government assistance received by contractors, nonprofit organizations, and other nongovernmental entities. They provide guidelines for the auditors’ professional qualifications, quality of audit effort, and characteristics of professional and meaningful audit reports. The “Yellow Book” is periodically revised or supplemented, so be sure to check the GAO Web site for any updates. From the GAO home page, click on the link to Other Publications; Complete Listing. An alphabetical list of all GAO reports will display.

- **Office of Management Budget Audit Documents** ([http://www.whitehouse.gov/OMB/circulars](http://www.whitehouse.gov/OMB/circulars)). OMB Circulars contain instructions or information issued by the OMB to federal agencies. These Circulars are frequently revised or supplemented so be
sure regularly to check the OMB Web site for updates. Some of the most frequently requested audit-related circulars include:

- Circular A-21: Cost Principles for Education Opportunities
- Circular A-102: Grants and Cooperative Agreements with State and Local Government
- Circular A-110: Uniform Administration Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations

**ARTICLES AND BOOKS.** Accounting and financial researchers often turn to journal articles and books for secondary discussion and analysis, and it is good to be familiar with some key resources. Many articles can be found online, either at the journal’s Web site or through electronic online databases.

The coverage of full-text accounting and finance journals on electronic database services is excellent. Some of the key journals include:

- *Journal of Accountancy*
- *The CPA Journal*
- *Practical Accountant*
- *Corporate Accounting*
- *Financial Executive*
- *Journal of Accounting, Auditing & Finance*
- *Management Accounting*
- *Accounting Today*
- *CFO*

Electronic databases (see reviews in Chapter Four) like Lexis-Nexis and Factiva provide well-rounded representation of accounting industry-related publications through their electronic services. Both can be effectively used for “on-the-fly” searching as well as for creating saved searches that will push out timely, relevant articles to your e-mail. Factiva’s News Pages feature has preformatted searches that automatically scan for current news on the accounting and financial industries and it displays the full text of the *Wall Street Journal* for easy scanning. Other excellent databases are ABI/Inform and Business Source Premier; these are sometimes available to community residents for free or a minimal cost through state and local public or academic libraries and community consortia.
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ABI/Inform was one of the first electronic databases to provide access to abstracts and full text of the core accounting, tax, and financial magazines, and it remains to date the editor’s favorite database for conducting secondary accounting research. While pieces of the database’s content are available on LexisNexis and Factiva, the only way to gain full access to the current and back files (beginning with 1970) is by subscribing to ProQuest or Dialog. Unfortunately, access to both of these interfaces can be expensive. If you are being asked to consistently search across a particular body of accounting publications or to search for articles that predate the mid-1990s, you might want to consider evaluating this product. The other database that focuses primarily on the accounting industry is the Accounting & Tax Database, also only available in its complete version in ProQuest or Dialog. Consider evaluating this database for the same reasons outlined above for ABI/Inform.

A very popular series of annual GAAP reference books, the Aspen-Miller GAAP Guides, popularly referred to as the “Miller” guides, provide concise explanations of accounting and auditing standards. They can be purchased in print or CD-ROM directly from Aspen, but most of them are also now available on LexisNexis and CCH. At a cost of between $120 and $150 per volume, you might want to consider purchasing the print editions of the most relevant Miller titles for your collection. They are well organized and indexed, making them very efficient reference resources, and include the following titles:

- GAAP Guide
- GAAS Guide
- Governmental GAAP Guide
- GAAP from the EITF
- Not-for-Profit Organization Audits
- European Accounting

University of Mississippi Accounting Collection. In the late 1990s when the AICPA’s library was downsized, the vast amount of its extensive collection of books, journals, treatises, special studies, and more was donated to the University of Mississippi Accounting School Library. In the early days of predominately print collections, the AICPA’s library was considered the “Library of Congress” for accounting and tax research; its collection is rich and holds many unique resources. “Ole Miss” has a staff that is dedicated to supporting the usage of this collection and its services include...
loaning books and faxing articles. There are fees for these services, but they are quite reasonable. All the necessary information for tapping into this excellent collection is posted on its Web site, http://www.olemiss.edu/depts/general_library/aicpa/index.html. Services are limited to AICPA membership, however. If you anticipate needing to contact the library to use its resources, obtain your client’s AICPA membership number in advance. Additional contact information: Toll Free Number: 1-866-806-7477; Email: aicpalib@olemiss.edu; Fax Number: 622-915-7477.

**ACCOUNTING AND RELATED FINANCIAL RESOURCE PORTALS.** Web-based portals are collections of recommended links to sites and sources on similar topics or industries. There are many excellent accounting portals on the Internet. Associations and academic institutions do a particularly good job of developing collections of valuable links (see Appendix 2: Accounting and Related Industry Associations). Following is a short list of a few recommended portals:

- **AICPA** (http://www.aicpa.org). Clicking on CPA Links from the AICPA’s home page yields a comprehensive series of links to broad groups of accounting related sites, including Accounting and Audit, Taxes, Government, and Securities Exchanges.
- **FASB** (http://www.fasb.org). Click on the link to Accounting Resources on the FASB site for its list of recommended links to accounting-related sites.
- **Ohio State University, Fisher Department of Finance** (http://www.cob.ohio-state.edu/fin/journal/jogsites.htm).
- **Electronic Accountant** (http://www.electronicaccountant.com). Click on link to Weblinks.

**Sources for Financial Disclosures: Electronic Database Services**

As discussed in the prior section, accountants are often asked by management to assist in drafting and reviewing financial footnotes and to recommend best practices in disclosure. For the researcher, requests to locate company financial footnote disclosures are
among the most challenging and frustrating. Fortunately, there are several electronic research tools and print sources which are designed for the precision and flexibility necessary for conducting good disclosure research.

Key to conducting effective disclosure research is the ability to search for keywords within targeted sections of specific filings, for example the Financial Footnotes or MD&A sections of the 10-K. While virtually all of the free and subscription-based EDGAR databases allow you to conduct basic keyword searching across filings, and most even provide options for selecting the filing type (for example, 10-K, 10-Q, etc.), very few allow you to limit keywords to specific sections within the documents. Instead, most of the search engines will only look for all of your keywords to appear “somewhere” within the body of the text. Imagine searching for change in auditor and retrieving every 10-K in which the word “change” and the word “auditor” appeared anywhere throughout the text, including independently of each other.

The good news is that a few databases are exactly tailored to researching financial disclosures. And there are several others that, with some help from customer support, could be tweaked to yield reasonable results. In fact, with lots of patience and creative searching, you might even be able to yield promising results using some of the free EDGAR data. Remember to take advantage of the power of the Edit/Find option located at the top of your browser’s menu bar. While usually limited to searching only one word, the Edit/Find option can be a very effective tool for quickly scanning a document or jumping to a particular section. It is a very handy tool when the Web site or database lacks its own targeted search options.

The most challenging aspect of conducting financial disclosure research remains developing the correct keyword search strategy. Work closely with your client to determine the best keywords and their proximity to each other within the relevant sections. Remember, in many instances, accountants request this type of search because they are treading on unfamiliar accounting territory; they may not know the exact search words. Talk through several different possible scenarios so that you have a back-up strategy if the first or second attempts are unsuccessful, and be prepared to conduct multiple searches.

You rarely find what you are looking for the first time around. Use the returned results from previous searches to help guide your strategy for refining the search. Remain in close contact with your...
client—and do not forget that in some instances, the answer is that there are no disclosure examples that fit the particular issue. The best solution for you will be determined largely by a combination of the cost of the risk of not conducting a thorough and comprehensive search weighed against the cost of subscribing to a particular product. For financial disclosure research, you do get what you pay for.

**RESEARCH TIP**

The section of the 10-K which contains the financial statements and footnotes can either be part of the “base” document or be included “by reference” as Exhibit 13. If you are asked to locate a company’s financial statements and footnotes and you do not see these identified in the 10-K’s table of contents, look at the detailed list of exhibits. If you do not see them in either place, you will have to locate the company’s annual report. Since the annual report is not an official SEC filing, it will not be available on any of the free EDGAR sites. Check the company’s Web site for a link to the annual report (usually in .pdf format).

So, with that caveat, let’s take a look at some of these database choices, ranging from the most to least expensive. This is not meant to be a comprehensive list of all SEC filing databases, but rather a select look at a few of the best. If you already subscribe to a database not on this list that includes access to SEC filings, work with the vendor’s customer service to determine if it meets your needs for financial disclosure research.

**SUBSCRIPTION-BASED EDGAR DATABASES.**

- *Thomson Research* ([http://research.thomson.com](http://research.thomson.com)). This database is the Cadillac of products for conducting financial disclosure research. Its interface contains all the necessary components to:
  - Target specific filings types by selecting one or multiple forms (e.g., 10-K, 8-K, etc.)
  - Select specific parts of the filings to search (e.g., Financial Footnotes, Financial Statements, MD&A, etc.)
  - Conduct complex keyword searching using Boolean connectors, proximity options, truncation, etc.
  - Specify range of filing dates (e.g., from 1/1/2001 to 12/31/2002)

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- **LIVEDGAR** *(http://www.gsionline.com)*. This product earns accolades for continually developing more versatile and creative options for searching across a large range of SEC filings. You have two main choices for searching disclosures: Using the Tax/Accounting Research Library section, you can select a preidentified filings section and run a sophisticated keyword search in that section combined with other limiters, such as date and industry. Examples of these sections include: 10-K, Item 9, Changes with Accountants; Adoption of Accounting Policies; FIFO Accounting Method Used; Purchase Method, etc.

The other choice is a newly created “10-K Section Search” Text template. GSI has identified twenty-three sections (one for each Part of the 10-K and four for financial information). Sections you can designate to search include All Financials, Balance Sheet, Income Statement, Notes to Financial Statements, and Management’s Discussion and Analysis. The search template displays each tagged section with a check box next to the description; you check the box of all relevant sections and enter keywords in the Free Text box at the top of the page. Additional boxes allow you to specify additional information, including SIC Code and Filing Date. Results are returned in a “keywords in context” view that allows for efficient scanning of the results.

- **LexisNexis** *(http://www.nexis.com)*. To take advantage of targeting keywords within specific sections of SEC filings, you need to identify all of the segments that have been defined for each specific filing type. Unfortunately, obtaining this information is not always easy. The information guides (denoted by an “i” icon next to the file name) contain a list of the most frequently used segments, but they are not comprehensive and almost always exclude the sections required for disclosure research. There are two ways that you can identify all of the segments: contact Customer Service or look at the “Custom” view from the Power search template. Unfortunately, while many of the document sections are tagged for targeted searching, such as the MD&A, the financial footnotes section is not. The good news, however, is that LexisNexis does have one of the most powerful search engines in the business, combined with an outstanding Customer Service team. If you already subscribe to LexisNexis, work with your rep or Customer Service to learn the most effective strategies for conducting disclosure research. Taking advantage of LexisNexis’ Focus and KWIC features will help you to minimize the time spent viewing the documents to determine relevant results.
FREE EDGAR DATABASES.

- EdgarScan (http://edgarscan.pwcglobal.com). Created by Price WaterhouseCoopers’ Technology Centre, this excellent SEC filing interface allows for multiple search access points. An advanced search template includes phrase and basic Boolean keyword searching, which you can combine with other limiters such as date and industry. Results from keywords searched are returned with a link to “Details”; clicking on this link displays the discreet sections of the filing containing your keywords. In addition, each filing is tagged with an excellent hyperlinked table of contents that is very useful for quickly jumping to the relevant sections of a filing. You can additionally isolate a particular document and conduct keyword searching just within it. Output options include .rtf and the financial sections are tagged for downloading into a spreadsheet. This database is constantly changing and improving so take the time to explore it and regularly check for new and improved features.

- SEC Info (http://www.secinfo.com). The first time you use SEC Info you will be required to register in order to create a personal id and password, but the site is free. Displayed on its home page are links to frequently searched sections of SEC filings, including Changes in Control, Changes in Accountants, Financial Statements. Click on one of the links and you can run a simple keyword search in that section across all relevant filing types. The results are returned with a portion of the relevant section containing your keywords highlighted; click on a link to that page and you can view the entire section. An especially nice feature is “Topics.” Conduct a search for a specific company’s filings and the results are returned with a link to “Topics” at the top of the page; clicking on this link displays a set of links to all the company filings organized alphabetically by section description. If you did not know which filings or sections within a filing contain specific information, this would be a quick way to find out. SEC Info allows output in .rtf and the financial sections are tagged for downloading into Excel. Each page is separately tagged so that you can view and output select pages if you do not need to print the entire document.

DATABASES FOR RESEARCHING SEC REGULATION FAIR DISCLOSURE MATERIAL. Effective October 2000, the SEC’s Regulation Fair Disclosure requires all public companies to release within 24 hours of its taking place the transcript of all quarterly earnings announcements and “morning conference call” discussions held with investment brokers, such as Merrill Lynch or Goldman Sachs.

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The purpose of the rule is to ensure that there is complete and forthright disclosure of all significant company events and financial matters, and that brokers are not in a position to “sit on” or use inside knowledge to their advantage, the advantage of their clients, and to the potential detriment of shareholders and the public at large.

The text of the morning conference calls is filed as 8-Ks; the full text is also available on some for-pay electronic databases and loaded on company Web sites in the form of a Webcast. These calls are usually organized as a question-and-answer dialog between investment analysts and company management. They serve as forums for discussing company financial, operational, and strategic events and future directions, and are excellent sources of company accounting and financial intelligence.

For example, on February 6, 2003, analysts from Goldman Sachs held a “Discussion of Deferred Cost Accounting” conference call. Management representatives from American Greetings on the call included the CFO, corporate controller, and manager of investor relations. The call, as described in the Event Brief summary below, began with American Greetings’ CFO introducing the primary topic of the discussion:\textsuperscript{10}

\textbf{OVERVIEW}
Prepaid assets termed prepaid expenses represents deferred cost assets to be earned by the customer and amortized against gross sales over the next 12 months. Increases in this account result primarily from reclassification entries from other assets....

\textbf{PRESENTATION SUMMARY}
S1. OPENING COMMENTS (R.R.) 1. HIGHLIGHTS 1. The purpose of the call this morning is to bring clarity to unique operating characteristic of the co.’s business, the use of long-term contracts in the sales process. 2. The bulk of the discussions will involve a walk through of a hypothetical contract example.

American Greetings’ management presentation is followed by the analyst question-and-answer sequence:

\textbf{QUESTION AND ANSWER SUMMARY}
Q1. One thing that you didn’t discuss today is whether or not there are any reserves associated against the contracts for, like a retailer that may be in bankruptcy. Can you address that? (Jim Hoeg–Goldman Sachs)

A. (Robert Ryder) If you looked at our 10-K, we do disclose that every year. The answer is yes, we do have reserves against retailers and we do disclose that. I think it is Exhibit 2 in the 10-K. So you should be able to get that information. It actually shows the puts and takes during the year.

Q2. So you actually show, against the exact contracts, the level of reserve that you’ve taken? (Jim Hoeg–Goldman Sachs)

A. (Robert Ryder) No it’s in aggregate. We wouldn’t show reserves against specific contracts. I don’t think anybody would do that. But you can see in aggregate reserves taken to contracts and reserves taken away in aggregate against customer contracts.

Q3. It looks like, if you follow the accounts that you made, at least it’s implied a fairly large payment in 4Q02. I have to assume that this was for Albertson’s. Is that correct? (Jim Hoeg–Goldman Sachs)

A. (Robert Ryder) It wouldn’t be in our best interest to disclose any customer-specific information....

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These conference calls are excellent sources for learning about company accounting, financial, operational, and strategic developments and directions. Some outlets for tapping into the transcripts of these conference calls include:

- **Factiva** (http://global.factiva.com). Use the following search strategy to locate Fair Disclosure documents: sn=fair disclosure and hd=company name. For example: sn=fair disclosure and hd=american greetings. SN searches for the source or publication name and hd looks for your keywords to appear in the headline or title.

- **Fair Disclosure Express** (http://www.edgar-online.com/fdexpress). Sponsored by EDGAR Online, this subscription-based EDGAR site contains free links to the text of the Fair Disclosure rule, definitions, and discussion about its future impact on shareholder, company, and analyst. It includes a free list of each day’s 8-K and 425 filings, but you must be a subscriber to EDGAR Online to access the full text. Of course, unless you needed to access a large quantity, you could use this site to “view” the most recent filings and then turn to one of the free SEC filing sites, such as SEC Info or EdgarScan, and retrieve the filing for free.
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- **SEC INFO** ([http://www.secinfo.com](http://www.secinfo.com)). Click on the Fair Disclosure Per Regulation FD link on the home page to display a chronological list of all related filings. The list includes the filing company’s name, date, and a number that ties to a legend located at the bottom of the page telling you the purpose of the filing. The number 9 represents Reg FD filings.

**Sources for Financial Disclosures: Print Publications**

Several print resources are staples for providing examples of financial disclosures. While not always substitutes for conducting a database search, they are heavily used by most practitioners and you might want to consider purchasing them for quick reference. In most cases, the print publications are updated annually and so they will not contain examples of disclosures for recently released accounting standards. Key print resources for financial disclosures include the following:

- **Accounting Trends and Techniques** ([http://www.cpa2biz.com](http://www.cpa2biz.com)). This annual print publication is an industry standard. Each year the AICPA reviews approximately 600 public company annual reports and extracts sections of the financial statements and footnotes which illustrate both frequently used and unusual disclosures. It also identifies the best practices of established companies as well as newer firms. The content is organized into topics that are cross-referenced to an index located in the back of the volume; the index also includes references to all pronouncements discussed. *Accounting Trends and Techniques* is only available electronically as part of the AICPA’s reSOURCE subscription database.

- **Aspen-Miller GAAP Financial Statement Disclosures Manual** ([http://www.aspenpublishers.com](http://www.aspenpublishers.com)). This annual publication contains more than 900 examples of realistic sample footnote disclosures used in the preparation of financial statements. The manual also includes a financial statement disclosure checklist that provides a centralized resource for the required and recommended GAAP disclosures currently in use. The book is accompanied by a CD-ROM; it is accessible on some electronic databases, including CCH’s Tax Network’s Accounting & Audit Library.
AICPA Checklists and Illustrative Financial Statement (http://www.cpa2biz.com). Each year the AICPA updates a series of checklists that reflect AICPA, FASB, and GASB pronouncements and interpretations; SEC regulations are referenced where applicable. There are approximately 12 titles in the series, including: Corporations, Banks and Savings Institutions, Defined Benefit Pension Plans, Employee Health and Welfare Benefit Plans, Life Insurance, and Not-for-Profit Organizations. The checklists are only available in print.

Sources for Business Ratios

As discussed in the previous section, business ratios, also known as financial or operating ratios, are used to evaluate a company’s financial position. The financial researcher can assess a company’s performance by comparing its current ratios with ratios from previous years or with ratios for its industry as a whole.

Aggregate Industry Ratios. Before beginning our discussion of sources for aggregate industry ratios, let’s look at the two systems developed by the U.S. government to classify or group U.S. industry segments. You will need to be familiar with these systems in order to use sources of industry ratios. The two systems are the Standard Industrial Classification (SIC) and the North American Industry Classification (NAICS) systems. Although the NAICS system, which was developed to more accurately represent specific business niches, “officially” superseded the older SIC system in 2001, it has been slow to catch on and most companies and business research tools continue to follow the older SIC code system.

How do these classification systems work? SIC codes use two-digit codes to describe a broad range of industries, three-digit codes to break these down to more narrow sectors, and finally four-digit codes for specific industry niches. For example, the SIC code for the broad industry group for Engineering & Management Services is 87; within that group, 871 is the code assigned to Engineering & Architectural Services, and 8713 is the SIC code for Surveying Services. NAICS uses a similar system, but goes further by expanding the industry to a five- and, if necessary, six-digit

number. For example, under the NAICS system Computer Systems Design is classified under the two-digit code for Professional, Scientific, and Technical Services, 541 is the code assigned the same title, 5415 and 54151 represent Computer Systems Design and Related Services, and the narrower niche of Custom Computer Programming Services is assigned the 541511 code.

Since your requestor may not know the specific code for his or her client’s industry, be sure to ask for a good description of what the company does. Virtually all business research tools using SIC or NAICS codes contain cross-references between the code and the description, enabling you to easily identify the specific code even if you only know the organization’s industry. However, be prepared for the possibility that you may not be able to find an exact match for the industry. Historically the SIC code system has erred in the direction of being more broad than specific; for example, there is no SIC code for a company engaged as an Internet Service Provider; but NAICS accommodates this industry niche in its classification system. Find the closest match possible, but be sure to communicate the complete description of the code to your clients so that they can gauge the need to account for any variations in the data.

If the industry is not a clean match with the client’s business, it is very important that they be made aware of that fact.

You may want to purchase print copies of both the Standard Industrial Classification Manual and the NAICS/SIC Code United States Manual because you are going to need to reference these frequently, and constantly looking up the information on the Internet will prove to be a poor use of your time. More importantly, both print manuals contain additional levels of explanation of each code, which is not always found online but is extremely helpful for determining the best code to match a company’s business. However, if you prefer to look them up on the Web, both the SIC codes (http://www.osha.gov/osha STATS/sicser.html) and NAICS codes (http://www.census.gov/epcd/www/naics.html) are posted for free on the Internet, including tables which cross-reference one to the other. Both sites provide access by keyword searching and browsing.

Two standard sources for accessing aggregate industry ratios are RMA’s Annual Statement Studies: Financial Ratio Benchmarks (http://www.rmahq.com) and Dun & Bradstreet’s Industry Norms & Key Business Ratios (http://www.dnb.com). Both sets of data are available in print and electronically directly from the respective
publishers. They are the most reliable sources in terms of reputation, breadth of industry coverage, and range of data analysis and each one continues to be relied on heavily by accountants and financial advisors in the preparation of the required business performance review. Both are organized by SIC code, with RMA beginning its conversion to NAICS with its 2003/2004 edition. While there is some overlap in the industries covered, Dun’s includes many additional industries since it draws the data from its company database of more than one million financial statements. RMA gathers its information from its membership. Each includes some different ratios and may present the data slightly differently.

Following are some examples of ratios you will find using these sources:

- **Liquidity Ratios.** Measure the quality and adequacy of current assets to meet current obligations as they come due. Types of liquidity ratios are Quick Ratio, Sales/Receivables, and Cost of Sales/Inventory.

- **Operating Ratios.** Assist in the evaluation of management performance. Types of operating ratios are Sales/Total Assets and % Profits Before Taxes/Tangible Net Worth.

You should consider purchasing both sets of data if you are regularly asked to locate this type of information. Should you purchase the print or electronic formats? The answer will depend on the size of your budget and the importance to your work to be able to download the data into a spreadsheet. Evaluate differences in cost of one format over the other. Are there any significant differences in the content? The print versions of both sources are well organized and data is very easy to locate. Consider if the electronic version is as efficient to use as the print. You may be surprised that the answer may be no.

*Troy's Almanac of Business and Industrial Financial Ratios* ([http://www.amazon.com](http://www.amazon.com)) is another frequently referenced source of financial ratios. The data is drawn from IRS tax return data for almost 5 million U.S. and international corporations; it is available in print and CD-ROM. The CD-ROM version presents the data in .pdf and is not formatted for downloading into spreadsheets. More importantly within the context of conducting accounting and financial research, although *Troy's Almanac* is published annually, the most recent data generally runs two years behind. Since it is appropriate for providing the timely financial analysis that accountants and financial advisors need for their clients, *Troy's Almanac* is not included in our list of recommended sources.

Integra’s Industry Financial Analysis Reports (http://www.integrainformation.com) and BizMiner’s Financial Analysis Profiles (http://www.bizminer.com) provide industry-specific analysis of financial statement and ratio trends and forecasts. Available only in electronic format, both have introduced several pricing models for their content, including one-off purchase of discreet reports directly from their Web sites. You can view samples of the reports for free. Some Integra data is also available to subscribers of the OneSource Business Browser suite of databases.

**COMPANY-SPECIFIC RATIOS.** A number of sources, both print and electronic, provide profitability ratios for specific companies. The range of ratios included will not be as extensive as found in the sources discussed above, but may still be valuable for your research:

- **Mergent Online** (http://www.mergentonline.com). A subscription-based database that includes company-specific key ratios drawn from U.S. and international public companies. In addition to viewing ratios for specific companies, you can also build custom reports that compare ratios for a selected list of company peers. The data can be downloaded into .pdf, Word, and Excel. You can select the number of periods or years for retrieving the data, ranging as far back as 15 years.

- **Standard & Poor’s Industry Surveys** (http://www.standardandpoors.com). Available both in print and electronically, the “Comparative Company Analysis” section of each industry report contains approximately five years of ratios for a peer group of U.S. public companies. Many public and academic libraries have the print volumes in their collections.

- **Standard & Poor’s Stock Reports** (http://www.standardandpoors.com). Available both in print and electronically, each company report includes some key ratios. Many public and academic libraries have the print volumes in their collections.


- **Investment Analyst Reports** (http://www.investext.com). Both company and industry reports often contain comparative financial data and ratios for a peer group; look to longer reports (generally 10+ pages) for this type of information.
Sources for Financial Market Data

As discussed in the previous section, accountants regularly request financial market data to independently assess the reasonableness of client assertions about the value of their company’s assets and liabilities.

Identification and descriptions of the many sources for accessing financial market equity, debt, and index pricing and ratings are covered in great depth in the *Investment Research* volume of this series. Refer to this source for a more in-depth discussion of resources and strategies for locating this type of information.

There are an abundance of free financial sites on the Web that “appear” to contain good information, and while some are excellent and worth using, many are not. Remember that appearances can be deceiving. Never forget that the information you are gathering will be used to validate and support important business decisions. Using information that is out of date, incorrect, or unsubstantiated can result in placing your firm and your firms’ clients at risk. Chose carefully and do not yield to the lure of an attractive, information-packed Web site or the pressure of “getting it for free” on which to base your resource selections. Rather, carefully consider the cost of the risk of not using reputable, reliable sources as weighed against the cost of subscribing to a particular product.

The instructions that accountants will give you to locate financial market data will often come in the form of incomplete or “cryptic” information. You may be provided with a list of stocks and bonds that you need to look up in order to verify pricing values or ratings. Oftentimes, the key to locating these is to identify the unique number that has been assigned to that entity and which allows for its quick and precise retrieval. The requestor may not always know this number and so it will often be left up to your creative wiles to locate it. Following are a few resources that you will want to add to your bag of survival tricks:

- **CUSIP Number.** A CUSIP is a unique number assigned to common and preferred stocks, mutual funds, and corporate and municipal bonds for security identification on the exchanges and over-the-market markets. For example, Walt Disney’s CUSIP number is 254687106 and Coca Cola’s number is 10121600. Some CUSIPs, especially government issues, include letters combined with numbers. CUSIP numbers are often the easiest and most exact method for looking up equity and security values, and in some cases you simply will not be able to...
locate the exact entity without knowing it. Typically, accountants do not volunteer this information, so you might need to request that they look it up on their client’s investment brokerage report or contact the broker directly. While company ticker symbols (see discussion below) are widely reproduced in most public company print and free Web-based information sources, CUSIP numbers remain elusive. One excellent source for looking up CUSIPs is the Form706.com Web site, http://www.form706.com. This site is free but you will have to register to use it. Its search engine allows for quick and easy lookup by company name or one or multiple ticker symbols. A “record” contains the entity name, ticker symbol, and CUSIP number.

- **Ticker Symbol.** Public companies are assigned a unique 2- to 4-letter acronym to facilitate trading on one of the exchanges. While each company has a ticker, it can be more problematic than CUSIP numbers for retrieving the exact match since one company can have multiple tickers, many of which look very similar. You can try to locate a ticker on the company Web site (look for the “Investor Relations” section) or by using the form706.com site described above. Company ticker symbols are widely reproduced in most public company print and free Web-based information sources.

- **Mutual Funds.** (http://www.quicken.com/investments/quotes). Mutual funds have their own brand of unique identifying symbols. Also referred to as ticker symbols, they usually consist of five letters; for example, FAIGX is the symbol for the Fidelity Advisor Balanced Fund group. A diverse Web site, Quicken can also be used to look up the ticker symbols for companies and equity indices, such as the Dow Jones Industrial Average.

**Sources for Economic Data**

Just as accountants are required to validate client assertions about stocks and bonds, so they also need to tap into economic and monetary data, such as foreign exchange rates, the prime and LIBOR rates, U.S. Treasury bills, the Consumer and Producer Price Indexes, and more. While the use of economic data is certainly not unique to accounting and financial professionals, its specific application has relevance to this community. In the following section, we will identify the types of economic data that accounting and financial professionals regularly tap into and the best sources for accessing them.
There are multiple sites on the free Web and many subscription-based databases which contain economic and monetary data. How do you know which is the best source to use? Some of them present the same data with different output options (for example, Adobe .pdf, or Excel). The data may be averaged on a monthly, quarterly, or annual basis. Some sources provide the most recent month or year’s worth of data, while others display 10, 15, 20, or more year’s run of the data. Which source you turn to will depend largely on your client’s needs. The more knowledge you have of the choices of sources, the more likely you can deliver closely matched results.

It is more important that you use sources that provide reliable, authoritative data. A recommended research practice is to begin by turning to the original author or source of the information. For example, the Federal Reserve is the primary source for the prime rate and federal fund rate; The Bureau of Labor Statistics is the primary source for the Consumer and Producer Price Indexes. However, as we discussed above, you ideally want to match the data itself with other options, such as output or date range, which most closely approximates what your client needs. Matching up all of these criteria is one of the primary reasons why you need to leverage from awareness of multiple sources for “like” information.

HISTORICAL AND CURRENT DATA. Accountants use historical data to test their clients’ financial transactions that are recorded in the past and current data to test a value as of the balance sheet date. Following are some recommended sources for tapping into this important information:

- Federal Reserve Board (http://www.federalreserve.gov). The FRB is the primary source of U.S. banking financial and economic data. It has a main home page, but each of its 12 Federal Reserve District Banks has their own sites as well. The regional sites are especially useful for looking up state and regional data. While we are going to focus on the main FRB Web site, you are strongly encouraged to check out the regional sites. They are all excellent and each one contains some unique information. Following is some of the most frequently requested economic data accessible on the Fed’s Web site:
  - Prime Rate
  - Foreign Exchange Rates
  - Federal Funds Rate
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- Commercial Paper
- Certificates of Deposit ("CDs")
- Treasury Bills
- Treasury Bonds

The data is published in the form of Daily, Weekly, Monthly, and Annual Releases; the monthly and annual releases are usually calculated as averages. To view the releases, from the Federal Reserve home page, click on links to Economic Research and Data, then Statistics: Releases and Historical Data. Some of the releases are available in .pdf format and most of the data is formatted for downloading into Excel.

Each release is assigned a combination letter and number. The FRB’s releases are frequently referenced to and reproduced on the free Web. Familiarity with these assigned designations is very useful for verifying the validity of the data and for sourcing it back to the Federal Reserve. You can also use your knowledge of a release number to run a quick search on a Web-based search engine. For example, typing “federal reserve h.15” links you to the most recent release of selected interest rates. Following are the most frequently requested releases:

- **Daily and Weekly Releases**
  - H.10—Foreign Exchange Rates
  - H.15—Selected Interest Rates. Contain Prime Rate, Federal Funds Rate, Certificates of Deposit, Treasury Bills, Treasury Bonds, and Moody’s Aaa and Baa Bonds

- **Monthly Releases**
  - G.5—Foreign Exchange Rates
  - G.15—Selected Interest Rates. Note: Release G.15 was discontinued in January 2002. All selected interest rate data is now incorporated into Release H.15.

- **Annual Releases**
  - G.5A—Foreign Exchange Rates

Let’s spend some time discussing foreign exchange rates before looking at some other sources of economic and monetary data. The Federal Reserve’s releases are the recommended first places to turn for locating exchange rates. The FRB publishes “noon buying rates,” which is often specifically requested by accountants. As of January 3, 2002, the European Community’s (EU) euro currency is reported in place of the individual euro-country currencies. These are: Austrian schilling, Belgian francs, Finnish markkas, French francs, German marks, Irish pounds, Italian lire, Luxembourg francs, Netherlands guilders, Portuguese escudos, and Spanish pesetas. Typically accountants will ask for the
exchange rate in the specific country’s currency rather than converted to the euro. You may then need to take the initiative to make the conversation from the euro rate, as reported on the release’s main table, to the U.S. dollar.

While confusing at first sight, the process for performing this calculation is really very simple. Located at the bottom of each release is a table that contains the number of individual country currencies that equal 1 euro. For example, 1 euro = 1.95583 German marks. The same data is reported for each of the 11 countries. To calculate the conversion, you multiply the number of the country’s individual currency that equals 1 euro by the number of euros for the desired date that equal 1 U.S. dollar. Following is an example of how you calculate the conversion:

What is the German mark’s monthly average exchange rate in U.S. dollars in January 2003?

- 1 EURO = 1.95583 German marks
- 1 U.S. dollar = 1.0622 euros
- 1.95583 x 1.0622 = 2.07 German marks = 1 U.S. dollar

Now let’s take a look at the primary sources of some of the most frequently requested economic and monetary data and recommended “other” sources for tapping into this data.

- Additional sources of foreign exchange rates.
  - The Currency Site (http://www.oanda.com). Click on the link to Historical Rates on the home page. Only daily rates are available but you can download them into Excel and use the spreadsheet’s Function/Average option to calculate the desired data.
  - Pacific Exchange Rate Service (http://pacific.commerce.ubc.ca/xr). This site includes several options for accessing exchange rates, including Historical Annual Average Rates from 1948–present in .pdf. It also includes links to other exchange rate sources and a list of the currency name for each country.
  - Bureau of Labor Statistics, Department of Commerce (http://stats.bls.gov). The BLS is the primary source of key U.S. economic

indicators, such as the CPI,\textsuperscript{12} inflation, PPI,\textsuperscript{13} Employment Cost Index, Unemployment Rate, and more. Current and historical statistical data is aggregated nationally, regionally, and on a state level. You can retrieve particular data as published or run customized queries to retrieve specific data. From the BLS home page, click on the link to Get Detailed Statistics.

The BLS has worked hard to make this search process as user-friendly as possible, but it can be cumbersome and confusing the first time around. Try running a few test runs; the queries are free and run quickly. If you simply cannot make sense of it or need validation of the returned data, send an e-mail to the BLS Help Desk (labstat.helpdesk@bls.gov) or call your local or regional office (phone numbers will be posted on the BLS Web site).

- Economic Indicators (http://www.access.gpo.gov/congress/cong002.html). A monthly government publication, Economic Indicators, is available in full text in .pdf on the Web. Individual issues dating back to 1998 and a searchable database dating back to 1995 are accessible on the site. The strength of this publication is that it pulls together in one place a great deal of the financial and economic data released by the Federal Reserve, the BLS, and other government and private-sector sources, such as Dow Jones, Standard & Poor’s, and the major U.S. stock exchanges. Since it is only published monthly, the most recent data may be one to two months behind; you will still need to access the sites of the originating data sources for the most recent data releases.

- Statistical Abstract of the United States (http://www.census.gov/prod/www/statistical-abstract-01.html). Beginning with the 1995 edition, the content included in this annual publication is available for free on the Census Bureau’s Web site. Drawing from most government and quasi-governmental agencies and some private-sector sources, it is a virtual cornucopia of local, state, national, and international government economic, financial, and statistical data. Since Statistical Abstracts is published annually, you will need to consult the originating data source to access the most recent data releases.

\textsuperscript{12} The CPI is a measurement of consumer spending. The rate (percent) of change of the CPI is inflation. Often accountants will ask for the CPI when what they really want is the rate of inflation. Be sure to clarify exactly what information they are seeking.

\textsuperscript{13} PPI (http://www.stats.bls.gov/ppi/home.htm). Accountants frequently request the PPI index and percentage of change for a specific manufacturing sector. Fortunately, the PPI database, located at Get Detailed Statistics, allows you to search on specific criteria, such as the exact industry sector over a specified period of time. You can create customized output tables for one or multiple pieces of data.

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- **Economic Report of the President** ([http://w3.access.gpo.gov/eop](http://w3.access.gpo.gov/eop)). Considered a favorite source for referencing key economic and financial data, the *Economic Report of the President* is published annually in February or March. Each edition contains a section of tables that are lifted right out of Economic Indicators. The tables are accessible in Excel beginning with 1997. You might want to print out the frequently requested ones each year and keep them close by for quick reference. However, remember that the annual publication data will not contain the most recent year’s data. The following tables will be the most relevant for your research:
  - Prices
  - Money Stock, Credit and Finance
  - Corporate Profits and Finance
  - International Statistics

**FORECASTED DATA.** A forecast is an educated perception of how a decision being contemplated will affect the future of the business. As discussed in the previous section, forecasted economic data may be used by the accountant to test a company’s financial statement projects used for valuing a business or asset, or for evaluating the company’s ability to demonstrate continued existence, referred to as “going concern.” There are only a limited number of sources providing reliable forecasted economic data. Following are a few of the best:

- **The Budget and Economic Outlook, Congressional Budget Office** ([http://www.cbo.gov](http://www.cbo.gov)). The CBO’s Budget and Economic Outlook is published annually with a mid-year update. It is one of the best sources for forecasts of economic indicators, such CPI, PPI, GDP, and Treasury Rates. It also reports historical and current data. Links to the most Current Economic Projections and the Outlook are displayed on the CBO home page.

- **U.S. Outlook, Conference Board** ([http://www.conference-board.org](http://www.conference-board.org)). The Conference Board posts the U.S. Outlook each quarter on its Web site. It contains quarterly data and forecasted data going back one year, with annual forecasted data going out two years. The data is reported as seasonally adjusted annual rates (%). Coverage includes: Real GDP, CPI/Inflation, 90-Day T-Bills, 10-Year Treasury Bonds, and more. To access U.S. Outlook, click on the Economic tab at the top of the home page; click on the link to U.S. Outlook.

- **BusinessWeek’s Economic Forecast Survey** ([http://www.businessweek.com](http://www.businessweek.com)). Published annually with a mid-year update, this forecast

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covers the state of the economy and contains key current and forecasted data. It includes U.S. and global economic data and financial market indexes. You must be a subscriber to the print or electronic edition of BusinessWeek to access this data. To access the survey, type “Economic Forecast Survey” in the search box on the BusinessWeek home page.

- **Financial Forecast Center** ([http://www.forecasts.org](http://www.forecasts.org)). Turn to this site for forecasts of stock indexes (Dow Jones Industrials, D&P 500, etc.), money rates, (Prime, Treasury Bills, etc.) exchange rates, and economic indicators (CPI, inflation, etc). The site also contains historical data.

**INTERNATIONAL ECONOMIC DATA.** The increased need for international economic data, of which the LIBOR rate is one of the most requested, is directly tied to the increased globalization of corporate business operations. Following are some reliable sources for tapping into international economic data.

- **London Interbank Offered Rate** ([http://www.bba.org.uk/media](http://www.bba.org.uk/media)). The LIBOR rate is a measurement of what major international banks charge each other for large-volume loans of Eurodollars or dollars on deposit outside the United States. It is a close equivalent to the U.S. prime rate. This site contains current and historical (dating back to 1987) LIBOR rates, reported as 1 month, 2 months, 3 months, 6 months, and 12 months. All the data is available in Excel.

- **World Economic Outlook Database** ([http://www.imf.org/external/pubs/ft/woe](http://www.imf.org/external/pubs/ft/woe)). The WEO, published in May and October each year, aggregates annual country economic data. Each series contains annual data beginning with 1970 and projects out two to three years. All data is available in Excel. This site can be a bit trying to navigate but it is worth the effort. It contains an impressive amount of reputable data and most of it is available for free. The economic series included are:
  - Real Gross Domestic Product (annual percent change)
  - GDP (local currency and U.S. dollars)
  - Inflation (annual percent change)

- **Economist Intelligence Unit ViewsWire** ([http://www.eiu.com](http://www.eiu.com)). EIU is one of the most reputable names in the business for international economic data. Its subscription-based ViewsWire database includes a large range of data reported on a country-by-country and regional basis. The information includes economic structure, interest indicators, outlook, five-year forecasts, country risk ratings, and backgrounders.
Euromonitor’s Global Market Information Database (http://www.euromonitor.com). Euromonitor specializes in collecting international economic, demographic, and consumer-focused data. The Country Data and Forecasts modules of this subscription-based database include consumer prices and costs, economic indicators, income and learning, labor, and external trade data reported on a country and regional basis. The strength of this interface is the ability to easily create customized data queries and reports and to download all the data to Excel.

Sources for Corporate Strategic and Operational Intelligence

In the capacity of accountant and financial advisor, your client might need to identify a number of internal and external business factors that impact an organization’s financial performance. These can include a company’s broad objectives and strategies, scope and description of lines of business, property and plants, and inherent and environmentally imposed external risks. Following are some of the most essential sources of that level of information:

ANNUAL REPORTS. Although not official SEC filings, annual reports are produced by virtually all U.S. public companies (and many private companies). These documents are usually available within three months after the fiscal year ends. For example, the majority of U.S. public companies have a December 31 year-end and March and April are when most public company annual reports are released.

The annual report contains some important financial information, including financial statements, financial footnotes, and the auditor’s report. Its purpose is to tell its shareholders the story of the company’s financial position, management and business successes and present challenges for the prior year, and strategies and opportunities for the future. Look here for information about a company’s broad objectives and strategies, scope and description of lines of business, background on upper management, and merger and acquisition activity. In the President’s Letter to the Shareholders, the CEO will recount the major events of the past year and set the tone for the year to come.

Annual reports are often used as marketing pieces and as such, are biased in favor of creating the most favorable picture for current and prospective shareholders. This natural bias does not
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detract from their value as long as you understand it and seek out additional sources to verify any information that your clients might rely on for important financial or business decisions.

How do you locate a company’s annual report? Since they are not required SEC filings, they will not be available on free EDGAR sites. However, key sections, such as the financial statements, financial footnotes, MD&A, and Auditor’s Opinion, are usually either introduced into the body of the 10-K or incorporated by reference into the 10-K’s Exhibit 13. Many of the EDGAR sites call the 10-K the annual report, since technically the 10-K is the company’s annual filing. Don’t be mislead by this labeling; you are not accessing the entire annual report on these free sites.

Most public companies now post the past two to three years of their annual reports on their Web sites for free, usually in .pdf format. These are usually located in a section called “Investor Relations,” “Financial Information,” “About Us,” or similar such descriptions. If you do not find a link to the report in .pdf, you are probably not viewing the entire document. If what you need is not located on the site and time is not of the essence, contact the company directly (ask for the Investor Relations Department) and they will send you a free copy. Report Gallery (http://www.reportgallery.com) is a free Web site that links to annual reports of many U.S. companies. Many public and academic libraries also have collections of historical SEC filings and annual reports on microform. If you are unable to locate the report for free, there are several subscription-based and for-pay electronic services that you can use to download annual reports, including LexisNexis, Thomson Research, and Mergent Online.

When deciding on the most appropriate outlet for accessing annual reports, consider if it is a high priority for you to view and output the documents in image format. If the answer is yes, then Thomson Research or Mergent Online are databases you should consider. Thomson Research contains the most comprehensive collection of annual report images on its Web site. As the original contractor with the SEC for its paper filings, a sister company, Disclosure, also has the largest and oldest repository of paper SEC filings and company annual reports. Accountants often need to access filings that are older than what is available in digital format (generally pre-early 1990s). If you regularly need older documents, you might want to set up an account with Disclosure; they can ship any documents to you. Mergent Online also provides access to annual report images through their subscription service.
There is, however, one important disadvantage to searching annual reports in .pdf format—they cannot be free-text searched. Instead, keywords are limited to basic search fields, such as company name and date. Most database vendors do not make this point clear. If you need to search across the full text of annual reports for your client research, LexisNexis and Dialog both provide text-only versions. However, keep in mind that while you benefit from the ability to conduct keyword searches across the complete document text, you also sacrifice the power of viewing and outputting the annual report in its original format with pictures, graphs, and colors.

**COMPANY WEB SITES.** Public company Web sites contain a wealth of information about an organization. Look for links to press releases, external articles, annual reports, management profiles, customer lists, product development, and other information that might provide you with critical insights into an organization’s financial and strategic position and directions. Spend some time scouring the site; do not assume that what you are looking for will always be located in the obvious places.

Since private companies are not required to publicly disclose information, their Web sites often contain the most, and sometimes only, financial and strategic information that you will be able to locate. Sometimes the Web sites are duds! But do not neglect to check. The competitive marketplace is even driving private companies to reveal more about themselves.

**INVESTMENT ANALYST REPORTS.** Company and industry reports written by investment brokerage firms, such as Merrill Lynch, Goldman Sachs, or Deutsche Bank, are excellent sources of company strategic and operational intelligence. They often reflect a unique “inside” knowledge of the companies they track that you will not find in newspaper and magazine articles. These reports are rich sources of financial information, detailing a company’s current, historical, and estimated projected financial health, comparative financial analysis with key industry competitors, analysis of the company’s lines of business, risk analysis of continued performance, industry “hot” issues, and forecasts and strategies. Their focus on risk analysis is especially valuable to accountants and financial advisors.

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Access to these reports is largely limited to fee-based electronic services, but most of these allow you to search for and view an individual report’s table of contents (TOC) for free. You have the option of either purchasing an entire report or select pages. With a cost per page of $8.00 to $10.00 and a substantive report ranging from eight to several hundred pages, the purchase by discreet page is the best bang for your buck. You will need to ask your client upfront to define exactly what information is needed and the maximum amount of money available. Usually you will be able to determine the sections to purchase by scanning the TOC. If you are not sure, have your client select the relevant pages. You never want to make assumptions and risk making poor purchasing decisions. Your clients rely on your ability to manage their research budgets effectively.

Where do you locate analyst reports? While some current reports might be posted on a company or analyst’s Web site (it is always worth a look), the majority must be purchased using an electronic database service. The best of these services include: Thomson’s Research Bank on the Web (http://www.investext.com), Multex (http://www.multex.com), Factiva (http://global.factiva.com), LexisNexis (http://www.lexisnexis.com), and Dialog (http://www.dialog.com). These are the “best” because they contain the largest collections of U.S. and international brokerage firms and their analysts. Typically, financial professionals will seek reports written by recognized firms.

If purchasing analyst reports is not an option, an alternative is to look for articles in newspapers and trade magazines that contain data extracted or summarized from these reports. While not the same as accessing the full reports, journalists will often quote key financial, operational, and strategic passages and data from these reports. Factiva, LexisNexis, and Dialog are examples of electronic business databases that aggregate such articles from large collections of external business sources. Especially tailored for this type of research are two additional databases, Business & Industry and TableBase, both available on Dialog and other aggregators. The former specializes in company and market intelligence and the latter contains a collection of statistical and content-rich tables that are culled from articles, analyst reports, and other documents.

When searching Factiva, LexisNexis, and Dialog, consider incorporating keywords such as “annual report,” “analyst,” “trends,” “outlook,” “strategic,” “strategy,” or “future” into the article’s headline and lead paragraph. If you know the

particular analyst or brokerage house that tracks a company (this information is usually posted on the company’s Web site), another useful strategy for locating insightful discussions is to introduce the analyst or brokerage house name into the search statement. Take advantage of Business & Industry and TableBase’s excellent indexing to develop focused search strategies.

**MANAGEMENT DISCUSSION & ANALYSIS.** Recent accounting scandals have placed new emphasis on this section of the 10-K, found in Part II, Item 7 of the document body. Written by the CEO, the MD&A gives the investor an opportunity to examine the company’s performance through the eyes of management by providing both a short- and long-term analysis of the business. It provides a narrative explanation of the financial statements in order to make the financial statements and accompanying footnotes understandable to a reader who is not a financial professional.

The MD&A usually begins with management’s identification and evaluation of information, including the potential effects of known trends, commitments, events, and uncertainties—important issues for providing investors with an accurate understanding of the company’s current and prospective financial position and operating results. Typically, it is included in both the company’s 10-K and its annual report. Use any of the free EDGAR Web sites, such as SEC Info (http://www.secinfo.com) or EdgarScan (http://edgarscan.pwcglobal.com/servlets/edgarscan) to locate the 10-K. Click on links contained in the hyperlinked TOC to quickly locate the MD&A, either by the section name or the section part.

**SEC FAIR DISCLOSURE.** Discussed in the earlier section on financial disclosures, the transcripts of the analyst morning calls can also be extremely powerful for gleaning intelligence about a company’s strategic and operational strengths, challenges, and future directions.
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**The Wall Street Transcript** ([http://www.twst.com](http://www.twst.com)). This subscription-based service provides several different vantage points for learning more about a company’s management, strategies, and operations. Focused on seven industry sectors (technology, finance, health, consumer, industrial, natural, and investing), TWST contains analyst commentary on a company’s performance, roundtable discussions of industry experts, and pithy CEO interviews offering a very personal and direct perspective on an organization’s markets, competitors, management, and other important issues. You can subscribe to all seven sectors or individual ones. The *Wall Street Transcript* is accessible directly from its publisher or from several electronic database aggregators, including Research Bank on the Web and Factiva. This is an excellent service and so reasonably priced that it is worth subscribing to all of the available content directly from the publisher if you do not already have access via one of these databases.

**Sources for Information about Corporate Governance**

Corporate governance is certain to remain a pervasive issue for financial professionals, corporate management, outside advisors, shareholders, and employees. The close working relationship between accountants and a company’s management, board, and committees, and the increased public and regulatory focus on accountability on both sides ensures that requests for corporate governance type information will remain a high priority. Some recommended Web sites for tracking corporate governance include: SEC ([http://www.sec.gov](http://www.sec.gov)), AICPA ([http://www.aicpa.org](http://www.aicpa.org)), FASB ([http://www.fasb.org](http://www.fasb.org)), the Big Four Accounting Firms (Deloitte Touche, [http://www.deloitte.com](http://www.deloitte.com); PricewaterhouseCoopers, [http://www.pwcglobal.com](http://www.pwcglobal.com); KPMG, [http://www.kpmg.com](http://www.kpmg.com); and Ernst & Young, [http://www.ey.com](http://www.ey.com)), the New York Stock Exchange ([http://www.nyse.com](http://www.nyse.com)), and the National Association of Securities Dealers ([http://www.nasd.com](http://www.nasd.com)). Financial newspapers, such as the *Wall Street Journal* and the *Financial Times*, and magazines, including the *Economist*, *Forbes*, *Fortune*, and *CFO Magazine*, will continue to heavily report on this important topic. Several research institutes are actively publishing white papers and sponsoring lecture series and conferences on corporate governance. These include...

**CORPORATE MANAGEMENT AND BOARD MEMBER BIOGRAPHICAL PROFILES.** For U.S. public companies, both the 10-K and the annual proxy statement, officially known as SEC filing DEF 14A, are key sources of employment history and board activity for a company’s upper management and members of the board of directors. The proxy statement is a written document that the SEC requires to be provided to shareholders before they vote by proxy on corporate matters. It typically contains proposed members of the board of directors, inside director’s salaries, changes in company officers, and other management-related matters.

Top management are profiled in the 10-K (look for a section called Executive Officers) and the board of directors’ biographies appear in the proxy statement when their elections are confirmed. Typically these profiles contain an individual’s management-level positions, including title and years, and the current boards that he or she sit on. Most public companies now also post biographical information for upper management on their Web sites. Some private companies may also place biographical information on their sites; it is always worth a look.

Newspaper and magazine articles are also good sources for biographical profiles. Look for articles that profile a company or its CEO. When an executive is promoted or hired, an in-depth profile will often be published in the *Wall Street Journal* and in local or regional newspapers. Following are some recommended strategies for locating biographical profiles using electronic databases:

- Include the word “profile” or “interview” in the headline/title or lead paragraph. For example, if you want to locate a profile of Coca Cola’s CEO, Douglas Daft, using Factiva, your search strategy would be: hlp=(doug* w/2 daft) and hlp=(profile or interview).

- Articles that profile a company will often contain background information on its top management within the body of the document text. Using the example from above, use the following search strategy to unearth these types of articles: hlp=(overview or outlook or profile or trend* or forecast or future) and doug* w/2 daft.
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- If the individual has a middle name, you will need to develop a keyword search that allows for the possible occurrence of a middle name or initial. For example, searching for “james w/2 hamilton” will retrieve mention of james hamilton, james henry hamilton, or james h. hamilton. In most cases, options for conducting this level of complex searching is only available using one of the powerful subscription-based databases, such as LexisNexis or Factiva. Work with the database’s customer service to understand its command language to determine the best strategy for allowing for a middle name or initial. When it comes to using one of the free EDGAR sites or Web search engines, your options for comprehensive name searches is greatly limited. In most cases, you can only search for the first and last name, and hope for the best. Unfortunately, you are virtually guaranteed of missing some potentially important information.

The company directories identified below include brief biographical sketches of company management and/or members of the board of directors. Available in print and electronically, most public and academic libraries should have the print versions in their reference collections.

- Standard & Poor’s Register of Corporations, Directors and Executives Volume (http://www.standardandpoors.com)
- Dun & Bradstreet’s Million Dollar Directory (http://www.dnb.com)

Compensation and Benefits. Salaries paid to corporate management, board, and committee members also fall under the umbrella of corporate governance. Financial advisors frequently work with both private and public companies to determine the best salary structure.

- Public Companies. Details about management’s comprehensive compensation package, including salaries, perks, and other benefits for a public company’s upper management, are spelled out in its annual proxy statement. The base salary is usually published in the 10-K, and can also be found in company directories and online databases, such as Standard & Poor’s and Dun and Bradstreet.
- Private Companies. Since U.S. private companies are not required to disclose financial information, it is very difficult to find compensation data and to verify the accuracy of what you do find. If you are able to locate any data, it will be limited to straight salary. One possible source of information for private
companies is Dun & Bradstreet Business Information Reports (http://www.dnb.com). D&B’s Information Reports, popularly referred to as “D&Bs,” are available directly from D&B (http://www.dnb.com) on a subscription basis. They can also be accessed via some of the electronic business aggregators, such as Dialog and Factiva, or purchased as needed from many Web interfaces, including Hoovers (http://www.hoovers.com).

You can also try to locate salary data by identifying lists ranking the wealthiest executives or the top private companies. These lists can be found in local and regional newspapers, business chronicles, and business magazines, such as Forbes and Fortune. Gary Price’s List of Lists (http://www.specialissues.com), a free Web-based directory, contains an excellent collection of links to many of these lists and rankings. Bizjournals (http://www.bizjournals.com) is the primary source for purchasing the business chronicle lists. They are also available in an annual publication called the Book of Lists and can be purchased in print or CD-ROM. Bizjournals has a search engine that does allow for simple keyword search in specific chronicles, but the search engine and full-text access is extremely limited.

**AUDIT COMMITTEES.** With the Sarbanes-Oxley Act now requiring that the auditor report solely to the audit committee, it is absolutely critical for accountants to perform good due diligence research on the individual committee members. The identification of the members is reported annually in the proxy statement, and the pressure of companies to demonstrate the independence of this committee to its management and the board will likely result in company press releases containing additional background information and any updated information. This information will likely be posted directly on the company’s Web site. It can also be located by running a keyword search in electronic databases containing wire stores and press releases, such as Factiva and LexisNexis. For your search strategy, free text search the name of the company combined with the phrase “audit committee.”

**Sources for Information about International Business**

As corporate boundaries continue to blur in our increasingly global economy, the research need is increasing for reconciling accounting standards for entities doing business in multiple countries, and for U.S.-based companies to attempt to reconcile
international accounting standards with GAAP. Should the day come when there is true convergence of all accounting standards, the process will be greatly streamlined. In the meantime, the researcher trying to identify accounting standards for different countries is limited to a handful of print resources. While some of these documents are also available electronically, this remains largely a manual research task. If you are regularly required to locate international accounting standards, consider purchasing some of the print editions for your local library collections. See Appendix 3: Reference Bookshelf, for a recommended list of primary and secondary accounting and audit sources for international accounting standards.

One caveat: Accounting standards for some countries will not be accessible using any of these sources. In these cases, you will have to work through the accounting board for that country (relatively easy to identify using the free Web; for example: “argentina accounting board”), but be prepared for a possible language challenge as the Web site and the standards might only be available in the country’s native language.

INTERNATIONAL BUSINESS OPERATIONS. As companies stretch to redefine themselves globally, they will continue to tap into accountants’ financial insights and broad-based business knowledge to provide them with critical information about the international economic, financial, and regulatory data necessary to make international “doing business” types of decisions. There are two categories of sources to consider:

- **Books and Loose-leaf Services.** Several publishers are known for their “doing business” type publications: CCH (http://www.cch.com) and Matthew Bender (http://www.matthewbender.com) issue a series of loose-leaf services focused on accounting, legal, regulatory, and corporate matters; BNA’s (http://www.bna.com), Tax Management Portfolio series includes a series of volumes on individual countries. Several of the Big Four accounting firms, most notably Ernst & Young (http://www.ey.com), publish an ongoing series of individual books on “doing business” in different countries.

- **Economist Intelligence Unit (http://www.eiu.com).** EIU is one of the most reputable publishers of “doing business” information. It publishes a numbers of newsletters and reports, all of which are available both in print and electronically. While EIU places
some current news stories and discreet economic data on its free site, most of the content is available on a subscription-basis only.

The EIU report that most closely addresses the accountant’s research needs is *Country Commerce*, a guide to the business environment, regulatory framework, and trading risk for more than 60 countries. Each country report includes business and political climate, incentives, licensing requirements, corporate and personnel taxes, HR requirements, foreign trade regulations, e-commerce infrastructure, and more. Two other important EIU reports, *Country Risk Service* and *Risk Ratings Review*, focus on the business risks inherent in doing business in a particular country and geographic region.

### Sources for Competitive Intelligence

The accounting and financial marketplace is becoming increasingly competitive and organizations engaged in providing these types of services are challenged to stay informed about and keep a step ahead of the competition. Following are some key areas in which you might be engaged by your firm’s internal departments to activate regular environmental scans.

**Identifying Company Auditors.** “Who audits who” is one of an accounting firm’s primary sources of market share intelligence. In other words, what percentage of a particular market (typically defined geographically or by industry) do you and your competitors command? There are many reliable sources, both free and subscription-based, that you can turn to determine the most recent auditor of a U.S. public parent company. Here is a public company listing:

- **SEC Filings.** Look for the name of the company’s auditor in several filings:
  - As the signature at the bottom of the auditor’s report, located in the annual report, or incorporated as reference into the 10-K in Exhibit 13.
  - As an 8-K filing, Item 4, the required SEC disclosure about change in auditor; this 8-K must be filed within 10 days of the change taking place, and is often also publicly announced by the company as a press release.
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- In the proxy statement is a statement affirming the continued services of the current accountant or a change of accountant. Several of the EDGAR sites, including SEC Info (http://www.secinfo.com) and LIVEDGAR (http://www.gsionline.com), are now providing direct links to the change of auditor section of the SEC filing with an option to keyword search that section. If you conduct a keyword search across SEC filings, include all the following synonyms in the search statement: “auditor,” “accounting firm,” “accountant.”

- Public Company Directories and Databases. The following print and electronic products cull financial data and text-based information from a public company’s SEC filings. You can use any of them to identify a public company’s auditor:
  - Mergent Online (http://www.mergentonline.com)
  - Standard & Poor’s Register of Corporations, Executives and Directors (http://www.standardandpoors.com)
  - Dun’s Million Dollar Directory (http://www.dnb.com)
  - Dun’s Million Dollar Disc Plus (http://www.dnb.com)

When evaluating the use or purchase of any of the electronic databases, consider both the search strategy and required output. Let’s say, for instance, that you have identified target companies for which you need to find out the name of the auditors. The targets may be specific companies or a group of companies that fit a desired profile, such as belonging to a particular geographic area or industry group. The database must allow you to specify the desired search criteria as well as to request a customized output that includes the company name and accounting firm.

In another search, however, you may want to identify all of the companies that use a particular auditor. In this scenario, the database must contain a field for accounting firm in which you can enter or select the firm name. You must also be able to request that the output contain this information.

Since U.S. private companies are not required to disclose their auditors, most do not. Private companies do not file with the SEC and so tapping into SEC filings is not an option. If you are trying to locate auditors of private companies, you are limited to a few sources, and what you will find is hit and miss at best. In most cases, the accounting firm information will not be included and when it is, it is often incorrect. It is important that you communicate these limitations to your requestor so that he or she is prepared for less
than stellar results. Short of calling up the company and hoping that they will tell you who its auditor is, there is simply nothing else you can do to fill in the gaps except try the following directories:

- **Public Company Directories and Databases.** A very few vendors do attempt to identify private company auditors:
  - Standard & Poor’s Register of Corporations, Executives and Directors (http://www.standardandpoors.com)
  - Dun’s Million Dollar Directory (http://www.dnb.com)
  - Dun’s Million Dollar Disc Plus (http://www.dnb.com)

- **Tracking Industry Trends and Competitors.** Remaining competitive requires careful scanning of the “business landscape;” in other words, knowing your industry’s hot issues and key competitors. The following discussion highlights three of the best source categories and strategies for supporting your organization’s efforts to sustain its own growth and guarantee success in the marketplace.

- **Newsletters and Newspapers.** There are a number of excellent newsletters and newspapers that specifically follow the events and key players in the accounting and related services industry. Typically, these contain profiles of specific companies, conduct annual rankings such as top firms, top people, and top regional firms, and track trends and hot issues. Each publication has a print edition and most are also available from the publisher as electronic subscriptions:
  - Emerson’s Professional Services Review, The Emerson Company
  - Accounting Today, Accountants Media Group, a Thomson Company (http://www.electronicaccountant.com)
  - International Accounting Bulletin, Lafferty (http://www.lafferty.com)

While some of these resources are available selectively on aggregators, such as Factiva and LexisNexis, the article coverage is very selective and usually does not include key competitor rankings and other tabular data. Exclusive reliance on these databases puts you at risk of missing important competitive intelligence. For comprehensive coverage, you will want to explore subscribing to electronic versions directly from the publishers.

All businesses, from the smaller boutique firms to the largest international organizations, are concerned about their local and regional market share. While the newsletters identified above typically focus on larger firms, the best sources for competitive information on smaller, private companies, are local newspapers.
and regional business chronicles. Both usually publish “top ranked lists” throughout the year, profile individual companies, and track corporate and management events and promotions within the business community.

Unfortunately, very little of this type of information, other than what can be found in more substantive, feature articles, is captured electronically. Solid competitive intelligence requires that these papers be visually scanned. Look for sections highlighting “People on the Move,” or “Movers and Shakers.” Often the coverage is just two or three sentences, but these can contain key competitive information that could make the difference in your organization’s competitive positioning.

- **Company Web Sites.** Regularly scanning your competitors’ Web sites can be an effective and free way to track competitor information. Keep in mind the source of the information—the company itself. While this means that the information is biased, that does not detract from its potential importance. As with all information, no matter what the source, you will want to weigh its value and always try to validate the facts using other sources. Companies sometimes reveal surprising pieces of information about themselves, often without meaning to. Scan a variety of areas on each Web site, especially those with these or similar headings:
  - About Us
  - Investor Relations
  - Financials
  - News
  - Products
  - Services
  - Customers/Clients
  - Awards/Recognition
  - Employment

- **Electronic Business Databases.** Running “on-the-fly” searches or setting up automatic alerts using aggregators, such as Lexis-Nexis or Factiva, can be very useful in tracking your competition. Keep in mind that depending on the level of competitive intelligence that you need to gather, searching across these large databases may be just one of several steps, including checking company Web sites, and scanning industry newsletters and local newspapers, as discussed above.

  These large business databases will not contain all of the sources you need to search and even the publications that are available in full text almost always only include selective
articles. Step 1 is understanding the strengths and limitations of each of the of sources; step 2 is developing a search strategy which ensures that you retrieve all the relevant information. When developing your strategy, consider the following:

- **Name of target companies.** Verify the correct spelling, and never include in your search term endings such as co, corp, plc, llc, etc. Take into consideration mergers or other events which have resulted in name changes and, depending on the timeframe of your search, include all the possible name variations.

- **Specificity.** Be as specific as possible about what you are looking for without narrowing the query so much that you miss information. Easier said than done! Consider these techniques:
  
  Work with the database customer service staff to ensure that you take full advantage of all the power search options that are available.

  Inexact language is the bane of good searching. Use synonyms, Boolean logic, and nesting techniques to maximize your ability to “guess” the right keywords. If you are searching for specific company products or services or other events, study the company Web site and industry newsletters to make sure you are using the right terminology. For example, suppose you are interested in tracking your competitor’s mergers and acquisitions advisory services. One company might label that service “corporate finance” while another calls it “financial services.” Mergers and acquisitions are implied in the service description so those exact words may not be used by the company or anywhere in the article. Search too narrowly and you might miss key articles; search too broadly and you may find yourself scanning hundreds of irrelevant stories.

**Locating Audit Fees.** The good news is that beginning in 2001, public companies have been required to disclose the fees that are paid to their accounting firms for services provided. If you need that information prior to this period, or for any period for private companies, it is not available. When the SEC required that audit fees begin to be disclosed in 1991, they established the proxy statement as the official source for that information and defined how these fees were to be broken out. The Sarbanes-Oxley Act made some significant changes to this breakdown of fees and additionally required that beginning in December 2003, fee disclosures be included in both the proxy and 10-K filings.
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How can you efficiently hone in on this information? If you need to identify fees paid by a specific company, your best approach is to locate the proxy statement for that company and use the hyperlinked table of contents to locate the relevant section of the filing. Unfortunately, the verbiage used to describe the fees is not always exactly the same, so limiting a keyword search to “audit fees” might not always yield good results. After December 2003, apply the same strategy described above to the 10-K. Since this is filed at least three to four months prior to the proxy, you will be able to locate the information more quickly.

If your research requires that you locate the information across multiple companies, your best bet is to hone in on the section of the filing in which audit fees are located, rather than experimenting with multiple variations of keywords. Work with the vendor for the interface you are using to determine the most effective strategy. If keyword searching is the only option, try the following search statements: “audit* fee*”, “accounting fee*, (fee* w/6 (accounting or audit* or accountant*))

If your company needs to regularly scan for this data and to manipulate the data in spreadsheets, you might consider contacting The Emerson Company, the same company that publishes the Professional Services Review newsletter discussed above. Emerson maintains a complete database of all the data extracted from the filings and broken out per the SEC requirements. This resource is a subscription-based service.

Salary and Administrative Surveys. Three good sources to consider are described below:

- Institute of Management and Administration (http://www.ioma.com). IOMA is a B2B publisher of management topics in Corporate Finance, Human Resources, Legal, Design & Construction, and CPA Firm Management. The following subscription newsletters contain select salary data in almost every issue:
  - “Accounting Office Management and Administration Report”
  - “Accounting Department Management and Administration Report”
  - “Partner’s Report for CPA Firm Owners”
  - “Report on Salary Surveys”

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- **Free e-Newsletter.** IOMA publishes several excellent monthly electronic newsletters containing good, quick management information and tips; you will be required to register on the site to subscribe. “Business Technology Update” will keep you informed on the latest CRM, ERP, or ASP product reviews and IT policies. Stay abreast of current business technology trends and learn about the latest Web-enabled accounting software or discover solutions for real-time accessibility for clients. Other e-Newsletters of interest include “Financial Management News” and “Consultant’s Focus.”


**Sources for Information on Accounting and Financial Software Packages: Annual Surveys and Product Reviews**

The following sources publish annual accounting and financial software reviews and rankings:

- **Accounting Technology** ([http://www.electronicaccountant.com](http://www.electronicaccountant.com))
  - Subscription-based print and electronic editions.
  - Publishes a review of accounting software and technology in almost every monthly issue. If you need to subscribe to an accounting technology magazine, this is the one.
  - Reviews include: Professional Financial Planning; Payroll Software; Low-Cost Accounting Software; Time and Billing Software; Trial Balance Software; Fixed Assets Software; Tax Planning Software.

- **CFO.com** ([http://www.cfomagazine.com](http://www.cfomagazine.com))
  - CFO.com is the free, electronic version of the CFO Magazine. It is geared toward financial executives; its articles focus on new accounting standards, risk management, technology issues and solutions, and professional career development.
  - CFO publishes several important accounting software buyer’s guides, including High-End Accounting Software Vendors, Midrange Accounting Software Vendors, and Value-Added Resellers (VARs).
  - Its Web site offers free topical e-mail alerts, notifying you when new articles are published on subjects you specify from a list, including accounting, auditing, cash management, disclosure, finance, software, tax, and risk management.

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- Accounting Today (http://www.electronicaccountant.com)
  - Subscription-based print and electronic editions.
  - Addresses the integrating technology with accounting practice and technology products and services for client engagements.
  - Publishes annual list of “Top 100 Products,” ranking the leading software solutions and Internet-based services marketed specifically to accounting professionals.
  - Reviews include: Tax Preparation Planning Software; Payroll Software; Low-Cost Accounting Software.
- Institute of Management and Administration (http://www.ioma.com)
  - Subscription-based print and electronic editions.
  - Publishes several accounting software buyer’s guides throughout the year.

Sources for Information on Accounting Industry Certification

A wealth of information is available about certifications, licensing requirements, and examinations for an individual studying to become a CPA or looking to explore additional certifications in order to remain competitive in the marketplace. Examples of these certifications include:

- CPA—Certified Public Accountant
- CMA—Certified Management Accountant
- CFM—Certified in Financial Management
- CIA—Certified Internal Auditor
- EA—IRS Enrolled Agent

Some of the best Web sites to locate this important information include:

- CPA Exam (http://www.aicpa.org)
- CPA Links, located on the AICPA Web site (http://www.aicpa.org). Links include:
  - State Board of Accountancy. Contains links to all the State Boards of Accountancy
  - Associations—State CPA. Lists of links to each state’s Society of CPAs
  - Accounting Associations. Extensive list of accounting and financial-related associations; useful for exploring associations supporting different career tracks; in many cases, specialized certifications are directly sponsored by associations.

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- Gleim Accounting Home Page (http://www.gleim.com). Gleim is the primary publisher for accounting certification review materials.
- Pfeiffer Wiley (http://www.pfeiffer.com). Pfeiffer Wiley also publishes a heavily used series of CPA review materials, popularly referred to as “Delaney” after one of the authors.
- CPAClass.com (http://www.cpaclass.com). A comprehensive source of information for students interested in becoming CPAs.

CHAPTER SUMMARY

In this chapter we have provided you with the knowledge that you need to begin providing competent accounting and related financial research to your clients. We have done this by identifying and describing the key players, relevant terminology, and defined process by which technical accounting standards are created. As part of this discussion we have also provided some critical background information on recent significant changes in the accounting industry, and the impact that these will have on the regulation, monitoring, disclosure, and most importantly for you, researching of accounting issues.

Having provided you with the framework for understanding the very deliberate process by which accounting standards are created, we turned our focus to discussing the context in which this information is used by accountants and other financial professionals. We discuss why this information is needed, how is it being used, and what is your role in the dynamic of conducting research and providing information to your clients. As part of this section, we presented you with a series of suggestions and thought points for enabling you to engage your client in the level of dialog necessary to ensure that you fully understand what they are asking of you and simultaneously, to establish your credibility as a knowledgeable researcher.

In the final and most substantive section of the chapter, we identified and discussed the best print and electronic sources and strategies to use to address accounting and related financial research questions, drawing the application of each resource back to the context of the types of questions asked that were carefully detailed in the earlier section of the chapter. No single source is perfect and so we tried to provide a balanced perspective on both the strengths and limitations of each identified resource.

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Ultimately, the decisions you make as to which source(s) to use will be drawn from the combination of all of the information shared in this chapter:

1. knowledge of the basics of the accounting standards setting process;
2. understanding who your requestor is and the context in which they are asking and will use the information;
3. a set of parameters for approaching the request which will be developed through dialog with your client; and finally
4. the selection of the sources you will use based on a complete understanding of the whole picture.

The process of learning how to conduct accounting and related financial research is multifaceted. This chapter describes what you need to know. The following chapter presents a real-life example and case study of an accounting research request and walks you through the entire process from the viewpoint of the auditor, her client, and you, the researcher. Pulling it all together in this format will help to highlight the challenges and complexity of conducting competent research, the critical role that communication plays for setting the stage and ensuring good results, and the roles that both technical and experienced-based search skill sets play in selecting the best sources, designing targeted strategies, and adjusting to the unexpected.

APPENDIX 1: GUIDE TO SEC FILINGS

The following table (1) identifies the key filings you will access when conducting accounting and financial research; (2) describes each filing’s functions; (3) indicates the SEC’s timeline filing requirements; and (4) describes the most important sections within their respective filings.14

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**FILING NAME** | **DESCRIPTION**
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10-K | *Annual report, which provides a comprehensive overview of the registrant's business. The report must be filed within 90 days after the end of the company's fiscal year.*

Part I, Item 1 | Business. Identified principal products and services of the company, principal markets and methods of distribution and, if material, competitive importance of patents, licenses, and franchises, number of employees and effects of compliance with environmental laws.

Part I, Item 2 | Properties. Location and character of principal plants and other important properties.

Part I, Item 3 | Legal proceedings. Brief description of material legal proceedings pending.

Part II, Item 6 | Selected financial data. Five-year selected data including net sales and operating revenue, income or loss from continuing operations, total and per common share, total assets, long-term obligations. Also includes additional items that could enhance understanding of trends in financial condition and results of operations.

Part II, Item 7 | Management's discussion and analysis of financial conditions and results of operations.

Part II, Item 8 | Financial Statements and supplementary data. Two-year audited balance sheets and three-year audited statements of income and cash flow.

Part II, Item 9 | Changes in and disagreements with accountants on accounting and financial disclosure.

Part III, Item 10 | Directors and executive officers. Name, office, term, and specific background data.

Part III, Item 11 | Remuneration of directors and officers.

Part III, Item 12 | Security ownership of certain beneficial owners and management. Identification of owners of 5% or more of registrant's stock.

Part III, Item 13 | Certain relationships and related transactions.
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**FILING NAME** | **DESCRIPTION**
--- | ---
Exhibit 13 | Sometimes the financial statements and footnotes are incorporated into the 10-K by reference, originally published as part of the company’s annual report. Be sure to always check the schedule of exhibits. If 13 is included, be sure to print it out, or you will essentially have downloaded a 10-K without any significant financial information.

**10-Q**
Quarterly financial report; although unaudited, it provides a continuing view of a company’s financial position during the year. The 10-Q must be filed for each of the first three quarters and is due within 45 days of the close of the quarter.

- Part I, Item 1: Quarterly financial statements
- Part I, Item 2: Management discussion and analysis. Material changes in the amount of revenue and expense items in relation to previous quarters, including the effect of any changes in accounting principles.

**8-K**
A “current report” used to report the occurrence of any material events or corporate changes which are of importance to investors or security holders and previously have not been reported by the registrant. The report must be filed within 15 days of any event specified in the form.

- Item 2: Acquisition or disposition of assets
- Item 3: Bankruptcy or receivership
- Item 4: Changes in registrant’s certifying accountant
- Item 7: Financial statements and/or exhibits
- Item 8: Changes in fiscal year

APPENDIX 2: ACCOUNTING AND RELATED INDUSTRY ASSOCIATIONS

Associations are excellent sources of information across multiple industries and subjects. They are sources of timely and insightful information including trends and future outlooks, regulatory guidance, technical standards, statistical data, and more. Many publish key journals, informative studies, research reports, and host Web sites rich in content.

Always explore the association’s site, but never hesitate to pick up the telephone to speak directly with someone on staff. Many associations are extremely knowledgeable about their industry; even if the association does not publish or track particular information, its staff can often direct you to the best sources for your information and most are very willing to share knowledge.

In addition, associations often post good data free on their sites and if you do have to purchase a report, they are generally relatively inexpensive. For example, an association’s industry outlook might cost in the range of $25–$125 compared to the $800–$5,000 price tag to purchase a market research report.

Following are the associations that are either directly involved with accounting standards-setting or closely allied to the industry:

American Accounting Association (http://accounting.rutgers.edu/raw/aaa)
- Promotes excellence in accounting education, research, and practice. Publishes journals and research papers; strong academic bent

American Institute of Certified Public Accountants (http://www.aicpa.org)
- A professional association supporting the interests of its membership, which is composed of CPAs. From 1939 to 1973, the AICPA was the organization designated to establish authoritative standards of financial accounting and reporting. The AICPA now functions as a lobbyists for issues of concern to its membership, including its code of ethics and continuing education guidelines

Association for Investment Management and Research (http://www.aimr.com)
- Enables education opportunities, professional conduct and ethics, and standards of practice for portfolio managers, strategists, consultants, educators, and other investment specialists
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Conference Board  (http://www.conference-board.org)
- Creates and disseminates knowledge about management and global business practices; conducts research, convenes conferences, makes forecasts, assesses trends, and publish studies which discuss, analyze, and benchmark current management-driven practices of international organizations

Financial Accounting Standards Boards  (http://www.fasb.org)
- Since 1973, FASB has been the organization designated to establish authoritative financial accounting and reporting standards for businesses and other private-sector organizations

Financial Executive Institute  (http://www.fei.org)
- Membership-driven professional association for senior-level financial executives. Provides peer, networking opportunities, emerging issues alerts, professional development, and advocacy services; actively engages the FASB, IASB, SEC, and legislators in dialogs to represent viewpoints of its membership

Governmental Accounting Standards Board  (http://www.gasb.org)
- Since 1984, GASB has been the organization designated to establish authoritative financial accounting and reporting standards for state and local government entities

The Institute of Internal Auditors  (http://www.theiia.org)
- Serves as a watchdog and resource on significant issues concerning internal auditing, governance and internal control, IT audit, education, and security; promotes certification, education, research, and technological guidance

Institute of Management Accountants  (http://www.rutgers.edu/raw/ima)
- Focuses on the practice of management accounting and financial management trends and new developments; publishes several key journals and research papers

International Accounting Standards Board  (http://www.iasc.org.uk)
- Formed in January 2001, the IASB replaced its predecessor, the International Accounting Standards Committee (IASC) as the international standards setter. Looking toward greater
formalization of international standards, IASB is structured similarly to the FASB. It is the intention of the IASB, in collaboration with the FASB and other accounting focused organizations, to develop a single set of binding international accounting standards.

**National Association of State Auditors, Comptrollers, and Treasurers** ([http://www.nasact.org](http://www.nasact.org))

- A national advocate for financial industry excellence, NASACT addresses issues of education, training, technology, best practices and collaboration for state financial management and leadership.

**Securities and Exchange Commission** ([http://www.sec.gov](http://www.sec.gov))

- In addition to the AICPA and FASB, the SEC also plays a key role in the standards-setting process. Under the Securities Exchange Act of 1934, the SEC has statutory authority to establish financial accounting and reporting standards for publicly held companies. It supports as “de facto” the accounting standards established by the private sector, provides broad support to the FASB, and helps to identify emerging issues that it thinks FASB should address. However, with the recent number of accounting-related scandals (e.g. Enron), look for the SEC to get more directly involved in the oversight of the standards-setting process and the legislating and monitoring of corporate governance.

**Securities Industry Association** ([http://www.sia.org](http://www.sia.org))

- Members include investment bankers, broker–dealers, and mutual fund managers; services include advocacy, education, codes of conduct and ethics, and discussion of current industry issues and challenges.

**APPENDIX 3: REFERENCE BOOKSHELF**

**Primary Accounting and Audit Sources**

Following is a list of primary (e.g. authoritative and semi-authoritative) accounting and auditing resources. Complete purchasing information is available on the respective publishers’ Web sites. Prices are not included as these are not static.
The AICPA and FASB now make virtually all of their content available in print and electronic formats. Most of the AICPA and FASB publications can be purchased as bundled subscription sets or as individual publications on a one-time purchase basis. CCH also provides subscription-based services containing some of this primary resource material, sometimes available both in print and on the Internet.

The following list of sources is grouped by the issuing organization, FASB, AICPA, IASB, and SEC, to reinforce the connection between the publication and its issuing body. A brief explanation of each of these titles is included in this chapter.

**Financial Accounting Standards Board**

http://www.fasb.org; click on link to FASB Store
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
800/748-0659

*Accounting Standards-Original Pronouncements*

Contains all pronouncements, except those completely superseded, as they were originally issued, including:

- FASB Statements of Financial Standards
- Accounting Research Bulletins and related interpretations
- Accounting Principles Board Opinions and related interpretations
- FASB Statements of Financial Accounting Concepts
- FASB Interpretations (clarify, explain or elaborate on FASB Statements, Accounting Research Bulletins, or APB Opinions)
- FASB Technical Bulletins (staff documents that provide guidance on implementation and practice problems)
- Comprehensive cross-referenced topical index for this title and Current Text, EITF Abstracts, and FASB Technical Bulletins

*Accounting Standards-Current Text*

Codifies currently effective accounting and reporting standards into major subject categories.
Arranged by subject and fully indexed; divided into General Standards (generally applicable to all enterprises) and Industry Standards (applicable to enterprises operating in specific industries). Organized alphabetically by key topic, coverage includes comprehensive summaries of each subject plus applicable standards, illustration, and examples. Also includes a cross-referenced topical index to Original Pronouncements, EITF summaries, and FASB technical bulletins.

**EITF Abstracts: A Summary of Proceedings of the FASB Emerging Issues Task Force**

The abstracts comprise the task force’s discussion and any consensus reached, as well as the issue’s status and related subsequent developments.

**Staff Implementation Guides**

Question-and-answer formatted documents drawn from FASB Special Reports and other published implementation guidance.

**Exposure Drafts**

Proposed statements of financial accounting standards or proposed or interpretations issued for public comment prior to adoption.

**Discussion Memorandums**

Documents issues on major topics for public comment.

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

[http://www.cpa2biz.com; click on Store tab](http://www.cpa2biz.com)

Harborside Financial Center
201 Plaza Three, 3rd Floor
Jersey City, NJ 07311

**Industry Audit and Accounting Guides**

Includes descriptions of specialized accounting and reporting principles and practices for the particular industry they cover. Also contain recommendations on the application of the accounting principles and practices described, prepared by AICPA committees or task forces.

**Audit Risk Alerts**

Audit Alerts update CPAs on recent practice issues and professional standards that affect engagements. They are useful for planning and performing audits by identifying the significant business risks that may result in the material misstatement of financial statements.

**Codification on Statement on Auditing Standards**

Klopper, Susan. *Introduction to Online Accounting & Financial Research.*
The standards are indexed by subject, with amendments noted and superseded portions deleted.

*Statements of Position*
Issued to influence the development of financial accounting and reporting standards in directions that the AICPA believes are in the public interest. Some amend industry audit or accounting guides.

*Technical Practice Aids*
Question-and-answer formatted documents written to provide additional guidance and clarification on accounting issues.

*Professional Standards*
Contains all of the outstanding pronouncements on professional standards issued by the AICPA, the International Federation of Accountants, and the International Accounting Standards Board. These pronouncements are arranged by subject, with amendments noted and superseded portions deleted. Contents include:

- Statement on Auditing Standards and related interpretations
- Statements on Standards for Attestation Engagements and related interpretations
- Statements on Standards for Accounting and Reviews Services and related interpretations
- AICPA Code of Professional Conduct
- AICPA Bylaws
- International Accounting Standards and related interpretations
- International Standards on Auditing
- IFAC Code of Ethics
- Statement on Standards for Consulting Services
- Statements on Quality Control Standards
- Standards for Performing and Reporting on Peer Reviews and related interpretations
- Statements on Standards for Tax Services and related interpretations
- Statements on Responsibilities in Personal Financial Planning Practice
- Statement on Standards for Continuing Professional Education Programs and related policies and forms
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INTERNATIONAL ACCOUNTING STANDARDS BOARD
http://www.iasb.org.uk; click on tab to Book Shop
30 Cannon Street
London EC4M 6XH
United Kingdom
International Accounting Standards
Includes all accounting standards, Implementation Questions and Answers, the IASC Framework, and Index.

SECURITIES AND EXCHANGE COMMISSION
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
Federal Securities Law Reporter
Covers laws administered by the SEC regulating the issuance of securities and the day-to-day handling of securities issues. Source materials include court decisions, the federal securities laws, and relevant takeover law, pleading decisions, and business judgment law decisions. Contains
- Accounting Series Releases
- Financial Reporting Releases
- Accounting and Auditing Enforcement Releases
- Staff Accounting Bulletins
- Regulation S-K
- Regulations S-X

Secondary Accounting and Audit Sources

Sources in this category provide contextual analysis and discussion of accounting pronouncements and issues. They are grouped by the type of information they contain, such as standards or dictionaries, in order for you to quickly identify the representative categories of secondary resources you should consider incorporating into your collections.

The primary publishers of accounting secondary sources include:
- CCH (http://onlinestore.cch.com)
- Aspen Publishers (http://www.aspenpublishers.com)
- Warren, Gorham & Lamont (http://www.riatax.com)
- John Wiley & Sons, Inc. (http://www.wiley.com)

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**U.S. Accounting and Auditing Standards**

*Accounting Research Manager, Internet Version*

Aspen Publishers  
http://www.aspenpublishers.com  
800/234-1660

Combines the text of authoritative and proposal-stage literature from the AICPA, FASB, SEC, EITF, and IASB, with interpretive guidance and analysis; updated daily and includes a weekly summary of the latest developments.

*Aspen-Miller Accounting Guides*

Aspen Publishers  
http://www.aspenpublishers.com  
800/234-1660


*Practitioner’s Guide to GAAS* (Dan M. Guy and D.R. Carmichael)  
John Wiley & Sons, Inc.  
http://www.wiley.com  
800/225-5945

This annual publication is designed to help CPAs in the application of and compliance with authoritative standards. Reduces the official language of Statement of Auditing Standards, Statements on Standards for Attestation Engagements, Statement on Standards for Accounting and Review Services, and the interpretations of these standards to easy-to-read and understandable advice.

**Financial Disclosures**

*Accounting Trends & Techniques*

AICPA  
http://www.cpa2biz.com; click on Store tab  
Harborside Financial Center  
201 Plaza Three, 3rd Floor  
Jersey City, NJ 07311

This annual publication provides commentary, illustrations, and examples of common and irregular financial disclosures drawn from more than 600 company annual reports. An index cross references all the pronouncements mentioned in the book.

*Miller GAAP Financial Statement Disclosures Manual*

Aspen Publishers  
http://www.aspenpublishers.com

Klopper, Susan. *Introduction to Online Accounting & Financial Research.*  
Cincinnati: Thomson Texere, 2004. 83
Introduction to Online Accounting & Financial Research

800/234-1660
Features hundreds of examples of real-world footnote disclosures. Includes executive summaries of GAAP, a detailed summary of disclosure requirements, and easy-to-follow examples.

*Checklists and Illustrative Financial Statement Series*

AICPA  
[http://www.cpa2biz.com; click on Store tab](http://www.cpa2biz.com)
Harborside Financial Center  
201 Plaza Three, 3rd Floor  
Jersey City, NJ 07311
Each checklist contains references to all applicable FASB, AICPA, and GASB pronouncements and interpretations, and where applicable, SEC regulations.
Series includes:

- Corporations
- Defined Contribution Pension Plans
- Employee Health and Welfare Benefit Plan
- Banks and Savings Institutions
- Investment Companies

*Accounting and Auditing Disclosure Manual*
Warren, Gorham & Lamont  
[http://www.riahome.com/financialreporting](http://www.riahome.com/financialreporting)  
800/950-1216
Requirements and examples needed to prepare financial statements and auditors' reports; compiles all relevant GAAP and GAAS requirements and integrated hundreds of illustrations and examples with specific disclosure requirements.
Designed as a reference source for all disclosures that GAAP requires; the manual incorporates currently effective pronouncements by major topics.

Klopper, Susan. *Introduction to Online Accounting & Financial Research*.  
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**INTERNATIONAL STANDARDS**

*International Accounting Standards Explained*
John Wiley & Sons, Inc.
http://www.wiley.com
800/225-5945

Presents an introduction to the IASB and to the requirements of the IAS. This publication outlines how the standards are used on a daily basis by companies in preparation of their financial statements. It examines the use of IAS from a practice orientation and looks at the main components of the financial statements, including questions of recognition and measurement of key financial statement items.

*Applying International Accounting Standards (3rd ed.)*
David H. Cairns
Tolley LexisNexis
http://www.iasb.org.uk; click on the link to Bookshop

All European Union listed companies will be required to issue financial statements using International Financial Reporting Standards beginning in 2005. This book is the authoritative guide. It presents practical coverage of how these companies will apply these standards and deal with recent developments.

*IAS Illustrative Financial Statements and Disclosure Checklist*
Ernst & Young/IASB
http://www.iasb.org.uk; click on the link to Bookshop

This new publication, compiled by the Financial Reporting Group of Ernst & Young, is a practical guide for preparers, students of accounting, and all those involved in the production of compliant financial statements. Professionals who require a detailed understanding of what IAS financial statements actually involve will also find this guide useful. Includes explanatory notes and commentary, setting out the authoritative IAS source for the required disclosure, cross-references to relevant IAS, interpretation, and guidance notes. Also includes a disclosure checklist, an essential tool for preparers to ensure that no required disclosures are missed.

*IAS/US GAAP Comparison (2nd ed.)*
Ernst & Young/IASB
http://www.iasb.org.uk; click on the link to Bookshop
Presents a comparison between IAS and U.S. accounting principles.

Aspen-Miller Accounting Guides
Aspen Publishers
http://www.aspenpublishers.com
800/234-1660
Series includes:
- European Accounting Guide
- International Accounting Standards Guide

SEC Rules and Regulations

SEC Guidelines: Rules and Regulations
Warren, Gorham & Lamont
http://www.riahome.com/financialreporting
800/950-1216
This annual publication contains regulations, forms, and official releases needed to prepare corporate financial statements and comply with SEC registration and reporting requirements, including:
- Regulations S-B, S-K, S-T, S-X
- Forms 8-K, 10-K, 10-Q, 11-K Forms F-1, F-2, F-3, F-4, 20-F
- Regulation and Schedule 14A
- Forms SB-1, SB-2
- SEC Staff Accounting Bulletins
- Financial Reporting Releases

Sarbanes-Oxley Act of 2002: Law and Explanation
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
Law and explanation of this accounting reform legislation.

Accountants’ SEC Practice Manual
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
Single source guidance for preparing and filing financial statements with the SEC.

SEC Accounting Rules
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248

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Covers accounting requirements imposed by the SEC.

CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
Reproduces current official materials that guide you through financial statement preparation requirements.

SEC Handbook II: Preparing Annual SEC Disclosure Documents
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
In-depth guide to the preparation of annual disclosure documents required by the Exchange Act and SEC regulation.

Handbooks

U.S. Master Accounting Guide
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
This annual publication distills key accounting, business, legal, and financial information into a convenient reference book.

U.S. Master Auditing Guide
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
This annual publication explains complex auditing standards but also offers practical guidance on performing and managing both external and internal audits.

U.S. Master Tax Guide
CCH, Inc.
http://www.cch.com; click on link to Order Products
800/248-3248
This annual publication contains all the pertinent federal tax law changes that affect 2002 returns and provides fast and reliable answers to tax questions affecting individuals and business income tax.

Accounting Desk Book
Aspen Publishers
http://www.aspenpublishers.com
800/234-1660

This regularly updated publication is intended for the accounting and financial professional applying relevant accounting principles and standards as well as tax rules. It contains all the important pronouncements from FASB and the IASB, financial reporting presentation requirements, required and recommended disclosures, and specialized accounting topics.

**Textbooks**

*Intermediate Accounting*, Donald E. Kieso, Jerry J. Weygandt
John Wiley & Sons, Inc.
http://www.wiley.com
800/225-5945
Solid reference source for accounting rules and regulations; textbook used by many accounting majors.

John Wiley & Sons, Inc.
http://www.wiley.com
800/225-5945
Helps auditors develop more efficient audit plans, greater control over audit risk, effective audit tests, and sound audit reports. This book offers practice-tested guidance for every aspect of auditing, from standards and responsibilities, risk, and engagement strategy, through internal control, auditing specific cycles and accounts, and auditing reporting. In addition, detailed guidelines show the entire audit process and provide comprehensive auditing strategies and methods.

**CPA Exam**

*Wiley CPA Examination Review*, Patrick R. Delaney
John Wiley & Sons, Inc.
http://www.wiley.com
800/225-5945
Popularly referred to as “Gleim,” this book provides study outlines for the Uniform CPA Examination. Recent examination questions are organized by topic and there are explanations of AICPA unofficial answers.
Chapter 1  Introduction to Accounting and Financial Research

**BUSINESS RATIOS**

*Annual Statement Studies: Financial Ratio Benchmarks*
RMA, Inc.
http://www.rmahq.com
800/677-7621

This annual publication contains financial ratio benchmarks derived directly from more than 150,000 statements of financial institution borrowers and prospects.

*Industry Norms & Key Business Ratios Dun & Bradstreet*
(http://www.dnb.com)
800/234-3867

Use this annual publication to research risk, understand industry trends, and measure how a company stacks up financially to its peers. Includes financial statement statistics measuring profitability, efficiency, liquidity, and solvency.

**DICTIONARIES**

*Kohler’s Dictionary for Accountants*

This remains the bible of accounting dictionaries. While it is now out-of-print, copies can still be purchased from amazon.com and other large book dealers. It is worth your while to try and locate a copy. If you have one in your collection, hold on to it.

There are many other accounting dictionaries available. Visit your local academic or public libraries to evaluate some of the publications. Following are a few examples:

*International Dictionary of Accounting Acronyms*

**AMACOM**

*Dictionary of Accounting Terms (Barron’s Business Dictionaries)*
Joel G. Siegel, Jae K. Shim
http://www.amazon.com