

# Big Four Alumni Magazine

The Internet's First Magazine for Alumni of Accenture, BearingPoint, CapGemini, Deloitte & Touche, Ernst & Young, KPMG and PricewaterhouseCoopers

Volume 1 Issue 5 May 2006

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We are pleased to offer you the fifth issue of the Big Four Alumni Magazine covering news and events. Our site is simplified and easy to use. Membership is FREE.

The Big Four firms this month have had their share of tough times. PwC was chastised by the Japanese authorities for certifying false records, Deloitte was pulled into the stock option accounting mess and Ernst and Young got a little backlash on some wrong banking information in China.

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We look forward to hearing from you and staying in touch,

***Best regards,***

***The Big4 Management Team***

# EY Assess Risk: Are We Getting Our Money's Worth?

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

The implementation of Basel II has brought significant change to the banking industry, and the services offered by this sector. Are we getting our money's worth when it comes to risk assessment and management? Many banking executives are beginning to appreciate the impact of Basell II, and believe that key benefits will include more dynamic portfolio management, greater use of hedging and derivatives, and an increased use of risk-based pricing.

Among the many changes, the unfinished business and the regulatory uncertainty in many areas, the banking industry is beginning to realize the tremendous impact that the new regulations are likely to have on the banking industry, especially as implementations get under way.

The effects will be seen in three principal areas:

1. More active portfolio management and forward-looking risk assessment: Thanks to the use of more interactive technology and risk assessment programs, the banking industry will become more active in portfolio management strategies, the use of hedging and derivatives, and increased use of risk transfer instruments. The access to timelier and higher-quality risk information has and will continue to have a direct impact on this area.
2. Pricing and product offerings: As the Basell II and Pillar I, II, and III continue to impact the industry, pricing policies and product offerings will continue to experience tremendous change, globally. The global framework and expansion opportunities that the emerging economies offer the banking industry dictate that the area of pricing and product will see tremendous change, both in range and risk.
3. Performance management: This area has already begun to see change and results in the way that the banking industry has interpreted the use of capital in relation to risk assessment and adjustment. Many in the banking industry intend to use economic capital in deciding incentives for business units.

Organizations with well-developed risk infrastructures will gain the competitive advantage as well as a better alignment between the risk and finance functions. This opportunity results in a more comprehensive risk management program, and a better understanding of risk within the organization. This interprets to positioning the organization as an enabler of change, global change.

**"Many banking executives are beginning to appreciate the impact of Basell II"**



## Deloitte Funds Ethics Education with \$4 Million

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

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In an age of increasing concern surrounding ethics and the accounting and finance professions, the Deloitte Foundation has announced a \$4 million commitment to fund a new endowment at the University of Illinois Center for Professional Responsibilities in Business and Society.

James H. Quigley, CEO of Deloitte & Touche USA, LLP stated that "Deloitte has had a long and fruitful association with the University of Illinois, which has graduated more of our partners and professionals than any other institution. Now, we're proud to provide support for the University's Center for Professional Responsibilities in Business and Society."

The center's mission will be to serve the business professions and society through the development of leadership skills; developing innovative learning experiences for tomorrow's leaders throughout their learning experience. The professional responsibility, ethical concern and integrity that is a necessary tool in the evolving financial market, must be taught throughout the student's educational experience.

Sharon L. Allen, the chairman of the board of Deloitte & Touche USA, LLP and chairman of the Deloitte Foundation, added, "The questions of professional integrity that businesses have faced in recent years are a reminder that a commitment to professional responsibility and ethics must be continually renewed and nurtured.

The funding for such an undertaking could not have happened at a more crucial time in the financial market; the Sarbanes-Oxley Act, and the recent scandals involving US corporations has reinforced the need for ethics education and integrity in a developing generation of future leaders.

An additional benefit of the ethics initiative will be the development and dissemination of curriculum and teaching materials to other universities and colleges. Initiatives such as this foster growth and professional integrity in the accounting profession across the nation, thanks to the foresight of charitable foundations, and public colleges and universities.

## Accenture Surveys Business Travelers and Personalized Hotel Services

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

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Accenture has found that hotels are doing a better job of personalizing services to meet the needs of the frequent traveler, even though many of the

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business travelers do not utilize the points reward system offered by most hotels and airlines.

The hotel and airline industries have been some of the most impacted since 9/11, and their efforts to create a more personal atmosphere that meets the needs of their business traveler have shown improvement. Paul Chiu, managing partner for Accenture's Transportation and Travel Services practice notes that "while there has been progress, there is also continued opportunity for growth".

In a survey last fall, Accenture found that only 1 in 5 respondents felt that hotels recognized them as frequent travelers and customized services to meet their needs. This year, however, the numbers found that nearly one-third of the business travelers felt that the hotels had made tremendous improvements in accommodations and customized services.

The revolution of this industry comes at a time when many industries and services are re-evaluating their programs, services, and accommodations in order to service a more discriminating customer, and tighter budgets.

Technology continues to play an increasing role in business travel arrangements. The use of the internet to book rooms, and take advantage of online savings has risen above 80%,

And as Chiu states, "As use of the internet becomes second nature for travelers, they will expect capabilities well beyond simple rate search and reservations; features such as electronic folio access, virtual concierge, and integrated trip planning will be a required service."

What is the top factor influencing hotel choice and length of stay? Proximity to business meetings. Respondents reported that convenience and ease of access were the most important factors considered when choosing hotels and making reservations. This is not surprising; however the fact that over half listed this feature over pricing can be interpreted by hotels as a sign that personal comfort and convenience have no price tag.

## **KPMG Examines Global Risk Management in the Banking Industry**

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

The international opportunities in the banking industry are tremendous, and KPMG's global presence in the financial services sector places them in an envious position; or does it? Are risks and risk management underestimated by many financial services organizations?

**"Nearly one-third of the business travelers felt that the hotels had made tremendous improvements in accommodations and customized services."**



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The opportunities and optimism that surrounds the emerging markets of China, Brazil, Russia and India may also bring uncertainties and risks that financial service organizations, such as KPMG are underestimating. Recently, KPMG Financial Services Partner, Simon Gleave, posed the following questions in an attempt to provide assurance that risks and risk management continues to be a priority in an environment that is experiencing regulatory changes, economic volatility, and inadequate government management.

Can we afford not to be involved in the Chinese market? As one of the last great banking frontiers, can any firm in the financial services sector afford not to explore and infiltrate this immense consumer market that is expected to experience growth rates of 13-20 percent over the next 10 years? The growth opportunities that this market is expected to present cannot be ignored by firms such as KPMG, Accenture and Ernst & Young in their global expansion projects. The issues of risk management however will be a closely monitored and evaluated regularly in these changing regulatory times.

How can we leverage from the Chinese government's desire to bring in foreign expertise to help develop and improve the country's banking system? This is one sector that many of the Big4 firms have significant influence over, and as a result, can bring about significant change. The risk of government interference and difficult regulatory compliance are deterrents to the financial objectives of these firms; however, China is looking to many of the foreign financial investors such as banks and financial services to provide the expertise, technology and training needed to bring their banking industry into a competitive position.

Upon entering the Chinese market, do we have a clear strategy and goal that enables us to manage our investments closely and measure their performance? This may perhaps be the most important question posed. Do many of the foreign financial services firms have the strategies and goals in place to cushion their investment against small risk issues, while measuring performance so that timely adjustments can be made? This is a tremendous challenge, and one that many of the Big4 firms have spent much time and money to address, assess, and implement.

The global environment is awash with new regulations, political considerations, and cultural differences that must be successfully navigated. The risk management policies and procedures will undergo change as well; technology, managerial skill, and adequate assessment strategies will work to minimize the risk, not eliminate it.

The greatest risk however, may lie in the missed opportunity. The Big4 firms and many other global financial service organizations are unanimous that China, and other developing countries represent a significant untapped frontier for global banking and banking services.

**“China is looking to many of the foreign financial investors such as banks and financial services to provide the expertise, technology and training.”**

# Private Equity Becomes A Formidable Force in Capital Markets

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

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These days are witness to dramatic change globally and locally. The growth of Private Equity investments, and the overseas markets that have opened for investment opportunity, are creating new private equity investment opportunity. KPMG takes a leading position on offering clients a portfolio that includes strategic as well as financial management services.

The skills necessary to grow such a service are readily available at KPMG and there is an increasing demand for these services. Advisory services, corporate finance, commercial due diligence and tax as well familiarity with the fundraising put KPMG in a position to create growth and expand into this growing market.

The Private Equity funds draw from a global investment community. The tax considerations involved in international investing are of extreme importance to the individual investors, and for these needs investors seek out the Big4 firms that have a global presence.

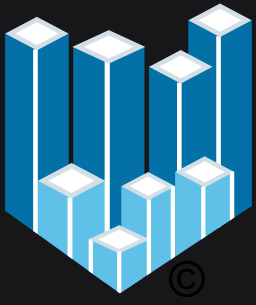
Comprehensive understanding and experience in Private Equity transactions has become a valuable commodity as more of the Private Equity funding is concerned with leveraged buyouts, management buyouts, and turnaround businesses. KPMG has leveraged a global network of Private equity experienced individuals that have an excellent understanding of the target markets, the industry in which a business operates, and the key challenges faced.

Effective portfolio management requires that the Private Equity investment firms maintain management that is organized and ready to act on timely information. Diversity and cross portfolio investing is also of the essence when maximizing value for these private equity funds.

These advisory and portfolio management services are available at KPMG, and perhaps one of the most important services, tax element management. The potential for strategically placed KPMG portfolio management, along with excellent resources for international investment needs, puts KPMG in an excellent position for private equity advisory growth.

**“Diversity and cross portfolio investing is also of the essence when maximizing value for these private equity funds.”**





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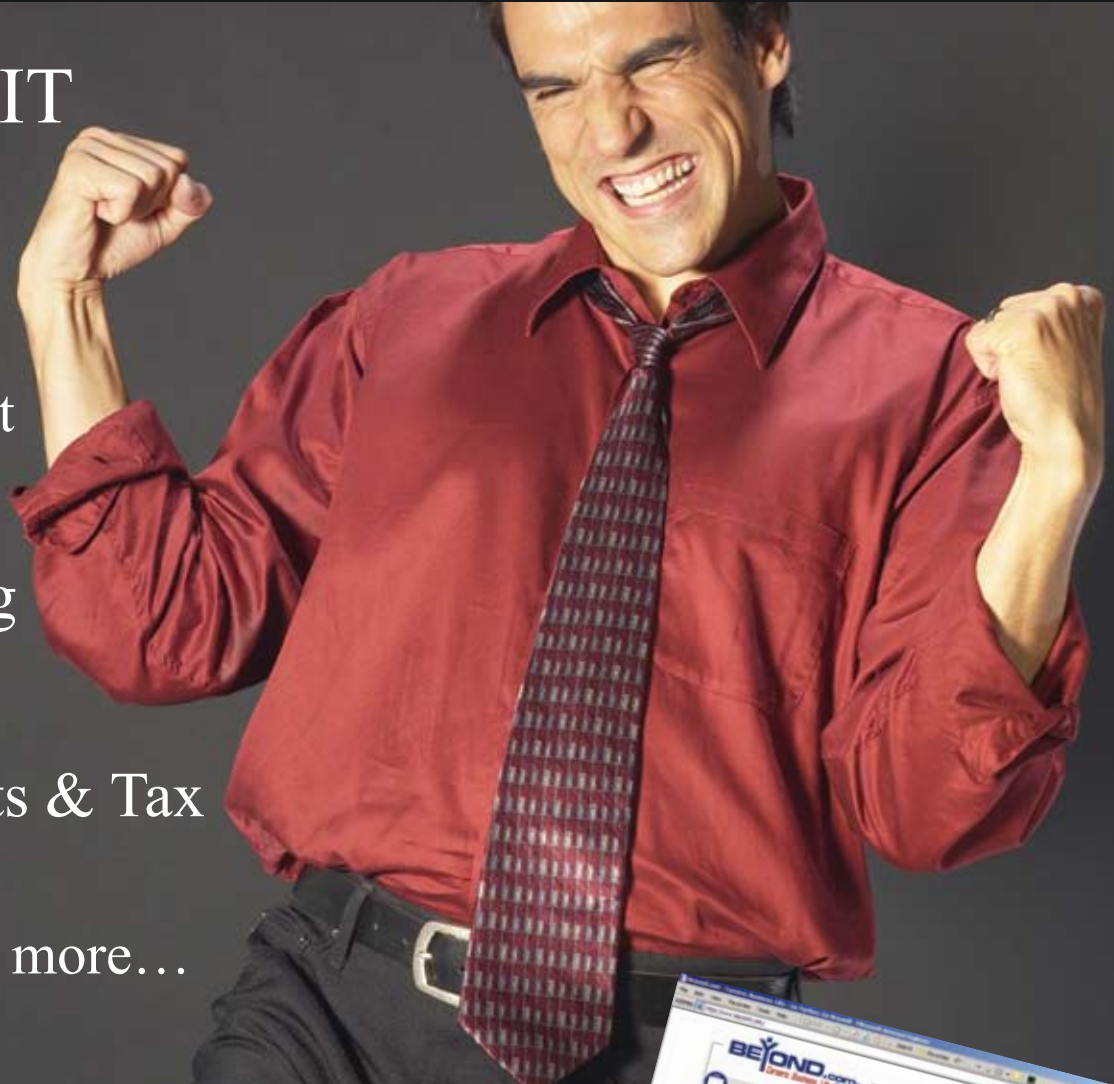
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# PwC Asks: What Will the World Look Like in 2050?

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

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In a world experiencing drastic change and emergence, the anticipation of a half century of market growth and commerce can bring about some major changes in competition, dominance, and purchasing power. PricewaterhouseCoopers is among many of the Big4 firms that operate globally, and this projection of world economic dominance and growth is particularly interesting.

Although it should be pointed out that there is no magic formula for projecting growth on this scale, there are tools available to attempt to predict the growth rates and sizes of the largest economies in the world. The GDP at purchasing power parity or PPP is once such tool, and is the indicator used by PricewaterhouseCoopers.

The largest economies in the world were used for this projection and they were divided by E7 (China, India, Brazil, Russia, Indonesia, Mexico and Turkey) and G7 (US, Japan, Germany, UK, France, Italy and Canada) plus Spain, Australia, and South Korea.

The most startling projection? By 2050, the E7 economies will be larger than the G7. The E7 economies, when measured in dollar terms at market exchange rates will be 25% larger than the G7 economies. In contrast today, the E7 economies are only around 20% of the size of the G7 at market exchange rates today.

Another unexpected result? India has the potential to be the fastest growing world economy over the next 45 years, thanks to factors such as slowed growth rates in other emerging markets and a decline in the working age population.

The economies of China and Russia are expected to see slowed growth because of the declining working age population more rapidly than Brazil, Turkey, Mexico and Indonesia. Although all economies should begin to see affects by mid-century.

These projections are subject to significant uncertainties and the results are sensitive to assumptions on trends in education levels, net investment rates, and catch-up speeds of the E7. But the projections do show the potential and expected growth that will affect purchasing power parity and have a significant impact on the growth of global companies such as PricewaterhouseCoopers, Accenture, Ernst & Young, and other Big4 firms.

**“The most startling projection? By 2050, the E7 economies will be larger than the G7.”**

# Know Your Company, Follow The News, And Network

*Tom Groenfeldt, jobsinthemoney.com, May 2006, reprinted here with permission*

Smart job hunters thoroughly research prospective employers. Job holders can benefit by performing similar due diligence on the firm where they work now.

John Challenger, chief executive of the Chicago-based outsourcing firm Challenger, Gray & Christmas, recommends that employees follow media reports about their companies and, if it's a public firm, review its regular Securities and Exchange Commission filings. "It makes sense to know your company well, not only for evaluating risk to your career but as a way to understand your role as a representative in the firm," he says.

Among other things, examining your company with a critical eye can help you decide whether working there serves the interests of your overall career goals.

A good place to start is evaluating the corporate culture and whether it fits your style, suggests Richard Bayer, chief operating officer of the Five O'Clock Club, a career-counseling network. For example, some professionals are comfortable working in a company run from the top down, while others prefer a business that's more interactive in its decision-making.

Also, consider how well you get along with everyone in your orbit: your managers, your peers and your subordinates. Building and maintaining strong, positive relationships is among the most important strategies in a successful career, Bayer and Challenger agree. You should create strong ties up and down your organization, and throughout your industry.

"The key to success within a firm is a strong relationship with the boss and having strong relationships throughout the company," says Challenger. Relationships beyond your boss's office are important for a simple reason: Your boss might leave. In any case, "Your peers can do you in if they want to," says Bayer. "So can the people below you." Asking yourself if you're "in good stead with all these three groups ... will give you an idea whether you want to stay or not."

## The World Beyond

And don't get stuck thinking you need to be loyal. In today's job market, Challenger says you must consider yourself a free agent. "Be open to new opportunities even when times are good," he says. A key to learning about

**"Building and maintaining strong, positive relationships is among the most important strategies in a successful career."**

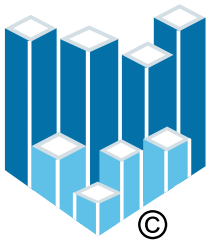




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those new opportunities is maintaining strong relationships beyond the walls of your company. "Stay plugged into your field," Challenger advises. "You want to be engaged with your industry, with lots of people in your field all the time, so you hear what is happening."

The most common mistake Challenger sees is people who put their head down, do their job well, and think that's enough to succeed. "It isn't," he says. "You have to build strong relationships inside the company and outside the company all the time." Bayer calls this managing your own PR. "If you're in the elevator and the big boss asks how things are going, and you say fine, you've just missed a big issue. Talk about the project you are working on and the progress you are making."

Finally, are you in an area of the company that is growing? If the answer is no, Bayer suggests considering a job in another department before you start seeking a job in another firm.

## **Demand Pushes Salaries Of Wealth Advisors**

*By Emma Johnson, jobsinthemoney.com, May 2006, reprinted here with permission*

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Wealth advisers are in increasingly high demand – a trend reflected in the increasingly sexy compensation packages they're being offered.

Over the last few years, salaries for advisers have increased from the \$150,000 - \$175,000 range to between \$200,000 and \$250,000, says Anthony Riotto, founding partner of New York-based Riotto-Jones & Co., a search firm focusing on wealth management. For those with an MBA and considered a master craftsman, packages rise to \$275,000, with those at the top of their game earning from \$600,000 to \$1.8 million and beyond.

"No one owns this market," says Riotto. Today's private bankers are no longer seen as "only in banking," as they once were, and are being sought by firms such as UBS and Morgan Stanley. "There are many more positions," Riotto observes.

Indeed, the number of financial institutions moving into the sector is rising as they gear up for a baby-boomer generation that's slated to inherit a lot of green. "There's a shift in the population demographic, and institutions are making sure they have the right people in place to handle that," says Jeff Holloway, vice president of the financial services group at recruitment firm Robert Half International. "There is just a lot of money out there."

Indeed, according to a June World Wealth Report released by Merrill Lynch and Capgemini, global assets of high-net-worth individuals - or those with at least \$1 million in assets excluding their primary home - grew 8.2 percent to



\$30.8 trillion in 2004. In North America, the group grew by 10 percent, to 2.7 million individuals.

Since many institutions offer such similar products, a strong front man can often make or break a deal, making institutions all the more eager to retain their client advisers, Holloway says. "It's less and less important whose products and vehicles you are using, and more about the individual who is providing those services and giving you the advice."

Looking ahead, the World Wealth Report projects the growth in global high-net-worth wealth to slow to about 6.5 percent over the next five years, reaching \$42.2 trillion by 2009.

## PricewaterhouseCoopers and Effective Political Risk Management Policy

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

In a move that is sure to produce positive results for PricewaterhouseCoopers and the Eurasia Group, the two have formed a global alliance in order to meet the changing needs of global clients and multinational organizations.

The last few years have been witness to rapid expansion and growth into unfamiliar yet promising markets; it has also witnessed dramatic revolution in the policy and procedure of the financial and accounting industry. The need for political risk management as an element of the overall risk management process created the atmosphere that now demands to be addressed.

PricewaterhouseCoopers and the Eurasia Group have found a way to leverage each individual businesses strengths so that a combined effort can and does meet the growing need for political risk management as a part of a businesses overall risk management program.

So many of the external risks faced by these businesses on a global basis are influenced by the political agendas of countries and governments within which they operate. Politics and opportunities create risks. PricewaterhouseCoopers and Eurasia are in a unique position to address this growing reality.

The companies will offer a product that has been labeled a PRA (Political Risk Assessment). This tool will benefit companies that operate on an international level, are interested in expansion into unfamiliar markets, and those with a considerable possibility of reputational risk. This product combines the enterprise risk management talent of PricewaterhouseCoopers with the political risk evaluation experience of Eurasia.

The need to bring these two risks together into a single assessment service is evident more from North American investments than from European countries. With the opening of the economic opportunities in China, many international organizations may find themselves utilizing such a service, in order to accurately assess the true investment pictures, especially in terms of political risk.

**"The last few years have been witness to rapid expansion and growth into unfamiliar yet promising markets. "**



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## Accenture and the Interactive Network at Chicago O'Hare

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

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One of the most remarkable pieces of technology to be unveiled to date is the interactive network that Accenture debuted at Chicago's O'Hare International airport. This debut screen is 10 feet wide and 7 feet tall. The screen is housed in a specially-designed, stand alone enclosure.

Accenture believes the interactive screen could evolve into an entire network of interactive wall-sized screens that is capable of delivering a variety of information, all at the consumer's fingertips. This particular model was made with a high definition screen that will deliver topical news, weather, sports, and entertainment features.

The technology that the Interactive Network utilizes can be used to provide a near seamless display in almost any size imaginable. Some features of the Accenture Interactive Network include: display scalability, interactivity, multiple user capability and networking capability.

The interactive and networking capability alone bring us to the brink of technological advance. The proprietary software developed by Accenture for use with the Interactive Network takes us another step farther. The software allows multiple users to interact with the screen simultaneously, while creating near perfect graphics, images and other data displays.

Applications for the Interactive Network include: car manufacturers that allow consumers to build their own vehicle right before their eyes; businesses could use the Interactive Network to involve multiple users in collaborating with corporate information such as financial forecasts and productivity or sales data; media companies could offer advertisers interactive broadcast capabilities in stores, hotel rooms, and sports venues.

Regardless of the end use, the Interactive Network has the promise of taking customer and consumer service to a new level for many different markets and industries.

## CapGemini: Internet Revolutionizes the Vehicle Purchasing Process

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

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The impact of the Internet has touched every industry, even those we considered unlikely candidates. The car industry seemed to escape the influence of the Internet, until the increasing use of websites for researching

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new cars, checking the title history of used cars, and the use of the internet to reduce the sticker price for purchasing new cars. Now, the shift in the balance of power from the car dealer to the internet market has left many dealers out of the loop.

The changing consumer dynamics of the last 10 years and the fact that many vehicle dealers have failed to keep pace as the shift in consumer behavior occurred, has tremendously affected the consumer/dealer relationship. The consumer is an increasingly sophisticated customer and with the availability of so much automobile information via the internet, the need to actually visit the dealership is sometimes completely eliminated. At other times, the customer doesn't enter the dealership until adequately armed with model, price, and delivery information.

The Car Internet Research Program is an industry, government, and academic-sponsored automotive research program directed at understanding how new information and communication technology will impact the automobile industry. CapGemini is one of the world's foremost providers of Consulting, Technology, and Outsourcing services. These two firms in conjunction with the consumer and dealerships put together certain guidelines that are intended to help dealerships regain lost ground of the last decade and work to build relationships built on mutual trust and transparency of information.

From the moment the consumer enters the showroom, there are certain do's and don'ts that either invite the consumer or impact them negatively. The challenge for the dealerships is to change and adapt to the new world of internet influence and consumer sophistication.

**"Now, the shift in the balance of power from the car dealer to the internet market has left many dealers out of the loop."**

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## **Ernst & Young Promotes Milestones 2006 for CEOs**

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

Milestones '06 is a series of conferences sponsored by Ernst & Young to bring together some of the most promising venture-backed CEOs to bring to fruition some of the most innovative and valuable growth ideas as prosperous businesses. IPOs and M&As are the central focus of these one-day forums, and topics such as operational and capital efficiency are at the top of the agenda.

Ernst & Young's IPO Transformation – CEO Retreat is a three-day program aimed at rapid growth companies from around the world and their CEOs. This three-day program focuses on the issues that surround taking a company from private enterprises to public companies and provides contact with CEOs who have already made the transformation and can offer insight and advice.

The World Entrepreneur of the Year Award program was launched in 1986 by Ernst & Young and has been a continual success. Today, thanks to ingenuity and perseverance, these entrepreneurs have created and sustained successful, growing businesses. Programs are available now in 40 countries with more than 125 cities that participate. This year's summit will be held in Monte Carlo, Monaco June 6th -11th.

Ernst & Young has recently released a report on the proposal to overhaul

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the US Tax code. This latest report from Ernst & Young takes a look at the economic effects, implications for businesses and individuals and provides an overview of various possible scenarios.

One of the by-products of the explosive economic growth in countries such as Russia and China, are the tax disputes that arise between differing countries of trade and their respective tax laws. This has been an especially hot topic in Russia. With a string of high-profile tax disputes to this countries credit, Ernst & Young conducted a survey of many foreign and domestic multinationals to provide their take on this issue.

All the latest news and topics discussed above can be accessed at [www.ey.com/global/content](http://www.ey.com/global/content).

## **KPMG News: Auditing is Hot, Cellphone Marketing, Investing in Poland**

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

Since the corporate scandals that ravaged the US landscape, and the passage of the Sarbanes-Oxley Act, auditing has become the hottest topic on the debate and education plates for many of the Big4 firms. KPMG held their first annual Audit Committee Issues Conference in Naples, Florida in 2005. Since that point in time, the issue has not lost its place of importance in the accounting industry, nor has it receded from the minds of corporate management. This year, the relationship of auditing and risk management is at the forefront of the discussions. For more information about the planned ACI's Spring Audit Committee Roundtable series, link to KPMG's homepage at [www.us.kpmg.com/index](http://www.us.kpmg.com/index).

One of the hottest topics KPMG has reported on is the issue of meeting the needs of the mobile customer in a market that has experienced rapid change. The cell phone service companies have made tremendous strides in providing various multimedia services to their customers. Maybe it's time to rethink the focus of their marketing campaigns. With the introduction of multimedia services to mobile phone and handheld devices, the cell phone companies might want to begin to survey the advertising and sponsorship opportunities that are now available. For more information, you can link to [www.us.kpmg.com/index](http://www.us.kpmg.com/index).

Most of us never give that much thought to Poland; in any topic of discussion. But what about investing opportunities? Now that much of the economic market is conducted in a global environment, and KPMG also maintains a presence in Poland – they took a look at the investment environment. Although China is most often cited as the most rapidly growing global investment environment, the growth rate for Eastern Europe (Poland and other European

**“One of the hottest topics KPMG has reported on is the issue of meeting the needs of the mobile customer in a market that has experienced rapid change.”**



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countries) was twice the growth rate of China. And Poland leads the way. Another interesting fact, most investors feel comfortable and are satisfied with their investment in Poland and these investors also intend to increase their Polish investment in the coming years. Will we see these same results in China? For further information, you can link to [www.kpmg.pl/index.html](http://www.kpmg.pl/index.html).

## Feeling Burned Out? Accountants Have Options

By Dona DeZube, *jobsinthemoney.com*, May 12, 2006, reprinted here with permission

In college, you majored in accounting. You sweated through the CPA exam and put in countless billable hours as a young practitioner. Now you're well into a successful career. But what happens if you discover making numbers talk no longer carries the thrill it once did?

Before packing in your accounting career, consider that you might already work for the right employer - just in the wrong job. It's not uncommon for accountants to become dissatisfied with their specialty, observes Joe Maiorano, executive director of Human Resources at KPMG. Sometimes, they just need a change of practice.

A new KPMG project, dubbed "Career Architecture," promotes a cradle-to-grave philosophy that allows employees to try new specialties by moving across business lines, say from audit to tax or consulting. "Folks are able to go on the audit team during tax season, and maybe 25 or 30 percent say 'I don't want to go back to audit, I want to stay in tax,'" says Maiorano.

Career Architecture also helps employees virtually network to explore other accounting specialties. KPMG is producing a series of video job testimonials for its Web site, where employees describe what they like, and what they find challenging, about their current positions.

### A New Venue

If a change of practice won't do it for you, consider a change of employer.

"Sometimes people say they hate accounting when what they're burnt out on is the corporate world," says Dr. Valerie Young, "dreamer in residence" at ChangingCourse.com, a Montague, Mass., firm that helps people find ways to make money by following their passion. "If they get satisfaction from making numbers work and decide they want to work alone or from home, there are many small business owners who ... need someone to come in once or twice a month and reconcile the books."

**"A new KPMG project, dubbed "Career Architecture," promotes a cradle-to-grave philosophy that allows employees to try new specialties by moving across business lines, say from audit to tax or consulting."**



Tax strategist and author Diane Kennedy, CPA, is the perfect example of an accountant who followed her dream to success, says Elizabeth Kanna, co-founder of the consulting firm Dream In You. Kennedy, she says, leveraged her accounting background and followed her passion for teaching and education to become a best-selling author. She started on that path by selling her accounting practice and teaching wealth-building classes at the Learning Annex and small events.

Imagine the Good Life

Of course, if you never want to see another ledger, focus on what would make you happy instead of weighing your transferable skills. Young recommends answering a larger question: What do you want your life to look like? For example, do you want summers off? Do you want to travel the world on a yacht? "I don't focus on skills because I don't care what people are good at. I'm good at typing and mowing the lawn," she quips. "Focus on what you love to do. That will open up a lot of possibilities."

**"As hedge funds continue to grow in both numbers and assets, the role of the chief financial officer is becoming more challenging and high profile."**

## **CFOs Gain Higher Profiles At Hedge Funds**

*By Suzanne Barlyn, jobsinthemoney.com, May 19, 2006, reprinted here with permission*

As hedge funds continue to grow in both numbers and assets, the role of the chief financial officer is becoming more challenging and high profile, according to industry experts.

The number of hedge funds has grown from 6,500 in 2000 to some 9,300 today. In turn, this has led to an increase in complex transactions and valuation questions. "The landscape has become more complicated" says Christopher Geczy, assistant professor of finance at the University of Pennsylvania's Wharton School, a hedge fund expert whose background includes research on hedge fund strategies and performance.

While funds with an excess of \$25 million in assets are required to register with the Securities and Exchange Commission, the CFO retains a critical role even at smaller funds.

The increase scope of sophisticated transactions - such as private equity deals - means hedge fund CFOs must address asset valuation questions more regularly. For example, some must be adept in dealing with structures such as the "side pocket" a legal construct that facilitates fund managers' investments in some types of illiquid securities that aren't publicly traded.

Meanwhile, CFOs of "activist" hedge funds, which exert pressure on underperforming companies through their ownership stakes, may rely on technical aspects of securities lending rules that allow funds to borrow shares

in order to vote them, instead of the more traditional process of borrowing them to sell short. "They have to be well aware of certain legal constructs that were used less in the past," says Geczy. CFOs may also spend more time explaining the new maneuvers to investors, he says.

While growing accounting responsibilities may be a vehicle for career advancement, they may also be a source of job stress. "It's good for the CFOs, but it's obviously harder," says Alan Johnson, a New York City-based compensation consultant. "It depends on your skill set. If you're not a broader-gauged individual, the money could be great but there could be a lot of pressure."

Johnson says another factor that may add to the CFO's workload is a boss managers who has too many of his own responsibilities, or has weak management skills. That can leave the CFO and the fund's top lawyer to pick up the slack. "In most cases, the trading guru is not a great manager," Johnson observes. "Even when they are, they're spread too thin."

Increased responsibilities also mean additional exposure to liability. Funds that are subject to new SEC rules must retain all of their e-mails, for example, creating the potential for access to correspondence in a legal proceeding.

How much is the increased responsibility and exposure worth? During the past five years, pay has increased steadily, says Johnson. A fund with \$200 million in assets may pay about \$300,000 per year. The salary at a larger fund - with, say, \$1 billion in assets - is about \$650,000, while salaries at the largest funds can eclipse \$1 million annually.

## Share Price Movements During the Implementation Period of Section 404 Requirements of the Sarbanes Oxley Act -An Empirical Study-

*By Bob Benoit, Contributing Writer, Lord and Benoit LLC, May 2006*

**Released:** May 8, 2006

### **Executive Summary**

Since the enactment of the Sarbanes-Oxley Act (also nicknamed the Investor Protection Act) much has been written about the cost and benefits of one part of the Act, Section 404. Proponents say that effective internal controls are necessary for good financial stewardship. Opponents say that the costs are too high, particularly with respect to smaller companies, and that the costs exceed the benefits to investors.



Since there are ongoing deliberations about possibly exempting smaller public companies from SOX 404 reporting requirements, we studied the financial trends of nearly 2,500 companies to answer one timely question:

Do the costs of complying with SOX 404 outweigh the benefits  
– not necessarily to the company - but to the investor?

Lord & Benoit, LLC a SOX Research and Compliance firm has conducted preliminary research comparing average relative share price movements between companies with material weaknesses in their internal controls over financial reporting as opposed to companies without material weaknesses in their internal controls over financial reporting. The data was compiled using [www.AuditAnalytics.com](http://www.AuditAnalytics.com), the leading provider of audit and internal control related due diligence information for public companies. This report presents results for all December year-end Accelerated Filers that were registrants one year before Section 404 was required and have submitted at least two Section 404 assertions (population of 2,481 companies). The research covers share price movements representing approximately half of the entire market capitalization of all publicly traded companies in the United States.

The research involved assembling three distinct data sets of share prices for all of the 2,481 December year-end publicly held Accelerated Filers that had filed at least two years of Section 404 assessments . An average share price was calculated for each company on each of three dates: March 31, 2004, 2005 and 2006 . These dates represented pre-Section 404 compliance, post first year Section 404 compliance and post second year Section 404 compliance periods.

This average share price was then separated into three categories:

- Registrants filing both an initial and subsequent year adverse 404 assessment (125 companies);
- Registrants filing a first year adverse 404 assessment followed by a clean 404 assessment (264 companies) and;
- Registrants filing clean assessments in both years (2,092 companies).

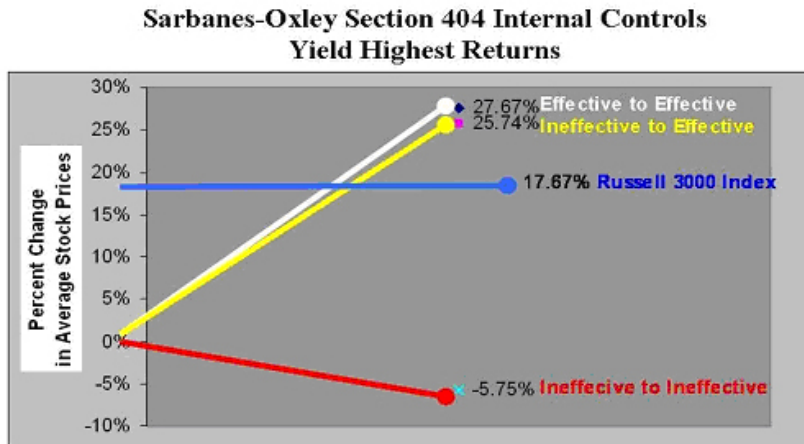
The Russell 3000 Index increased 18% during this same time frame.

1. Included in our analysis were 41 companies that had not filed their second year Section 404 report as of the date of this report and because of the serious delinquency associated with same were assured of receiving an adverse 404 report from their auditors.
2. Bankruptcies were counted as having a zero share price.
3. This index will not compare directly to the returns in this analysis because it deals with the movement of the entire capitalization of the market as opposed to simply the share price movements

**“The research showed that over the two year period there was a: 27.67% increase in the average share prices for companies that had effective controls in both years (8.92% increase in year one and 18.72% increase in year two).”**

The research showed that over the two year period there was a:

- **27.67% increase** in the average share prices for companies that had effective controls in both years (8.92% increase in year one and 18.72% increase in year two)
- **25.74% increase** in average stock prices for companies that had ineffective 404 controls in year one but effective 404 controls in year two (0.6% increase in year one and 25.14% increase in year two).
- **5.75% decrease** in average stock prices of companies that reported ineffective 404 controls in both years (9.85% decrease in year one partially offset by a 4.11% increase in year two)



Source: Lord & Benoit, LLC

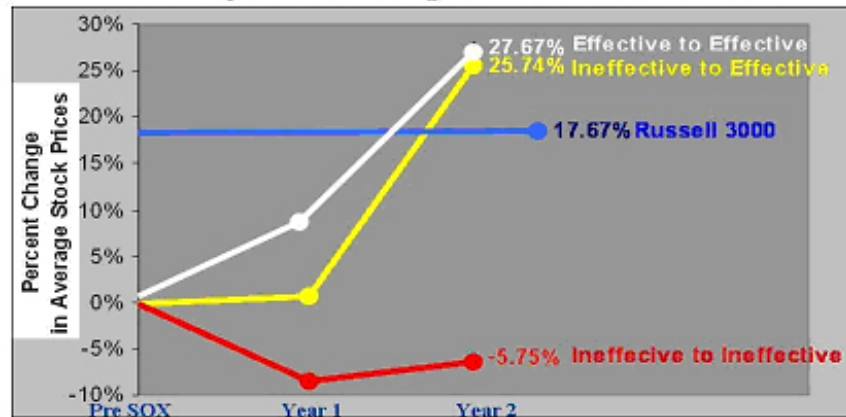
These historical statistics imply that companies that either historically operated organizations with no material weaknesses in their internal controls, or were able to identify and correct material

4. It is important to note that this is not an analysis of the overall market capitalization impact but an analysis of the relative impact on share price movements throughout the marketplace. This analysis does not present the overall market affect of the change in share prices because it does not factor in the relative number of shares outstanding that represent each public company. For example, if one company held half of all outstanding shares, and its shares had declined during the period in question that would affect the overall market capitalization to a large degree. However in this analysis this share price decline would only represent one share price movement out of the thousands included in this analysis. We believe the approach we have taken is instructive because it presents each company's share price movement as indicative of movements associated with forces affecting all public companies. Incorporating the relative market capitalization size of each company would have resulted in skewed results with respect to the relative affect on share price movements associated with each registrant's satisfying of Section 404 requirements.
5. In nearly all year 2 adverse opinions, improvements were noted from the previous year indicating that a company is on track to correct their internal control deficiencies.



weaknesses in a timely manner experienced much greater increases in share prices than companies that did not.

### Good Sarbanes-Oxley Section 404 Internal Controls Corresponded with Higher Share Price Movement



Source: Lord & Benoit, LLC

One could raise cause-and-effect questions with this analysis, but in retrospect, investors would have wanted to know which companies had material weaknesses in their internal controls over financial reporting as of March 31, 2004 and which did not. As of March 31, 2004 there was no clarity as to the status of a registrant's internal controls over financial reporting. As of March 31, 2006 there was ample clarity. An investor holding a portfolio of companies at March 31, 2004 who ended up reporting two straight years of adverse 404 assessments would not have been satisfied with those results. An investor holding a portfolio of companies that at first reported an adverse assessment but then remediated their control problems by the second year would have been much more satisfied with their results, but still would not have earned market returns. The only satisfied investor in this circumstance would have been the one that held a portfolio of companies that had two years of clean internal controls.

Of course there are many factors that affect the price of stocks, but the important point is the relative changes amongst the groups. When looking at the relative changes a number of inferences can be drawn that in the end may not be surprising, but are illustrative nevertheless:

1. Investors need to feel confident that the information being presented is accurate, timely and complete. This need manifests itself primarily in the discount rate that is used to value companies. This research identifies a difference in the overall rate of return of all companies that reported material weaknesses and those that did not. This difference provides an insight into how important that reliance is in driving values. Ineffective internal controls may also be a factor in the evaluation of management competency and financial reporting volatility, additional factors inherent in the discount rate as well as projections of free-cash-flow and growth rates.



2. The steep rise in share values that has occurred over the past two years has occurred during the precise period that Section 404 requirements have been introduced. At best, an opponent of Section 404 citing massive market inefficiencies would have to argue two points:
  - a. the overall return of shares in a non-404 compliance environment would have been higher than 27.67%, an assertion that would seem difficult to make in a 2% inflationary environment, with dramatically increasing energy prices and government deficits;
  - b. The relative movements of shares between the three category types (adverse-to-adverse, adverse-to-clean and clean-to-clean) can be explained by some global force(s), other than the knowledge that financial results being presented are reliable to a higher degree than in the past.
3. The relative changes in share price movements between the categories should not surprise anyone familiar with valuation methodologies. In particular, the relatively larger increase in share prices in year two for those companies reporting year one material weaknesses as compared to companies with no material weaknesses in either year ((.6% to 25.14%) vs. (8.92% to 18.72%)) indicates the relative benefit that a company can expect once an investor feels more confident in the processes in place to ensure accurate financial reporting. In short, one should expect an increase in valuation once one receives a clean bill of health with respect to financial reporting, just as a pro athlete coming off of an injury might expect higher compensation after proving through an in-depth physical that he is free from that suspected injury. This assertion is built on the concept of capabilities. A company with high levels of internal controls over financial reporting is more likely to be capable of taking on new challenges, acquisitions and/or new competition than one that has less ability. In the case of a company that has gone from material weakness to a clean assessment, one would also expect that some catch-up to peer company share price movements would occur.

**Questions to consider:**

- Could the improved reliability of financial controls and reporting have led to higher stock valuations?
- Was the reduction of “free cash flow” deriving from Section 404 marginal costs more than offset by improvements in cost of capital rates, growth rates or estimated free-cash-flow benefits when a company improved its financial reporting?
- Could the reliability of financial reporting in those companies that invested in strong internal controls have influenced and improved the decision-making and business risk assessment process within the company?
- Could the threat of PCAOB Standard Number 2 type internal control studies under Section 404 have possibly circumvented asset fraud, reporting fraud, employee waste fraud or other irregularities?

Perhaps this research raises more questions than it answers. One thing, however, is clear: average stock prices increased at a higher rate for companies that always had good internal controls over financial reporting compared to companies that either corrected their internal controls or remain unimproved.

Written by Robert Benoit, CPA in consultation with Mark Cheffers from the IVES Group, Inc. (AuditAnalytics.com). Benoit has been teaching Compliance with Sarbanes-Oxley Section 404 throughout the U.S. through State CPA Societies. He has been on Massachusetts AICPA Peer Review Acceptance Board for ten years, has performed over 400 peer reviews of over 100 CPA firms and is President and Director of SOX Research for Lord & Benoit, LLC a national Sarbanes-Oxley Research and Compliance firm [www.Section404.org](http://www.Section404.org).

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## World Wide Web Changes Business Forever

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

Perhaps no single invention changed the face of business, globally like the creation and utilization of the World Wide Web. Neither the telephone nor the automobile has done for business what the opening of a global door in the 80s and 90s did for businesses on every level.

This year, the World Wide Web Conference in Edinburgh will bring together key influencers, decision makers, technologists, and businesses and standards bodies that will be charged with shaping the future of the Web.

Cap Gemini's CTO Andy Mulholland will be one of the speakers that will make a presentation for the business case for using web-based technology. His presentation, aptly titled "Business Cases for using the Web-based technology", will underscore the many ways in which the web has already influenced the behavior of a large number of the population in areas such as research, entertainment, and IT.



Andy will point out in his presentation that although the utilization of web services and technology has evolved immensely in the last several years, the ways in which business use IT internally and via the web still has a disconnected path.

Thanks to technological advances and increasing interaction between the IT and Accounting systems, there are a growing number of examples that show CEOs how to build new business models that create shareholder value, exchange information between external customers and suppliers, and more effectively utilize business resources.

Risk management and outsourcing are two of the leading issues confronting CEOs, CFOs, and CTOs. Greater utilization of technology available through the Web, and a combined connectivity between the business and the Internet make possible a more profitable situation in assessing risk management and outsourcing options.

## PwC on Managing Sarbox in the Retail Industry

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

At PricewaterhouseCoopers, the focus is on the retail industry, and this year's hot topic seems to be the weathering of the first year of Sarbanes-Oxley compliance. This year's compliance has come at a significant cost to the retail companies; the second year should see the implementation of cost cutting and passing on to the consumer the high price of compliance. Many of these companies are also utilizing some core strategies in coping: strong leadership, planning, and communication.

One of the more important events for retail industry executives is the Retail Forward's Strategic Outlook Conference. This annual one-day conference focuses on key trends, challenges, innovations, and future outlooks for the retail industry. This year's conferences will be held in Chicago, San Francisco, and New York City.

In the fourth edition release of the PricewaterhouseCoopers Retail & Consumer study titled "From Beijing to Budapest: Winning Brands, Winning Formats", seven countries are poised to provide the strongest investment opportunities for retail and consumer companies. China, India, Turkey, Vietnam, Russia, Romania, and Bulgaria topped the list.

Intellectual property, which has been and continues to be a highly debated topic of discussion in the accounting industry, is, according to PricewaterhouseCoopers, one of the most poorly managed assets of two-thirds of the nation's fastest-growing private companies. At a time when intellectual property values are quickly becoming immensely valuable, many

**"This annual one-day conference focuses on key trends, challenges, innovations, and future outlooks for the retail industry."**

of these private companies lack the experience and advisory services needed to capitalize on the real value of their IP assets.

A statistic that is not surprising is the tremendous rise in Internet advertising expense over the 2005 tax period. There was a 30% increase from 2004 to 2005. As the numbers of consumers that access the internet continue to grow, especially in developing countries, the logical use of the Internet as a valuable advertising medium will also grow. Retail and B2B advertising via the Internet will continue to net a growing benefit and the growth trend is expected to expand to include IPTV and many handheld devices as this form of advertising continues to emerge as real opportunity.

## The Year of Global Growth Deceleration

*By Rene' V. Richards, Staff Writer, Big4.com, May 2006*

**“2005, however, seems to be experiencing a slowing of this phenomenal growth. The slowing returns growth to a level of sustainability and this interprets to economic stability.”**

In a global economy that is predicted to see the greatest growth in the history of the world in the coming decades, the fact that we're now in an uneven growth mode seems to indicate a different growth direction. The economy has been labeled a two-speed world. The US continues to be the engine room of the global economy; however the quickly emerging economies of Asia, China, and India will experience record growth this year.

The 2004 economy experienced the highest rate of growth than at any time over the last two decades. 2005, however, seems to be experiencing a slowing of this phenomenal growth. The slowing returns growth to a level of sustainability and this interprets to economic stability.

The increased globalization of individual country's economies has created a new situation in monitoring and adjusting to growth patterns. While the US and the UK are experiencing relatively sluggish growth trends, across the globe, India, Russia, China and Eastern Europe are gearing up for unbelievable growth rates.

As we look at the activity on a global level, there does appear to be a deceleration of growth, and this would indicate a leveling of the market on a global scale. The opening of new trade corridors in China and India has created an emerging flow of goods, commodities, and investment capital that continues to rise, but at levels that are sustainable.

There are a number of factors that could significantly impact the predicted growth rates and economic stability, regardless of the current growth patterns. The price of oil, financial imbalances between US, China and Asian trade and investment volumes, and trade tensions that could turn into potential embargos and/or restrictions are the most often cited trouble spots, and pose the greatest threat.

# What is your Patent, Trademark or Copyright Worth?

By Rene' V. Richards, Staff Writer, Big4.com, May 2006

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One of the most controversial issues today: intellectual property. How to assess the value, and protect and manage the asset are topics of debate in almost every industry and market. Another not-so-evident fact: many of the fast-growth private companies have no formal process for evaluating the asset worth or protecting it.

The use and protection of intellectual property can be extremely expensive, but the lost revenue from improperly recorded and protected intellectual property can be devastating.

Not only are these companies undervaluing their assets and equity, they aren't maximizing their level of profitability and productivity from those assets. During PricewaterhouseCoopers survey of privately held businesses, less than two-thirds have a formal process in place for identifying and managing current intellectual property. Utilization of intellectual property is at less than 66%, and very few actually "license out" their technologies or intellectual property to other businesses.

Even if the intellectual property represents a significant source of revenue, many small and privately-held companies do not realize the impact that improper valuation and management can have on their bottom line and Balance Sheet totals.

Although many of these privately-held businesses utilize R&D departments, participate in joint ventures, and even invest in other businesses R&D, once the research and development phases are complete, there is no completion of the cycle.

As for revenue-generating options, many small businesses would rather "license in" established intellectual property than to try to develop a product or component from scratch. It's from this standpoint, that many companies are losing potential revenues from a lack of proper asset management. Although many in management realize the potential commercial value in their individual application, there is a vast gap in the comprehension and utilization of the commercial value in others' applications.

**"How to assess the value, and protect and manage the asset are topics of debate in almost every industry and market."**

## BearingPoint and SAP Showcased at 2006 ASUG Conference

By Big4.com Staff Writers, May 2006

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When it comes to unbeaten SAP implementations, pioneering solutions, and high-quality customer fulfillment, BearingPoint is the renowned world leader. The partnership of BearingPoint and SAP has reached past 25 years. BearingPoint have aided over 1500 customers in getting a comprehensible

direction toward accomplishing quantifiable and sustainable benefits from their project ventures. The tremendous growth in various fields resulted due to the blending of profound industry awareness and proficiency in technology.

Orlando, FL will host the 2006 ASUG Conference and Sapphire '06 on 14 – 18 May. BearingPoint will be stationed at Booth #2537. BearingPoint will provide knowledge on their solutions along with client presentations telecasted then and there in the theatres. The management and technology consultants of BearingPoint will provide the detailed agenda and are ever ready to discuss the various high-value SAP solutions.

The discussion will range on SAP solutions and the various other related areas where BearingPoint is making an impact. The discussions with the technology and management consultants of BearingPoint will revolve around the accelerated business integration, CRM, ERP, the search capability of Google, business acquisition management or BAMs, composite applications, and enterprise value creation. They will conduct various other talks on BearingPoint's global trade services, investigating case management, NetWeaver, human capital management, lifecycle management of products, and SCM.

BearingPoint will play a crucial part in the 2006 ASUG Conference and Sapphire '06 in Orlando by taking active part in various presentations. Some of the presentations will include KANBAN Technique used in Manufacturing, the success story of BearingPoint with SAP, application composition and modeling in accelerating business innovation, an SI-Led composite application that is used as business gaining management solution, SAP Railcar Management that deals with the flexibility and usefulness of mosaic. The agenda also includes discussions and presentations on the implementation of channel management at Toyota Material Handling, the management of SOX Compliance and Business Growth by Gas Pipeline Company, and many such related issues. By taking active participation in preparing presentations and coordinating such a major event, BearingPoint sets an example of how the Big Four firms are spreading their reputation by strategic partnership and sharing successful growth stories.

## 2006 Ernst & Young Entrepreneur of the Year World Summit

*By Big4.com Staff Writers, May 2006*

Scheduled on 10th June 2006, the 2006 Ernst & Young Entrepreneur of the Year World Summit will conclude with the 6th Annual World Entrepreneur of the Year Awards Ceremony and Gala. This is the first time that the two major events will merge together for conducting this gala event and black-tie award ceremony. The entrepreneur of the year from various countries has already

**"The discussion will range on SAP solutions and the various other related areas where BearingPoint is making an impact."**

been selected. This is the time when the world entrepreneur of the year will be selected amongst all these esteemed and reputed personalities.

This represents an exceptional occasion for all the Entrepreneur of the Year winners form around the globe to enjoy the most esteemed business award experience in the world. 34 Entrepreneur of the Year Country winners around the globe will compete for this prestigious title of the 2006 World Entrepreneur of the Year award after being inducted into the World Entrepreneur of the Year Academy. The world Entrepreneur of the Year award in 2005 went to Wayne Huizenga, Chairman of Huizenga Holdings Inc. In 2004 it went to Tony Tan, Chairman and President of Jollibee Foods Corporation. India's Narayana Murthy, the Founder and Chairman of Infosys Technologies Limited claimed this esteemed award in 2003. In the year 2002, this award went to Stefan Vilsmeier, President and CEO of BrainLAB AG. Paolo della Porta, President, Chairman and Group CEO of Saes Getters S.p.A. bagged this award in 2001.

The Ernst & Young Entrepreneur of the Year World Summit actions will take place at the Grimaldi Forum, a high-tech center in the heart of Monte Carlo. The conference will be conducted in English. The events commence from 6th June. The Ernst & Young World Summit Opening Ceremony will take place on 7th June. After short welcome remarks by Jim Turley, Chairman and CEO, Ernst & Young, discussion will shift to the access to Central and Eastern Europe, and the key to being the best. 8th June will witness hardcore business discussions on European Union, Global Brand Leadership, and the story of the journey of H. Wayne Huizenga, the Chairman of Huizenga Holdings and the proud winner of the 2005 World Entrepreneur of the Year. There will be rounds of discussions on individual responsibilities towards the world followed by Youth Entrepreneurship workshops.

On 9th June, the 2006 Ernst & Young Entrepreneur of the Year World Summit will see discussions on investment opportunities in Poland and neighboring countries, along with customer rapport management in a Multi-Channel world. 10th June night is when the suspense will be revealed. The 2006 World Entrepreneur of the Year Award will be declared followed by celebrations and good wishes. Form 6-11 June, the Ernst & Young Entrepreneur of the Year World Summit 2006 will include insight and advice for leaders in politics, business, technology, science, and various other fields. By taking such active participation in hosting one of the major business summits, Ernst & Young gives an example of how the Big Four firms are encouraging healthy competition to enhance the overall business productivity.

## IT Auditors Salaries At Premium

*From [jobsinthemoney.com](http://jobsinthemoney.com), May 2006, reprinted here with permission*

Information technology auditors, professionals who determine whether corporate IT systems are effectively maintaining Sarbanes-Oxley controls, are in demand from a wide range of companies.

**“This represents an exceptional occasion for all the Entrepreneur of the Year winners form around the globe to enjoy the most esteemed business award experience in the world.”**



As a result, IT auditors with four to seven years' experience can expect an estimated starting salary of \$67,000 to \$94,250 this year, 11.2 percent more than in 2005, Robert Half International told The Wall Street Journal.

While corporations required to meet SOX disclosure requirements have sought IT auditors since the law was passed in 2002, the need has become more acute as smaller companies work toward their January 2007 deadline for demonstrating compliance, the Journal said. Adding to the overall need is the requirement that all companies show compliance annually.

The demand is widespread, and includes foreign companies whose shares trade on U.S. exchanges, as well as overseas subsidiaries of U.S. companies. Also, accounting and consulting firms are seeking IT auditors.

Experienced executives - those with 15 or more years in IT audit - may earn premiums for changing jobs, the Journal said. "A 30 percent increase is not unheard of," Charles Eldridge, of Korn/Ferry International, told the newspaper. "We're talking about compensation well north of \$200,000."

## Structured Finance Hunts For Talent

*By Jonathan Sibun, efinancialcareers.com, 17 May 2006, reprinted here with permission*

Experienced bankers are at a premium in a fast-expanding sector

The structured credit market has probably offered more opportunities for jobseekers over the past 12 months than any other sector in investment banking.

The Bond Market Association last month said the collateralised debt obligation market, one of the fastest growing areas in securitization, had increased from global issuance of \$25 billion in the first quarter of 2004 to more than \$71 billion in the same period this year. That is only one part of a market, which includes collateralized loan obligations and the issuing of asset and mortgage-backed securities.

The securitization market has seen such rapid growth that investment banks, rating agencies and fund managers have found it difficult to keep up in terms of market advances and hiring and retaining staff. Recruitment has been widespread as institutions have tried to establish or increase their securitization teams. Experienced structured credit bankers are at a premium.

However, analysts point to the risks in a rapidly expanding market. They say some participants could be tempted to cut corners to keep up. Coupled with a lack of understanding of the market, it could mean safeguards were

**"As a result, IT auditors with four to seven years' experience can expect an estimated starting salary of \$67,000 to \$94,250 this year, 11.2 percent more than in 2005."**

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not introduced and investors might leave the market as quickly as they went into it, making the bubble burst. However, such risks are usually contained because they come under the eye of regulators and senior staff.

The implications of a lack of talent were illustrated last week when BNP Paribas hired Christos Danias from Credit Suisse as head of European CDOs. The French bank lost three CDO bankers to Citigroup last month.

The Citigroup hires were a response to the defection of bankers to Royal Bank of Scotland's structured finance team and a result of the U.S. bank's decision to develop its business in Europe. Citigroup last month recruited Deutsche Bank's Michael Raynes to head its global structured credit business.

The chain reaction recruitment pattern is testament to the market's size and the dearth of experienced bankers.

One structured credit syndicate banker said: "It is an extremely well-bid market and, if you ask whether there are a limitless number of people with the necessary skills and experience, the answer is probably no." He added, "If you're talking about senior individuals with significant experience, the answer is certainly no."

One headhunter specializing in the CDO market said, "It is a niche market and the number of experienced professionals is noticeably more limited than in most other areas of the credit markets. As growth continues, so banks will find it harder to hire people with the skills they require."

She said the number of bankers being recruited had increased this year compared with last, particularly of senior staff. Bank of America, Barclays Capital, Deutsche Bank, SG Corporate and Investment Banking and UBS are some of those that have been building up their structured credit teams.

"By default, there have to be new people coming through with less experience than they might have had if had they been hired a year or two ago," the headhunter said.

### Ratings Agencies Are Prime Hunting Grounds

Rating agencies are more susceptible than other groups because they have experienced staff who are paid less than their investment banking peers.

Another headhunter said: "Over the past few years, the rating agencies have been subject to continual raids from investment banks looking for experienced structured finance bankers. Some of the guys who left the agencies a couple of years ago to join investment banks have seen their compensation grow exponentially."