

CHAPTER 2 – RESOURCES BEYOND THE FINANCIAL ACCOUNTING RESEARCH SYSTEM (FARS)

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Researching Accounting and Business Issues

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Introduction

Assume you were in college in 1999. Spring break that year is the planned timing for a family reunion. Your uncle has been in Europe for the past year on a start-up venture with a large international corporation and is returning home. You view the event with mixed emotions. On the one hand, you look forward to seeing your uncle. On the other hand, you know your uncle well enough to expect that sometime in the course of the reunion, he will focus on you and inquire about your college education. In particular, he will likely ask: “Show us the return on our investment! What have you learned, and are you getting ahead?” As a business professional, he always uses business jargon and is especially keen on new technology and how well today’s college students are mastering this information age.

You decide that this time, you’ll be ready. As a result, you have been reading the news media with enthusiasm, looking for an idea for research that will show you are both up to date and lucid on technology’s application to business. Since your uncle is particularly interested in accounting-associated matters and the financial services industry, those are the subject areas

about which you are especially curious. You found an article in the February 4, 1999, issue of *The Wall Street Journal* called “SEC Probes Mutual Life of New York on Whether Surplus Was Manipulated” (page B16, by Michael Schroeder). As the title suggests, the article reported that the Securities and Exchange Commission (SEC) was investigating accounting practices of Mutual Life Insurance Co. of New York. The issue described involved whether that company, a unit of MONY Group Inc., had bolstered its surplus. Such inflation, the article explained, would not only strengthen the company but would likewise enhance sales to policy holders, improve the company’s rating, and increase executives’ compensation. Beyond this accounting issue, the article reported that the SEC was reviewing MONY’s purchase of two third-party notes from PriceWaterhouseCoopers, LLP, its auditor, due to possible violations of independence standards.

The story seemed perfect, as it had business, accounting, auditing, and regulatory dimensions, while involving a familiar financial services company. The question was where to look for details, in order to prepare by Spring break for the questions that would likely come from introducing such a current event topic. For example, someone might ask what surplus meant, precisely. Someone else might inquire as to how the media learn about such an investigation in process. No doubt, your uncle will ask whether the company chose to respond to the story, and if so, how? Moreover, you have a very real opportunity to describe your mastery of technology by not only preparing your answers to such questions, but being ready to explain precisely how you found the answers. You have little doubt that broader business questions will follow, such as how investors reacted to the news and what are the findings to date of the regulators. Since compensation is one affect asserted of improved financial position, your uncle will pursue detailed follow-up questions, such as whether you happen to know anything about how well the company’s managers are compensated or what the aftermath was of the bad press, including how MONY has performed relative to the industry and the overall market.

In short, your uncle is not going to meekly accept your pronouncement of knowledge. If you want to mount a credible defense against his inquisition, you are going to need more ammunition. It is time for a literature search.

Literature Searches

You decide to start by considering what you know about the company and related allegations based on the article read. The same article in *The Wall Street Journal* describes how MONY did an initial public offering (IPO) that began the insurer’s trading on the New York Stock Exchange on November 11, 1998. Prior to that date, it was mutually owned by policy holders. The article alludes to different types of filings by MONY pre and post the IPO. Specifically, the article explains that pre-IPO, the company had filed financial reports with the SEC related to offerings of products such as annuities, as well as money-management activities. In order for MONY to have its IPO, a registration statement had been filed with the SEC. The article references a 1995 class-action lawsuit that has allegations related to 1982 through 1995. The article refers to the event in 1993 of New York state ordering \$87 million in write-downs of foreclosed properties and \$55 million reversal of sales commissions.

A few days after finding this article, you misplace it and decide you need to retrieve another copy in order to pursue your research. Now a literature search is more important than ever. Moreover, you need to explore stories from other sources that may have arisen in the same time frame, as well as gain a sense of the media coverage in the aftermath of the story of interest.

Interactive Databases

A number of interactive databases are available in the library at your university, and increasingly on the Web page for the library. Students at The College of William and Mary, for example, are able to access the Swem Library Information Gateway and find numerous resources. There, quick database links are available, as are digital collections, full-text journal collections, and instruction on searching and evaluating the Web through various search engines. The home page at <http://www.swem.wm.edu/index.html> shows available research tools and resources.

Dow Jones Interactive, First Search, InfoTrac WEB, Lexis-Nexis Academic Universe, Newsbank, and PCI (Periodicals Contents Index) are among the available resources. By accessing the Professional Resource Center (PRC) in the School of Business at the College of William and Mary through the Web, students can link to ProQuest Direct.

Examples of Search Approaches

Because your first interest is in an article in *The Wall Street Journal*, which you know is published by Dow Jones, you decide to begin with Dow Jones Interactive. You choose the Publications library and perform a search by using the term MONY, and you isolate the search of Dow Jones Selected Publications to the time frame from February 1 through February 28, 1999 (by clicking on enter date frame, then typing the dates), then you click on Run Search.

Another alternative is to access LEXIS-NEXIS Academic Universe and to select the News Option, then the General News Option, which will then present a screen that calls for keyword searches and also provides tips. You input the keywords “The MONY Group” and select the narrow search with the additional term of “investigation.” You select the source as Major Newspapers and click on the date From/To, inputting 2/2/99 to 2/5/99 as the dates of interest. Click the Search button. This permits you to review the media coverage around the time of the article you first noticed in *The Wall Street Journal*.

A third alternative is InfoTrac, which has an option of “General Business File ASAP.” When the keyword search is requested, you input “MONY GROUP” and indicate that you want to look at articles by date after 2/1/99 (i.e., you click on After and then scroll to select day 1, month February, and year 1999), then click on the Search button. The result will be any articles to date that correspond to the MONY Group and have appeared since the first of February 1999.

Literature search bases are similar in their use. They access categories of subject matter, request a search by you, and return a list of citations, which can then be clicked on to read the underlying article or abstract, depending on the nature of the database. The keyword search formats vary, as described herein. Sometimes fields are required, and in other circumstances you can choose to use the field or to ignore that specification. For example, InfoTrac allows the search to be limited to articles with text, to refereed publications, or to particular journals, but this is optional. ProQuest Direct is a useful resource, providing full text access to articles.

Note that press releases and analyst information can be accessed on the Internet at <http://www.infobeat.com> and <http://www.pointcast.com>. Some articles can be located through <http://www.findarticles.com>. When interested in accounting topics, you will want to visit the site: <http://www.cpaj.com>. It has a searchable archive of *The CPA Journal*.

•Exercise A

1. Locate the article cited in *The Wall Street Journal*. Based on your reading of the article, explain the nature of the allegations that MONY has faced in the 1990s. What is the magnitude of the accounting abuse alleged in the early to mid-1990s according to the article?
2. Perform a literature search to identify related articles on MONY surrounding the events described, as well as related to performance by the company in the aftermath of this media coverage. Provide citations for what you deem to be particularly useful articles for your research effort.

Internet Search Engines

The Internet has a number of search engines available through which to perform keyword searches and identify resources. They include the following sites:

<http://www.altavista.com>

<http://www.lycos.com>

<http://www.yahoo.com>

<http://www.excite.com>

<http://www.webcrawler.com>

<http://www.infoseek.com>

<http://www.google.com>

<http://www.deja.com>

<http://www.hotbot.com>

You can perform a word search, such as MONY and thereby identify Internet resources related to that topic. However, each engine will likely identify different resources due to its respective approach to searching the Web sites, classifying material, and presenting matches. Moreover, given estimates that fewer than one-third of available Web resources are captured by such search engines (*Wall Street Journal*, April 10, 1998, p.1), it is particularly prudent to access more than one such resource. You may also wish to visit <http://www.northernlight.com>.

Site-Specific Searches

Beyond general search engines, many Web sites have their own search mechanisms that help to identify information of interest on that site. These search assistants are often more tailored to context, such as requesting that the user read a site map, select a department, and then search content within that category. The box is frequently labeled Search This Site with a box provided in which to type your search, alongside a Go button.

•Exercise B

1. Access two different search engines and perform a word search on MONY. Indicate how many hits are identified. Peruse the identified links and discuss the extent to which the first ten sites identified prove to be relevant. Give a Web address for one source identified via the search engine that you find of relevance to your research.
2. Access the Independence Standards Board site (<http://www.cpaindependence.org>) and determine whether it provides any information of use in understanding the nature of the

allegations having to do with independence that are associated with MONY. (Note that the Independence Standards Board ended operations in the summer of 2001, per agreement between the Securities and Exchange Commission (SEC) and the American Institute of Certified Public Accountants (AICPA).)

3. Identify whether other sites are accessible that provide relevant information.

Internet Resources

The Internet is undergoing constant change; however, a number of sources can be counted on as providing both useful and relevant information when researching accounting and business issues. This exercise will assist you in gaining the ability to find your way on the information highway.

Reports from corporations, foundations, and public institutions from around the world can be found at <http://www.zpub.com/sf/ar1/>. Access to current economic and social data in the United States is offered through Economic and Social Statistics briefing rooms that offer summary statistics and links to agencies responsible for the statistics, thereby permitting access to more detailed data. These sites available within the White House Web site include <http://www.whitehouse.gov/fsbr/esbr.html>, as well as <http://www.whitehouse.gov/fsbr/ssbr.html>. Another useful Web site in locating U.S. government information is <http://www.fedworld.gov>. As an aside, you can design your own version of the U.S. budget, by your personal standards, and then analyze and graph the results, by accessing the following Web site on the Internet: <http://garnet.berkeley.edu:3333/budget/budget.html>.

Company Site

When interested in company-specific matters, you can use a search engine to locate that company's Web page. However, often the address is rather easy to deduce. Specifically, company Web sites tend to take the form of <http://www.companyname.com>. If you substitute MONY for company name, you will find yourself at the Web page of The MONY Group. Areas of the Web site include the Press Room and Investor Relations. In the latter category, you can access stock charts, historical prices, statistical supplements, SEC filings, fundamentals, and information on Wall Street analysts. MONY, as do many company sites, embed easy linkages to other Web sites that contain information concerning the entity. You will notice as you move around a site that the Web address will have words added behind the .com access you used. Such suffixes describe the file location within that site's server.

Business Sites

A number of sites provide information about companies. The Yahoo! Finance site is an example. Use this address: <http://biz.yahoo.com/p/m/mny.html>. Be certain to check out the 'more information' options that include quote, chart, news, research, SEC filings, messages, and financials. If you access historical quotes, you can elicit information for a specified time frame, including daily, weekly, monthly, and dividends information. Options are also available to explore news items and insider trading information. Company information likewise can be located at Web sites: <http://www.hoovers.com>, <http://www.msn.com>, <http://www.quicken.com>, <http://www.spcomstock.com>, and <http://www.bloomberg.com>.

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On the MSN.com site, click Money on the menu, then Investor - stock research capabilities include quotes, charts & news, analyst ratings, advisor FYI, community, research wizard, and stock screener. In addition, information on IPOs (initial public offerings), up/downgrades, and mutual funds is provided. Charts and historical price information, along with financial highlights, some ratios, and selected news stories can be particularly useful.

For the Quicken.com site, click on Investing - the menu provides access to quotes, charts, intraday, news, one-click scorecard, evaluator, analyst ratings, research reports, message boards, compare companies (which highlights competitors), profile, insider trading, fundamentals, financial statements, and SEC filings. These are accessible by simply entering a company's symbol on the stock exchange. The Bloomberg.com site tracks information on regional indices and most active options, alongside news items, stocks, rates, and bond information. Both currency rates and commodity information is accessible. (*Caution:* Whenever downloading data, make note of how missing information is handled – if a resource uses a zero when no information is accessible, such values can be problematic when you attempt to analyze the information. If spreadsheet downloads are inaccessible, you can copy and paste into a spreadsheet. If that does not align well, you can copy and paste into a word-processing software, then save as a text file and import into Excel using either the delimited option or the fixed width option. For the latter, you can adjust the lines to create the desired demarcations between columns.)

Note that Web addresses are called URLs, or uniform resource locators. The standard formats of most sites are translated using hypertext transfer protocol, which is why the lead-in of <http://> is needed. The second part of the address usually begins with www to represent World Wide Web. Beyond the .com for companies, .gov is used for government, .org for organizations, .edu for universities, and a number of international indicators are in use, such as .uk for United Kingdom.

Business-related sources of potential interest include

The Better Business Bureau	http://www.bbb.org
Federal Trade Commission	http://www.ftc.gov
U.S. Government Statistics	http://www.stat-usa.gov
S&P Bond Rating Criteria	http://www.standardpoor.com/ratings/index.htm
New York Stock Exchange	http://www.nyse.com
American Stock Exchange	http://www.amex.com
Chicago Berkeley Options Exchange	http://www.cboe.com
Business Week Online	http://www.businessweek.com
EconWPA	http://econwpa.wustl.edu
Econ Data & Links	http://www.csufresno.edu
Census	http://www.census.gov
FDIC	http://www.fdic.gov

A number of valuation-related Web sites are accessible to businesses and individuals. For example, when exploring the worth of vehicles or motorcycles, one can access <http://www.kbb.com> or <http://www.autopricing.com>. The “value-at-risk” approach to measuring the risk of financial instruments developed by J.P. Morgan is described at <http://www.jpmorgan.com>, which includes information on a number of indices for the United States and a number of other countries. The Federal Reserve web site has such information as interest rates for treasury bills and bonds, foreign exchange rates, and statistics on consumer credit. It can be accessed at <http://www.bog.frb.fed.us>.

Proprietary services likewise provide information on companies. Returning to the Dow Jones Interactive Service (DJIA), you can select the option of Company Information, which will

connect based on either the name of the company or its ticker symbol. Resources often available include Standard & Poor's Stock Reports and Net Advantage, Holt Stock Reports, Moody's Investor Service List, and Baseline equity research, among others. Standard & Poor's Corporation Records' Full Reports provide information on exchanges where companies trade, industry classifications in which they operate, business descriptions, recent financials, stock data, news digest, directors, history, subsidiaries and affiliates, and officers. You can try the site <http://www.stock.basic.com> for a description of economic earnings for 5,000 U.S. stocks.

DRI-WEFA provides economic and financial data, forecasting, consulting, and analytical software (as described at <http://www.dri-wefa.com>). Standard & Poor's Blue List relates to current municipal and corporate offerings (see <http://www.bluelist.com>). Morningstar is a provider of mutual fund analysis and tracks performance of variable annuities and variable life insurance products (see <http://www.insure.com>). Standard & Poor's Insurer Profile (e.g., for MONY Life Insurance Co.) is accessible through <http://data.insure.com/ratings/reports>. Primark Financial Information Division's Worldscope database, which tracks information from 1980, contains more than 22,000 active companies in developing and emerging markets, representing approximately 97 percent of global market capitalization in 53 countries – all countries in the World Bank's IFC Investables Index. Other Primark products include Global Access, Compustat, Datastream, I/B/E/S (which includes forecasts, revisions, consensus and analyst-by-analyst earnings estimates of both U.S. and international companies), New Issues (with coverage of all debt and equity offerings), and personalized research service – see <http://www.primark.com>. Other types of database resources are described at <http://www.jolis.worldbankimflib.org>.

The eXtensible Business Reporting Language XBRL is a free new XML-based specification that facilitates exchange of financial statements across all software and technologies, including the Internet. Related information can be found at <http://www.xbrl.org>.

Popular Accounting Sites

To identify current information and addresses to accounting resources, check one of the most popular accounting Web sites. Rutgers Accounting Web (RAW) International Accounting Network (<http://www.rutgers.edu/accounting/>) has links to numerous professional organizations, including the AAA, AICPA, AGA, FASB (e.g., <http://www.fasb.org>), GASB, IIA, and IMA. Click the [Preview all the Websites](#) on the RAW Link to Accounting Resources.

Direct Internet addresses for the Web sites of various professional and government organizations can also be helpful:

American Institute of Certified Public Accountants	http://www.aicpa.org
The Institute of Internal Auditors	http://www.theiia.org
The Institute of Management Accountants	http://www.imanet.org
National Association of State Boards of Accountancy	http://www.nasba.org
Association of Certified Fraud Examiners	http://www.cfenet.com
Certified Financial Planning Board	http://www.cfp-board.org
Association for Investment Management and Research (CFIA)	http://www.aimr.org
Canadian Institute of Chartered Accountants	http://www.cica.ca/
International Accounting Standards Board	http://www.iasb.org.uk

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(successor to International Accounting Standards Committee <http://www.iasc.org.uk>
International Federation of Accountants <http://www.ifac.org>

Public Oversight Board (search POB on AICPA site) <http://www.aicpa.org>

Tax and Accounting Sites Directory can be found at: <http://www.taxsites.com>

A directory of accounting firms is accessible at: <http://www.corpfinet.com>
An example of a firm's portal site is that of PricewaterhouseCoopers, which has no fee for access at <http://portal.pwcglobal.com>; it contains volumes of content, including being an entry point to such online resources as CFOdirect (also accessible via <http://www.cfodirect.com>) – providing news items associated with accounting.

Independence Standards Board <http://www.cpaindependence.org>
(operations were ended in the summer of 2001)

Federal Accounting
Standards Advisory Board <http://www.financenet.gov/financenet/fed/fasab/fasab.htm>

Searchable links to federal, state, and international government <http://www.financenet.gov>

Internal Revenue Service (includes income tax forms) <http://www.irs.com>
<http://www.irs.ustreas.gov>

Accounting research and career information <http://www.accountingnet.com>
Auditing information <http://www.auditnet.org>

•Exercise C

1. Access the company site for MONY and go to the press room. Determine if there are any relevant press releases for your research. Then proceed to use the other investor and financial information links to assess how MONY appears to be doing during and in the aftermath of this media event. Consider the level of executives' compensation as well as the types of compensation arrangements used by MONY. Such data can be accessed at <http://yahoo.marketguide.com/mgi/compens.asp>.
2. Identify the competitors of MONY. Give the names of the first five in the alphabetized list accessed on Yahoo! How are competitors defined? What is an effective way of defining competitors? Justify your position.
3. Access the Yahoo! site and generate a stock price chart that includes price information before and after the February 4, 1999, article. (Also see <http://biz.yahoo.com/z/a/m/mny.html> for EPS information, including estimates and recommendations.) Does the stock market appear to have reacted in any manner to *The Wall Street Journal* coverage?

EDGAR: <http://www.sec.gov>

Rather than use the company's site to link to the SEC filings, you can go directly to EDGAR, which stands for Electronic Data Gathering and Retrieval Service, a free Web site that permits you to search by company, type of filing, and read and/or download copies of such filings. The nature of the filings is described at the SEC site. The home page has a button on the left called EDGAR Database, which should be clicked. On the next screen, select Search the Edgar Database, and at the next screen, click Quick Forms Lookup. Enter the company name of interest, then click on the filing of interest. When saving a text file and trying to view in your word-processing package, you will likely find the columns align better if you use eight-point courier font boldface.

Beyond individual companies' information, EDGAR has details on regulators' proposals, such as *Staff Accounting Bulletins* (SABs) recently issued, and on its regulatory activities. The SEC's *Report to the President and Congress* are among the materials accessible.

•Exercise D

1. Access the SEC EDGAR site and identify all filings that are contained therein for MONY. Indicate the types of filings you find, the number, and the last filing listed on the date you check the filings – including the type of that last filing and the date it was made available on the Web.
2. Using the EDGAR site, explain what types of SEC filings exist and when they must be filed.

Special-Purpose Databases

Alternative sources of information include a number of special-purpose databases that may be available to you on CD-ROM resources or through various network interfaces. The subject matter of such databases varies widely. In this exercise, you will retrieve information regarding legal cases, financial statements, reporting practices, and the stock market.

For example, interest in legal cases can be explored in LEXIS/NEXIS. Financial databases would include COMPUSTAT-PC, which permits ease of downloading of a number of financial line items and ratios – not merely for particular companies but for sets of companies that meet selection criteria of interest, such as size or industry type. Stock price information is accessible through CRSP (Center for Research on Security Prices), a database accessible from the University of Chicago, which was initially a mainframe tape-based system but is increasingly being made accessible in various forms, including Intranet-site licensing interfaces. If one wishes to explore stock price movements relative to the market averages of particular companies or sets of companies, long-term trends can be analyzed. These can be evaluated, with corrections for stock splits and stock dividends. Details on generally accepted accounting practices (GAAP) can be accessed through the Financial Accounting Research System (FARS). It permits word searches using Boolean logic to explore accounting questions specific to industry settings and both practice and theory.

LEXIS/NEXIS

LEXIS/NEXIS is a full-text computer research database, with LEXIS representing the law libraries and NEXIS representing the business libraries. It maintains well over half a billion documents on line, with almost two million added weekly. The coverage includes such

publications as *The New York Times*, *The Financial Times*, *Business Week*, and *Journal of Taxation*.

The legal libraries include M&A (Mergers and acquisitions library), UCC (Uniform Commercial Code library), BKRTCY (Federal Bankruptcy library), BANKNG (Federal Banking library), TRADE (Federal Trade Regulation library and International Trade library), REALTY (Real Estate library), GENFED (Federal Government Library), and STATES (States library).

The NEXIS libraries include NEWS (General News and Business library), LEXPAT (The U.S. Patent and Trademark Office library), MARKET (The Marketing Library, which covers advertising, marketing, market research, public relations, product announcements, and similar marketing-related items), PEOPLE (the People library), CMPCOM (the Computers and Communications Library), ACCTG (the Accounting Library), and COMPNY (the Company Library).

Once you access a library, you will be asked to narrow the search by specifying the names of additional file choices. For example, within the NEWS library, you can specify BUS, and all business-related stories from newspapers, magazines, wire services, and transcripts will be accessed. If within NEWS you select PERSON, biographical information can be accessed. Within ACCTG, examples of useful files would include AAER (the Accounting and Auditing Enforcement Releases from the SEC), TAXCFR (Tax Rules), PROSP (Prospectuses), EDGARP (EDGAR PLUS), ACCES (Access Disclosure), and PROXY (SEC Proxy Statements).

Within the EDGARP file, you can search for documents like the 10-K and proxy, then within the full text view of the documents, a table of contents is made available that permits you to pull only certain sections of the documents, such as the financial statements.

Examples of useful titles under the COMPNY library are DISCLO (disclosure), ALLMA (M&A Reports), SPCORP (Company profiles for both public and private firms), USPRIV (U.S. private companies), USPUB (U.S. public companies), and SKTRPT (Stock reports). Under either GENFED or STATES library, one can obtain cases under the COURTS file.

The search phrasing you can use within LEXIS and NEXIS includes *Or*, *And*, *W/n* (where *n* refers to the number of words within which you expect to find the words—*stock w/3 dividend* would mean that the cite would include anyplace these two words were within three words of one another), and *W/p* where articles with the two topics in the same paragraph are identified.

When the results are reported back, a toolbar permits you to select among the Full View, the Kwic View (providing an abstract including the sentence before and after that term specified), or a Cite View (bibliographical information).

When working on CD-ROM versions of LEXIS/NEXIS you typically cannot print your sessions or download your work to a disk in the usual fashion. Instead, to record your search on disk, you must first click on file. Then choose record session and hit start. This will record your entire search from choosing the libraries to article searches. If you do not want everything to be recorded, you can hit Pause and later Start, and there will be no recording of the interim actions. When you are finished with the session and log off, you can bring up your documents in Wordpad and then re-save the search as a Word file, aligning the margins to 7 inches when in Word to achieve realignment. Note that Wordpad can be found under your accessories section of your computer. The reason for using Wordpad rather than Word is that the latter will sometimes scramble your fonts.

If you are unable to identify the library.file to use for your search, you can conduct a search in the LEXIS/NEXIS online guide. If you would like to find a library/file on AAERs, you would type .gu AAER and the online service would then tell you that the library is ACCTNG and the file name is AAER. The LEXIS/NEXIS free help desk is available at 1-800-346-9759. Rather

than the CD-ROM version, increasingly, universities are offering LEXIS/NEXIS Academic Universe on their intranets, with site license access by students and faculty.

Legal Information Institute is an Internet resource of related interest: <http://www.law.cornell.edu> has federal law materials searchable. Also see <http://www.findlaw.com> and <http://www.refdesk.com>. In addition, criminal justice links and other legal resource materials are accessible at the following Web site address: <http://www.criminology.fsu.edu/cjlinks/default.htm>. The Governmental Accounting Office (GAO) is a rich resource, including its publication "Investigator's Guide to Sources of Information," which can be found at <http://www.gao.gov>.

COMPUSTAT

Standard & Poor's PC Plus for Windows and the COMPUSTAT database are built into one system on CD-ROM, which provides financial and market data of U.S. and Canadian corporations, banks, savings and loans, business segments, geographic regions, industry information, indexes, and inactive companies. The system contains a collection of financial data from company annual and quarterly shareholders' reports and SEC 10-K and 10-Q reports. Although the details of any database change over time, the following instructions should be helpful in characterizing the types of commands that can be used to access information and generate analyses.

When accessing the screen showing COMPUSTAT moving horizontally across the screen, view the PC Plus desktop by pressing Enter and you will see some of your options represented by icons on the left border of the screen. These include abilities to find specific companies, create a single report or multiple reports for one or more companies, screen for particular companies, construct a set of companies, business segments, geographic areas, or issues, view a chart of COMPUSTAT data, and view a library of information about companies. To find a specific company, click on Company, click on Look Up. The \$C CS Active category should be highlighted, and the available companies will then be listed in the Name List box. Hence, if you were looking for MONY, you would type *MONY* in the Name box in the upper right of the dialog box. Click on Paste and then the Close button. Click on View Data and then OK. You can choose what data you want to see by clicking on Look Up and then Item (the button on the left, second down). For example, if you wanted to find the price/earnings (PE) ratio for MONY, click on Name List and type in *price/ear*. The name list highlights the price/earnings item. Now double-click on Price/Earnings-Monthly and click on Close. Click on View data and on the up and down arrows to see the years you want. Click on New Item and repeat the process.

You can access business descriptions by clicking Library, entering the company's ticker symbol (MNY – which can be found by clicking the Look Up button if unknown), then clicking on OK.

To screen companies that meet your criteria, click on Screen and on New. The PC will show you a screen template with \$C in the base set column and will highlight the Formula column. Type *sic* and hit Enter. The PC inserts what you have just typed into the formula bar and then into the Formula column. It highlights the Min column. The item shows a company's primary SIC code. Note that SIC stands for Standard Industrial Classification code. Until recently, it was the most commonly used in the United States (U.S.). In 1997, this framework was replaced by the North American Industrial Classification System (NAICS), which is intended to integrate Canada, Mexico, and the United States as part of the North American Free Trade Agreement. Systems will gradually transfer from SIC to NAICS. See <http://www.osha.gov/oshstats/sicser.html> for a search of SICs and related information. If SIC is

in use, then type 6300 for insurance carriers and hit Enter. (You can also press the right arrow key to move to the Max column.) Type 6399 and hit Enter. The PC inserts what you have just typed into the Min and Max columns. These codes (6300 and 6399) tell the PC that you are screening for companies that list the insurance carrier industry as their primary SIC. Click on Formula column row 2, then click on the Look Up tool, a box with a pair of glasses. The PC shows the Look Up dialog box. Click on the Item button and click on Company in the Category List box. Type Return on Assets; ROA should be displayed on the screen. The ROA concept calculates a ratio. You can click on the Definition button. Click on Paste to insert the item into the formula bar. Click on the check mark to insert the item into the Formula column. The PC highlights the Min column. Type 1 and hit Enter. The Maximum column remains blank. This value tells the PC that you are screening for companies that have a return on assets value of at least 1 percent. Click on the Run button in the toolbar to evaluate the screen criteria. Note that you can screen from any field information in the COMPUSTAT system, including membership in an S&P Index, sales volume, number of employees, or other attributes of interest.

Compustat Research Insight's main menu has a Research Assistant icon that can be clicked; when the ticker symbol is placed in the field entitled companies, you can select from among the other options. For example, to generate a list of companies with the same SIC, click on find similar companies, then click company specifics, and choose an industry SIC designation. To customize a peer group for comparison, open Research Assistant, and click on Customize. To create a report, click the Open Report icon, select what you wish, and click Finish. From the Run Assistant screen, choose the desired company and click OK. You can customize your report within Report Assistant, including generating historical reports. The Chart Assistant icon can be useful in selecting a chart. To predefine charts, click on Open Chart, highlight the desired chart, click Finish, and when Run Assistant appears, select the desired company and click OK. Clicking on Open Set brings up four folders (Charts, Reports, Screens, and Sets) and uses predetermined sets of information, charts, estimates, comparisons, and similar information for analysis of a company. Click on the various charts to explore the resource.

Other sources for industry information on the Web include <http://www.doc.gov> and <http://cnnfn.com>, which are sites for the Department of Commerce and CNN Financial network, respectively. Industry information with company data (as cited earlier), as well as links to corporate Web sites can be located at <http://www.hoovers.com>.

Company-specific information can be accessed at <http://www.pointcast.com> (which provides free software for customizing your search), <http://www.cnn.com>, <http://www.dbc.com>, <http://www.stockmaster.com/> and <http://moneypages.com/syndicate>.

CRSP

CRSP has traditionally been accessed through FORTRAN programming on mainframe systems. However, the tape-based data are increasingly being transferred onto intranet sites, with friendly interfaces. Explore whether your university has CRSP and whether students have access. Find out whether user manuals or other tutorials are available. Since the interface can vary widely, no further details on use are included herein.

Daily stock market quotes are accessible at numerous Web sites, including:

<http://stockmaster.com>

<http://www.pcquote.com>

<http://finance.yahoo.com>

<http://www.msn.com>

<http://www.bloomberg.com> and

<http://www.quicken.com/investments/quotes>.

The stockmaster web site provides current information and summarizes stock-price performance of a company for the last year, providing a graph charting this information relative to the S&P 500. Links are provided at that site to other information associated with the company, including a link to EDGAR. Indices are accessible at <http://www.spglobal.com>, and the site explains the composition of indices (e.g., the weight placed on different sectors of the economy, the sizes of entities included, and the weights on various countries within global indices). Excel worksheets can be downloaded. Similarly, <http://www.russell.com> has indices available on a number of countries, and it explains the approach to forming its indices.

FARS

When you access FARS, whether it is on a CD-ROM, through your library, or through the network, the basic system is well described by the following overview (Figure 2.1) presented within the software of the database.

Figure 2.1 Overview of FARS (quoted from software)

Overview

Welcome to the FASB's Financial Accounting Research System (FARS) for Windows.

Welcome to the FASB's Financial Accounting Research System (FARS) for Windows. FARS is a PC-based tool for accounting research that uses Folio VIEWS 4.2 software for efficient and effective access to databases (*infobases*) of FASB literature.

FARS is made up of six major infobases, each of which is designed to resemble the printed version of the original documents as much as possible:

Original Pronouncements	(FASB-OP)
Current Text	(FASB-CT)
EITF Abstracts	(EITF)
Staff Implementation Guides	(FASB-Q&A)
Comprehensive Topical Index	(FASINDEX)
Derivative Instruments and Hedging Activities	(DERIVCOD)

FASB-OP infobase contains all AICPA and FASB pronouncements in chronological order, including totally superseded pronouncements. This includes:

- Accounting Research Bulletins (ARB)
- Accounting Principles Board Opinions (APB)
- AICPA Accounting Interpretations (AIN)
- Accounting Principles Board Statements (APS)
- Accounting Terminology Bulletins (ATB)

FASB Statements (FAS)
FASB Interpretations (FIN)
FASB Technical Bulletins (FTB)
FASB Concepts Statements (CON)

Amended or superseded material has been shaded in the same manner as in the printed version. Amended or superseded material is *linked* to the appropriate language in the amending pronouncement. In some instances, several links will have to be followed to determine the current guidance.

FASB-CT infobase contains the General Standards, Industry Standards, and the *Current Text* sections that have been superseded but are still applicable due to a significantly delayed effective date. Those sections are shaded to indicate that they have been superseded. This infobase also contains an appendix listing current AICPA Practice Bulletins, Statements of Position, and Audit and Accounting Guides.

EITF infobase includes the full text of each abstract for every issue discussed by the Emerging Issues Task Force since its inception in 1984, the introduction to *EITF Abstracts*, a list of Task Force members (Appendix A), announcements of general and administrative matters (Appendix C), discussions of other technical matters (Appendix D), and the EITF topical index.

FASB-Q&A infobase contains staff Special Reports and other published implementation guidance on FAS 80, 86, 87, 88, 91, 96, 109, 113, 116, 117. It also contains illustrations of financial instrument disclosure requirements in FAS 105, 107, and 119.

FASINDEX infobase is the combined topical index for FASB-OP, FASB-CT, EITF, and FASB-Q&A infobases. Each reference in the index is linked to the appropriate paragraph(s), EITF issue, or question(s) in the relevant infobase. All “See” references (for example, See *Income Taxes*) are linked to that section within the index.

DERIVCOD infobase is an aid to implementing FASB Statement 133 which presents Statement 133 as amended by Statements 137 and 138. It also includes the full text of issues related to the implementation of Statement 133 that were discussed by the Derivatives Implementation Group and cleared by the FASB prior to September 25, 2000.

FARS is updated approximately five times a year, as appropriate, to ensure that the infobases contain the latest FASB pronouncements and abstracts of EITF issues.

Features of the Financial Accounting Research System

FARS was designed to be flexible and easy to use. The accounting literature within the infobases can be accessed in three different ways—through the Contents view tab, through the Topical Index references that link to the appropriate text in the infobases, and, finally, through predefined *query templates* and user-defined *queries*.

The graphical interface of FARS for Windows has a look that will be familiar to MS-Word users. Flexible printing functions, simple text *exporting*, a true WYSIWYG text display, and easy-to-follow navigational tools combine to make FARS for Windows an indispensable system for GAAP research.

You have a curiosity about two basic issues at this point. The first relates to the nature of extraordinary items (referred to as the nature of demutualization expenses in 1998 and of expenses associated with the commission-free sale and purchase program offered to odd-lot shareholders) and the nonrecurring restructuring charges associated with voluntary retirement and realignment program. The second involves the term *surplus* which is being applied in *The*

Wall Street Journal article to describe the difference in MONY's assets and liabilities. Indeed, you have an impression from past coursework that the term *surplus* was not supposed to be used.

•**Exercise E (depending on which databases are accessible)**

1. Access the LEXIS/NEXIS Academic Universe or CD-ROM version, if it is available. Consider the original article's reference to a class action suit. Perform a search of the LEXIS portion of LEXIS/NEXIS to identify the case and its general nature.

To do so using LEXIS/NEXIS Academic Universe, access Legal Research and a descriptive screen on Basic Legal Research will show subheads of Secondary Literature, Case Law, Codes & Regulations, Patent Research, and Career Information. If you select Get a Case, the first bullet under Case Law, then a screen will appear offering the option to retrieve a case by citation or by party name. From the article posted in the Press Room of the MONY Web site, dated December 20, 1999, on the Business Wire, you can locate the *caption Goshen vs. The Mutual Life Insurance Company of New York*. Hence, when the LEXIS/NEXIS Academic Universe asks for input, type *Goshen* as Party One and *The Mutual Life Insurance Company of New York* as Party Two. You need not have the legal citation requested. Hit the Search button and under the document list will be the citations, any of which you can choose to review.

If LEXIS/NEXIS is unavailable, check the Internet resources described herein. Note that the <http://www.hoovers.com> has added to its company information a subhead titled "recent federal litigation." Since you have an interest in a particular case, you could also seek information in hard-copy form from a law library. Moreover, SEC filings will contain descriptions of litigation.

Compare the description you access from SEC filings to that found in the LEXIS/NEXIS or similar data source. If you were responsible for drafting the disclosure found in the SEC filing, what adjustments to its content would you recommend?

2. Using the COMPUSTAT database, download a report on the information available for MONY, as well as a similar report for the key competitors within their industry.

If COMPUSTAT is unavailable, check to see what resources with company financial information are available at your library. Compare the ease of use, quality of information, and relative advantages and disadvantages of these resources, relative to the Internet sources described herein.

3. Using CRSP, download all information available for MONY (i.e., all stock prices since its IPO). Also download a market index accessible through CRSP.

If CRSP is unavailable, check to see what resources with companies' stock price data are available at your library and how they compare to the information accessible on the Internet. You should be able to locate both a time-series database of the stock prices of MONY since its IPO and a market index for the same time frame on the Internet.


4. Access FARS.

Open the Financial Accounting Research System (FARS) main menu. If you click on the Topical Index, you gain access to the following screen:



Topical Index

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To search the entire infobase, click the **Query** button  on the **Toolbar**. To directly access a segment of the infobase, click on any link token (◆) in the menu below. Links to referenced material are indicated with text which is colored according to the type of reference as follows: See Amortization, FAS19, ¶30, Oi5.121, and EITF.93-1. To follow a link, click with the mouse on the text of the reference.

- | | | | |
|----|----|----|------|
| ◆A | ◆B | ◆C | ◆D |
| ◆E | ◆F | ◆G | ◆H |
| ◆I | ◆J | ◆K | ◆L |
| ◆M | ◆N | ◆O | ◆P |
| ◆Q | ◆R | ◆S | ◆T |
| ◆U | ◆V | ◆W | ◆XYZ |

You can proceed to use this index for extraordinary items.

Topical Index

The Topical Index has references to material contained in all of the FARS infobases. Each reference in the index is linked with the appropriate paragraph(s), EITF issue, or question(s) in the relevant infobase. All “See” references (for example, See Income Taxes) are linked with that section within the index. From the main menu, click on Topical Index to view the screen with diamonds corresponding to letter(s). For ease of use, the index has been segmented into alphabetical groups. Also, the Table of Contents function will display a handy list of all the topics in the index.

Click on the first letter of the term of interest, and that will link to a listing of terms that begin with the letter chosen, with detailed links to underlying cites. Within topics, references are sorted into three columns, as in the following example:

	<u>OP</u>	<u>CT</u>	<u>EITF/Other</u>
FUTURES CONTRACTS			
Hedges			
Ongoing Assessment of Correlation	FAS80, ¶11	F80.111	EITF.85-6 Q&A.80 #20-21

In this example, FAS80, 11 indicates paragraph 11 of FASB Statement No. 80, Accounting for Futures Contracts. F80.111 indicates paragraph .111 of the Current Text Section F80, "Futures Contracts." EITF.85-6 indicates EITF Issue No. 85-6, "Futures Implementation Questions." Q&A.80 #20-21 refers to questions 20 and 21 of the FASB Highlights, "Futures Contracts: Guidance on Applying Statement 80." This should be helpful to you when interpreting what you find on extraordinary items.

Alternatively, use the search capabilities. Specifically, click on Open, FARS, Open, Nfo, Open, FASB-OP, and click Search at the top of the toolbar. Select Query and then type *extraordinary items criteria* and click on OK. Select the Document view (using the tabs toward the bottom of the screen).

- (a) Identify the relevant guidance, as cited in the top bar of the view, and describe what must be the criteria met for both the 1998 and 1999 items described as extraordinary in MONY's new releases.
- (b) Describe how you would suggest finding accounting guidance within FARS relative to the restructuring charges described in the media coverage of MONY. Be specific. Do likewise for *surplus*. Be specific as to the search you perform and what you locate in terms of guidance.
- (c) To further consider the meaning of extraordinary, access *The Wall Street Journal* article appearing on October 1, 2001, on pages C1 and C2 in the "Heard on the Street" column—authored by Steve Liesman and titled "Accountants, in a Reversal, Say Costs from the Attack Aren't 'Extraordinary'." The technical issue is entitled "Accounting for the Impact of the Terrorist Attacks of September 11, 2001" Issue No. 01-10, reflecting discussions on both September 20 and 28, 2001 in the EITF Meeting Minutes. Check both FARS and <http://www.fasb.org> for associated materials. Does the decision and/or related discussion and guidelines influence your evaluation of MONY's reporting practices?

