



**2008 Indiana CPA Society Business Survey
Indiana CFOs' and Managing Partners'
Expectations Concerning the Business Environment,
Industries and Firms**

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Executive Summary

In November 2008, the Indiana Business Research Center contacted members of the Indiana CPA Society who were chief financial officers or managing partners to solicit their opinions and expectations for the annual Business Outlook Survey. Twenty-seven percent responded to the solicitation.

Characteristics of past years' surveys remained unchanged such as respondents' general beliefs that their firms and industries would fare better over the next six months than the U.S. or Indiana economies. On average, respondents indicated an expectation of growth for their own firms, but generally remained growth-neutral for their own industries. Respondents were more reserved in their views of the U.S. and Indiana economies, suggesting in particular, an expectation of decline for the U.S. economy. Optimism scores declined for the second straight year of the survey, by 36 percent for the U.S. economy since 2007 and by 16 percent for the Indiana economy.

Respondents indicated expectations for growth in U.S. and Indiana market revenues to remain about the same while also expecting modest increases in wages and salaries. Expectations for investment spending fell in all measured categories, with substantial declines in advertising and information technology relative to 2007. Investments in these areas were expected to decline marginally or remain about the same, respectively.

The survey also asked respondents about changes in their level of concern for business issues over the past six months. Respondents were increasingly concerned about government regulations, the cost or availability of credit, and employee and benefit costs. The greatest decrease in concern compared to 2007 was energy and fuel costs.

The greatest increase in concern among business issues relative to previous surveys is linked to the availability of credit. While the majority of respondents were not generally affected by short-term credit or reduced holdings of government securities, the majority did indicate reductions in the availability of long-term credit or financial flexibility.

On balance, responses from Indiana CFOs and managing partners depict a less optimistic outlook than in previous years of the survey, particularly for the U.S. economy.

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Indiana CPA Society Survey

An Analysis of Indiana CFOs' Business Outlook

In late 2008, the Indiana CPA Society (INCPAS) commissioned the Indiana Business Research Center (IBRC) of the Kelley School of Business at Indiana University to design and administer a survey of Indiana-based chief financial officers (CFOs) and managing partners. In its fourth annual survey, INCPAS sought to gauge the views of these key members on the business environment for the U.S., Indiana, their various industries and their firms.

The report that follows describes the study design and major findings.

Methods

Sample

INCPAS prepared a list of 458 CFOs and managing partners using existing member data. On October 29, 2008, INCPAS forwarded to the IBRC this list of members to receive the fourth annual Business Outlook Survey.

Survey Instrument

Using the 2005, 2006, and 2007 INCPAS surveys as guides, IBRC research staff and INCPAS collaboratively developed and refined the survey instrument. The resulting instrument, reproduced in Appendix A, included both fill-in-the-blank and multiple-choice selection questions. A new section was added to the 2008 survey to gauge reactions to the recent financial crisis.

Procedures

On November 3, potential respondents received an invitation from the IBRC to participate in the survey, including a link to the online questionnaire (see Appendix A). On November 12, the full list of survey candidates received a reminder message. On November 19, the full list of potential respondents received a final invitation. The survey closed November 22. Sample members had a total of 20 days to complete the survey, one day more than in 2007.

Respondent Characteristics

The IBRC successfully contacted 444 CFOs and managing partners, who each received an email invitation to take part in the survey and the subsequent reminder messages. The IBRC attempted to contact an additional 14 potential respondents, but contact via email was unsuccessful.

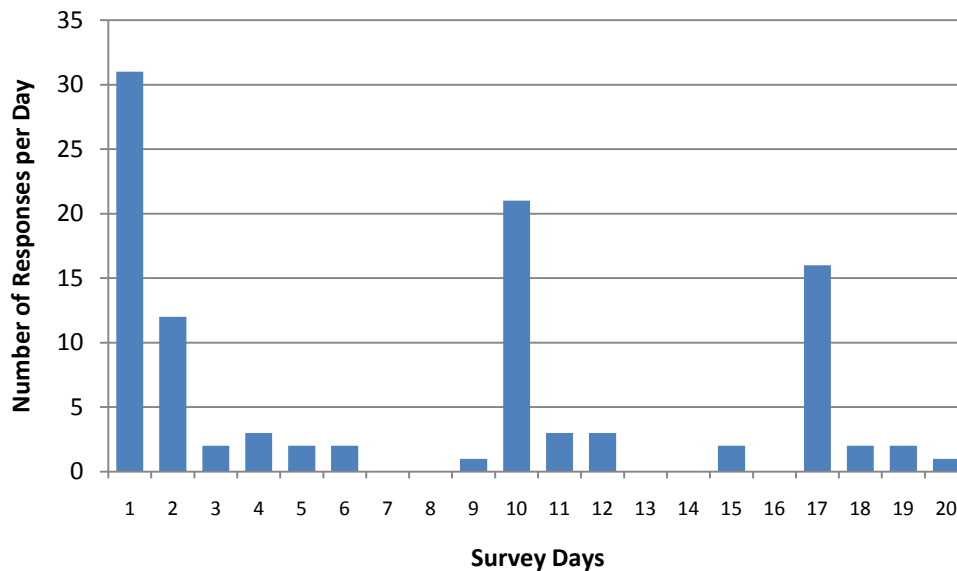
Of the 444 CFOs and managing partners who received the survey invitation from the IBRC, 103 submitted complete responses this year and an additional 15 launched the survey but did not provide sufficient detail to be included in the tabulations. This represents a 27% participation rate overall, and a 13% dropout rate among those who participated. Respondents who completed the full survey spent an average of 6.4 minutes answering questions. This is a slight increase from the four-minute average in 2007, likely due to the additional questions in the 2008 instrument.

Table 1. Time Spent Completing Survey

	Time (mm:ss)
Mean	6:25
Std. Dev.	3:44
Median	5:09
Minimum	3:02
Maximum	24:01

Sixty-six percent of the responses occurred on either the day of the initial email request or subsequent reminders (days 1, 10, and 17). Figure 1 shows the number of responses received per day during the survey period.

Figure 1. INCPAS Survey Responses by Day, 2008



A majority of respondents (63%) were CFOs of their organizations (see Table 2). Twenty-five percent of respondents indicated they served as a managing partner while 12% of respondents indicated they served some other role in their organization.

Table 2. Respondents' Roles in their Organizations, 2008

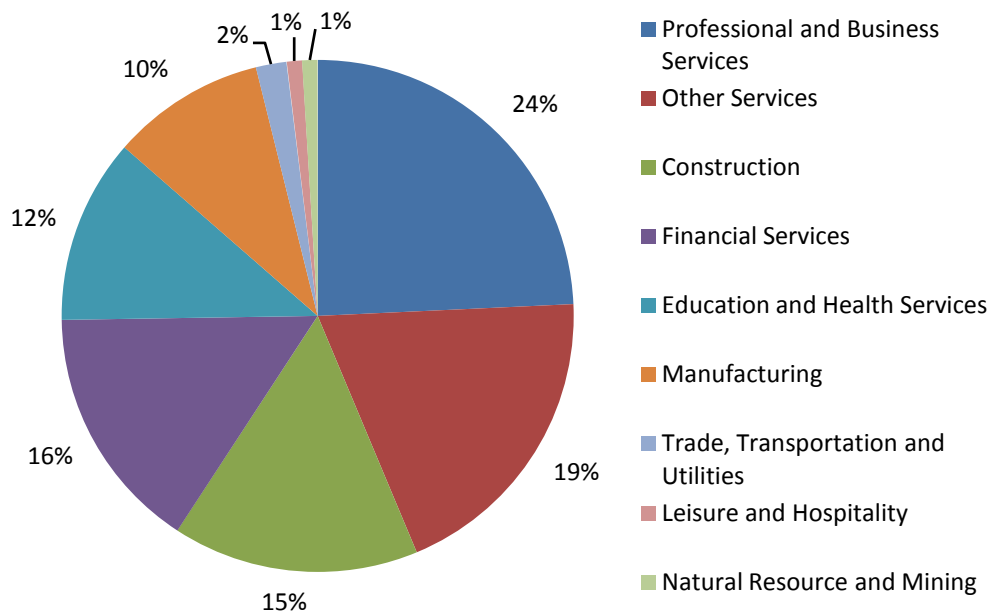
Role	Total	Percent
CFO	65	63%
Managing Partner	26	25%
Other	12	12%
Total	103	

Respondents represented nine industry super sectors, as defined by the North American Industry Classification System, dispersed throughout the state. Professional & Business Services, Other Services and Construction collectively represented 58% of the industry responses. Professional and Business services comprised the largest subset, with 24% of the total responses (Figure 2).

Across most industries, participation in the survey closely mirrors that from the 2007 survey. However, there were slightly more Construction responses in 2008 and far fewer

responses from Trade, Transportation and Utilities. No responses were received either year from respondents in the Information sector.

Figure 2. Respondents by Industry Super Sector, 2008



Respondents in 2008 represented a total of 38 Indiana counties. In terms of overall geographic diversity of respondents in Indiana, the 2007 and 2008 surveys yielded a nearly equally geographically representative sample. Both years were marginal improvements from the diversity of respondents in the 2006 survey. Geographic diversity was measured with a logarithmic entropy index as indicated in Table 4.

Of the 102 respondents indicating their organization's annual revenues, 25 (25%) respondents indicated their organizations had annual revenues under \$5 million, and an additional 36 responses (35%) originated from organizations with revenues between \$10 million and \$50 million (see Table 5). About one in six respondents had organizational revenues of \$100 million or more.

Table 3 presents a breakdown of respondents by industry and geographic region of the firm's headquarters (counties included in each region are identified in Appendix C). Note that several of the industries—Leisure and Hospitality, Natural Resources and Mining, and Trade, Transportation and Utilities—had very few responses. Survey data for these industries in subsequent sections should be interpreted with extreme caution, particularly with regard to generalizations for the entire industry.

A large subset of the respondents' firms, 43%, are headquartered in the Central Region of Indiana, which includes most of the Indianapolis Metropolitan Area.

Eight respondents indicated their organization is headquartered outside Indiana and only one of those responses suggested operations in Indiana exceed 20 percent of the total organizational capacity.

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Table 3. Industry Super Sector by Geographic Location of Headquarters, 2008

Industry	Total	CE	EC	NC	NE	NW	NWC	SE	SW	SWC	OOS
Construction	16	6 (38%)		1 (6%)	2 (13%)			3 (19%)	2 (13%)	1 (6%)	1 (6%)
Education and Health Services	12	6 (50%)	1 (8%)	2 (17%)				1 (8%)	1 (8%)		1 (8%)
Financial Services	16	4 (25%)	2 (13%)	1 (6%)	2 (13%)	2 (13%)	1 (6%)	1 (6%)	2 (13%)	1 (6%)	
Leisure and Hospitality	1		1 (100%)								
Manufacturing	10	2 (20%)		3 (30%)	1 (10%)	1 (10%)			1 (10%)		2 (20%)
Natural Resource and Mining	1										1 (100%)
Other Services	20	15 (75%)		2 (10%)	2 (10%)					1 (5%)	
Professional and Business Services	25	9 (36%)	3 (12%)	1 (4%)	3 (12%)	3 (12%)	1 (4%)	2 (8%)			3 (12%)
Trade, Transportation and Utilities	2	2 (100%)									
Total	103	44 (43%)	7 (7%)	10 (10%)	10 (10%)	6 (6%)	2 (2%)	7 (7%)	6 (6%)	3 (3%)	8 (8%)

* Percents are of the total industry across all regions. Percents may not sum to 100 due to rounding error. Regions are defined as follows: CE=Central; EC = East Central; NC = North Central; NE = Northeast; NW = Northwest; NWC = Northwest Central; SE= Southeast; SW = Southwest; SWC=Southwest Central; and OOS = Out-of-State.

Table 4. Regional Diversity of In-State Responses, 2006-2008

Survey Year	Regional Diversity Index
2006	0.752
2007	0.799
2008	0.798

¹ Note an Index of 0 would indicate an absence of geographic diversity and 1 would indicate perfect diversity with equal distribution of responses between all 9 regions. The regional diversity index (entropy) is defined by the following formula: $E_i = \sum \Pi_i (\ln(\Pi_i)) / n(1/n)(\ln(1/n))$ where n is the number of regions and Π_i is the proportion of total respondents from a given region.

Table 5. Total Annual Revenues for Survey Organizations

Total Annual Revenues	Total	Percent
Less than \$5 million	25	25%
\$5 million to \$9.99 million	13	13%
\$10 million to \$49.99 million	36	35%
\$50 million to \$99.99 million	9	9%
\$100 million to \$499.99 million	15	15%
\$500 million or more	4	4%
Total	102	

The majority of respondents were linked to either small or mid-sized firms. Thirty-five respondents (34%) were from organizations with fewer than 50 employees and an additional 17 (17%) were from organizations with 50-99 employees.² Relatively few respondents were from large firms; 17 respondents (17%) indicated their firm employed more than 500 workers.

Table 6. Size of Survey Respondent Organizations, 2008

Number of Employees	Total	Percent
Fewer than 50 employees	35	34%
50 - 99 employees	17	17%
100 - 499 employees	34	33%
500 - 999 employees	7	7%
1,000 - 5,000 employees	10	10%
Total	103	

Of the 103 responses, 76 (74%) came from private organizations, and 14 responses (14%) came from non-profit organizations. Of the remaining nine responses, three were from public companies listed on the New York Stock Exchange (NYSE), six were from public companies listed on NASDAQ or AMEX, and four respondents were in governmental organizations.

Table 7. Respondents by Ownership Structure, 2008

Ownership	Total	Percent
Government	4	4%
Non-profit	14	14%
Private	76	74%
Public (NASDAQ / AMEX)	6	6%
Public (NYSE)	3	3%
Total	103	

² Note that in previous surveys the question did not distinguish between organizations smaller than 100 employees. Based on responses from the 2007 survey, responses for this question were narrowed to better isolate firm sizes.

Survey Results

Economic Outlook

Respondents answered a series of questions concerning their optimism about the business climate for the next six months in the U.S. economy, Indiana's economy, their own industries and their own firms. Question formats included a continuous rating scale from 0 to 100, where 100 is very optimistic, 50 is neutral and 0 is very pessimistic. Responses were approximately normally distributed with the means and standard deviations shown in Table 8.

On average, respondents were significantly more optimistic about their own firms than for their industry or Indiana. Respondents viewed the U.S. economy very pessimistically, with respondents in only the Education and Health Services sector rating the U.S. greater than neutral.

Note that further tables group low-respondent sectors into an Other sector inclusive of Leisure and Hospitality, Natural Resource and Mining, Trade, Transportation and Utilities, and Other Services.

Table 8. Mean Economic Outlook by Industry for US, Indiana, Industry and Individual Firms, 2008

Industry Sector	n	U.S.	Indiana	Industry	Firm
Construction	16	38.4	51.1	44.6	66.9
Education and Health Services	12	54.5	55.8	63.8	70.0
Financial Services	16	25.0	42.2	44.1	59.7
Leisure and Hospitality	1	0.0	25.0	25.0	50.0
Manufacturing	10	24.5	18.0	19.5	28.5
Natural Resource and Mining	1	30.0	30.0	50.0	50.0
Other Services	20	39.3	47.8	49.5	57.5
Professional and Business Services	25	37.3	48.8	64.2	68.0
Trade, Transportation and Utilities	2	20.0	32.5	25.0	32.5
Mean	103	35.9	45.0	49.5	59.9
Standard Deviation		17.4	19.8	23.5	22.6

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Geographic regions present another perspective for the outlook data, offering a diverse range of responses (see Table 9). Pessimism about the U.S. economy was widespread but greatest in the Northern Regions of Indiana, whereas the Central Region was the most pessimistic about the Indiana economy in coming months. Regardless of geographic location, respondents were mostly neutral with regard to their own industry and positive for their own firms.

The Central Regions account for 59% of the total sample and provide the most reliable estimates. The other regions with fewer respondents offer a less reliable overview of regional outlooks.

Table 9. Mean Outlook by Geographic Location of Headquarters, 2008

Industry	n	U.S.	Indiana	Industry	Firm
Central Regions	61	36.2	43.3	49.3	60.9
Northern Regions	18	30.0	44.2	48.1	58.1
Southern Regions	16	42.2	51.4	50.5	61.0
Out-of-State	8	35.0	47.5	51.9	53.8
Mean	103	35.9	45.0	49.5	59.9
Standard Deviation		17.4	19.8	23.5	22.6

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Across all regions and sectors, save for the manufacturing industry, expectations are that the U.S. economy will be much weaker than Indiana's over the next six months. Expectations for individual industries and firms generally exceeded expectations for the U.S. and Indiana economies in all ownership structures (Figure 3). Categorized by total annual revenue, larger organizations tended to view the U.S. and Indiana economies with pessimism (see Figure 4 and Figure 5).

Figure 3. Economic Outlook for U.S., Indiana, Industries and Firms by Ownership Structure, 2008

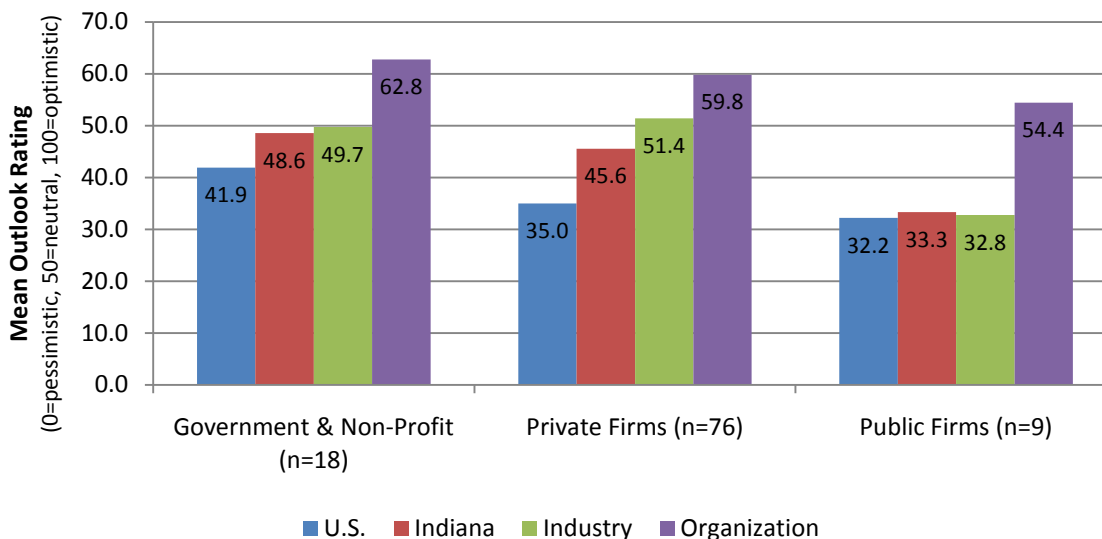


Figure 4. Economic Outlook for U.S., Indiana, Industries and Firms by Organization Revenue, 2008

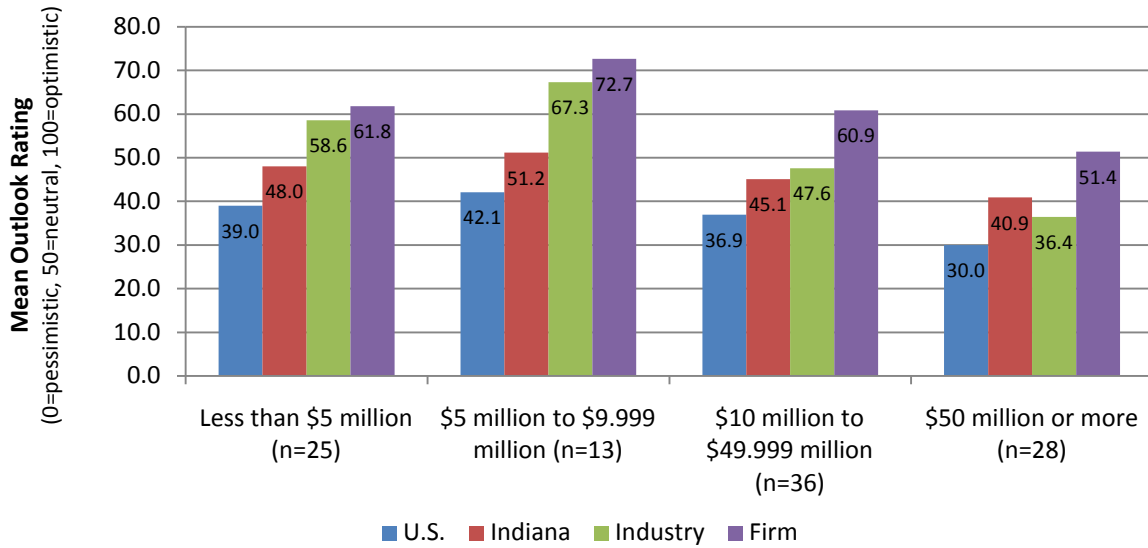


Figure 5. Economic Outlook for U.S., Indiana, Industries and Firms by Organization Size, 2008

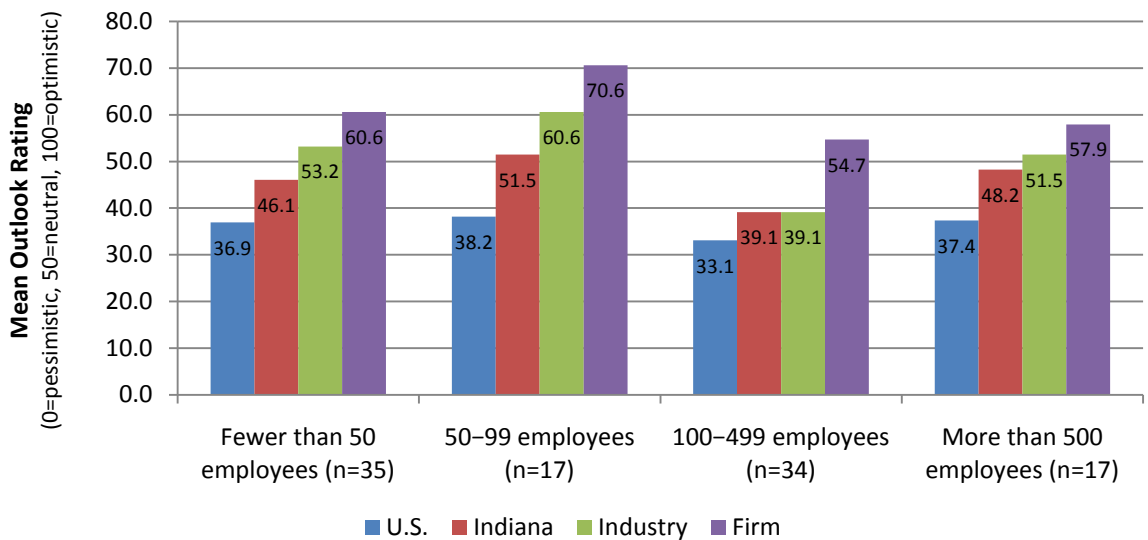
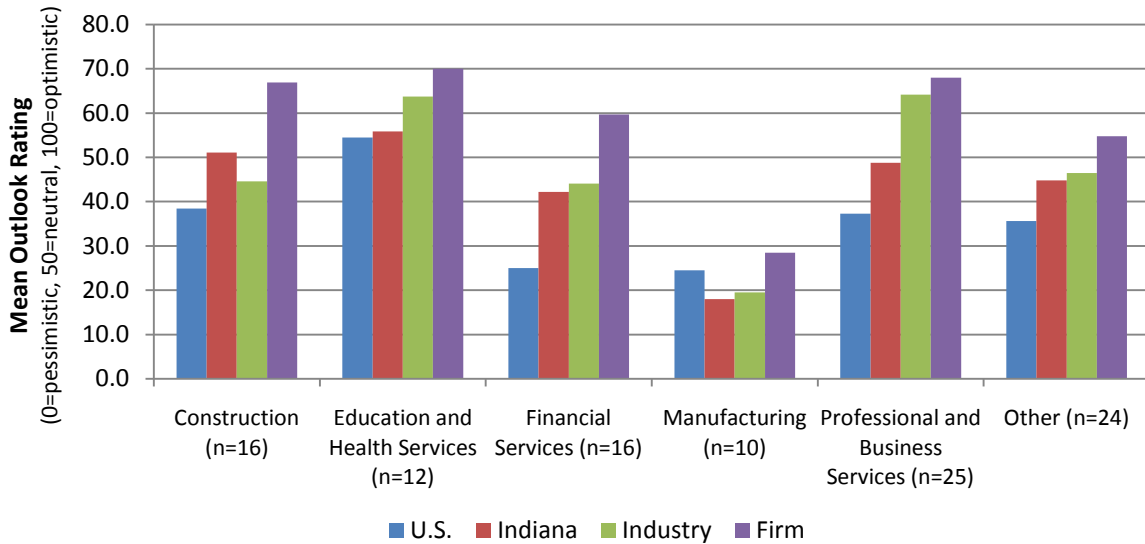


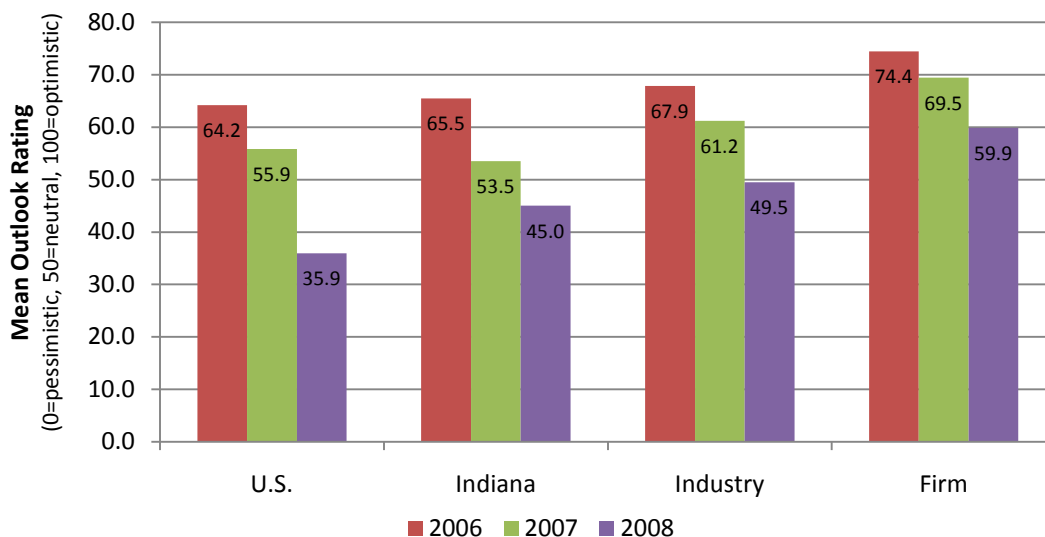
Figure 6. Economic Outlook for U.S., Indiana, Industries and Firms by Industry, 2008



The following sections about the economic outlook compare data from only 2006, 2007, and 2008. The 2005 INCPAS survey methodology used a 5-point Likert scale to measure outlook; as a result, those data are not directly comparable to the continuous data of the subsequent surveys.

As Figure 7 suggests, economic outlooks in all measured areas have fallen markedly from 2006 levels, with the most noticeable decline in expectations for the U.S. economy. Recall that a score of 50 is neutral. Thus, Figure 7 shows that respondents' views moved from modestly optimistic in 2006 to modestly pessimistic in 2008 for every category except for their particular firm.

Figure 7. Overall Mean Economic Outlook, 2006-2008



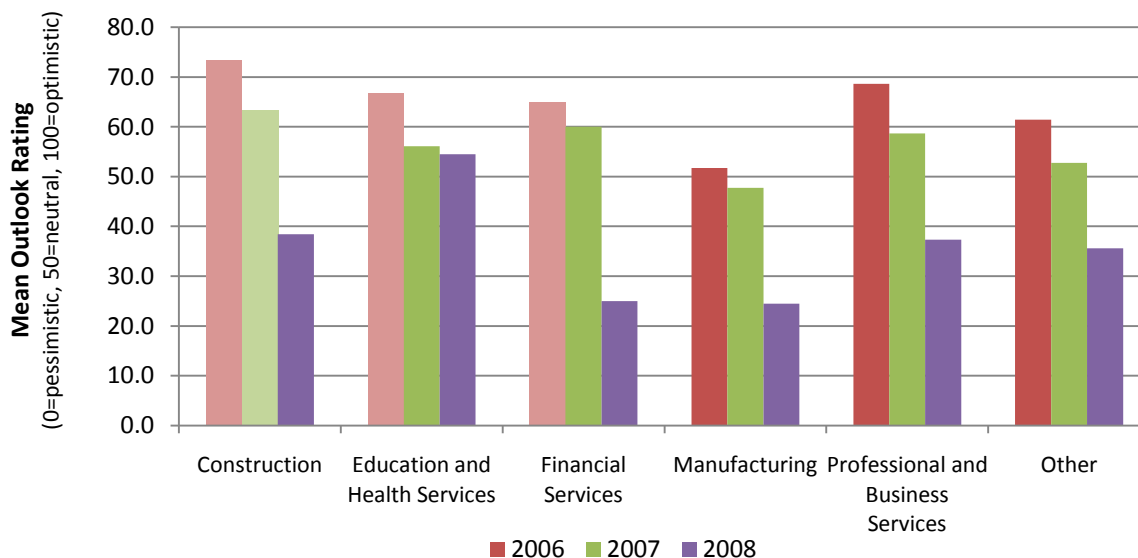
US Outlook. Respondents registered a moderately pessimistic outlook for the overall business climate in the U.S. economy for the next six months, a notable decline from the relatively neutral stance in the 2007 survey. The 2008 responses generated a distribution

with two concentrations, one around neutrality and the other in the mid-pessimistic range. The mean for the U.S. outlook was 35.9 with a standard deviation of 17.4.

Between 2006 and 2008, all sectors decreased their average optimism in the U.S. economy from values above neutral to pessimistic (Figure 8). Across all sectors, the average decrease between 2006 and 2008 for the U.S. economic outlook was 28.3, a statistically significant decline ($p < .01$).

With an average response of 29.2, public organizations listed on the NASDAQ or AMEX were the most pessimistic by ownership structure, a stark transition from the 2007 survey when they were the most optimistic. In 2008, the most optimistic grouping was non-profits with a mean outlook score of 42.4, still in the slightly pessimistic range. Organizations with less than \$5 million in annual revenues were less pessimistic towards the U.S. economy than larger counterparts, but the results by employment size do not present as clear a trend. The results are presented in Table 10 to Table 12.

Figure 8. U.S. Economic Outlook by Industry, 2006-2008³



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 10. U.S. Economic Outlook by Organization Structure, 2008

Organization Type	n	U.S. Mean
Government	4	40.0
Non-profit	14	42.4
Private	76	35.0
Public (NASDAQ / AMEX)	6	29.2
Public (NYSE)	3	38.3
Grand Mean	103	35.9
Standard Deviation		17.5

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

³ Note that several sectors have been combined into the Other Services category due to consistently low response rates or due to low response rates in 2008. Construction averages for 2006 and 2007, and 2006 responses for Education and Health Services and Financial Services, should all be interpreted with caution as fewer than 10 respondents per industry produced the estimates.

Table 11. U.S. Economic Outlook by Annual Organization Revenue, 2008

Annual Revenue	n	U.S. Mean
Less than \$5 million	25	39.0
\$5 million to \$9.999 million	13	42.1
\$10 million to \$49.999 million	36	36.9
\$50 million to \$99.999 million	9	27.2
\$100 million to \$499.999 million	15	33.3
\$500 million or more	4	23.8
Unknown	1	10.0
Grand Mean	103	35.9
Standard Deviation		17.5

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Table 12. U.S. Economic Outlook by Organization Size, 2008

Size in Employees	n	U.S. Mean
Fewer than 50 employees	35	36.9
50 - 99 employees	17	38.2
100 - 499 employees	34	33.1
500 - 999 employees	7	42.9
1,000 - 5,000 employees	10	33.5
Grand Mean	103	35.9
Standard Deviation		17.5

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

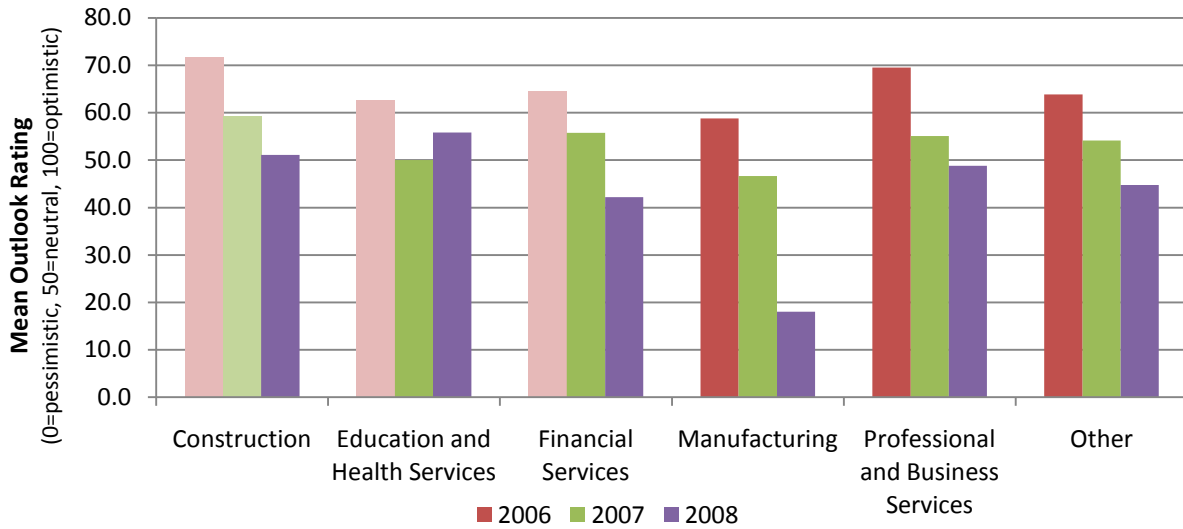
Indiana Outlook. Respondents were, on average, slightly more optimistic about the state economy than the U.S. economy in 2008, a change from 2007 when the opposite was true. The average response for the Indiana economy was 45.0 with a standard deviation of 19.8.

Between 2007 and 2008, there was a statistically significant ($p < .01$) decrease in the sense of optimism for the Indiana economy. Across all sectors, the average decrease in economic outlook between the 2006 survey and the current survey for the Indiana economy was 20.5. The smallest decrease, 6.2 points, was in the Education and Health Services industry. The largest decrease was in the Manufacturing sector which dropped 40.8 points, from the optimistic 58.8 in 2006 to the highly pessimistic 18.0 in 2008.

No sector showed improvement in outlook from 2006 with respect to the Indiana economy; however, Education and Health Services did improve marginally between 2007 and 2008.

Private organizations were modestly pessimistic about Indiana's economy, with a mean rating of 45.6. The results are shown in Figure 9 and Table 12 to Table 14.

Figure 9. Indiana Economic Outlook by Industry, 2006-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 13. Indiana Economic Outlook by Organization Structure, 2008

Organization Type	n	Indiana
Government	4	60.0
Non-profit	14	45.4
Private	76	45.6
Public (NASDAQ / AMEX)	6	33.3
Public (NYSE)	3	33.3
Grand Mean	103	45.0
Standard Deviation		19.8

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Table 14. Indiana Economic Outlook by Annual Organization Revenue, 2008

Annual Revenue	n	Indiana
Less than \$5 million	25	48.0
\$5 million to \$9.999 million	13	51.2
\$10 million to \$49.999 million	36	45.1
\$50 million to \$99.999 million	9	35.6
\$100 million to \$499.999 million	15	42.0
\$500 million or more	4	48.8
(blank)	1	5.0
Grand Total	103	45.0
Standard Deviation		19.8

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Table 15. Indiana Economic Outlook by Organization Size, 2008

Size in Employees	n	Indiana
Fewer than 50 employees	35	46.1
50 - 99 employees	17	51.5
100 - 499 employees	34	39.1
500 - 999 employees	7	56.4
1,000 - 5,000 employees	10	42.5
Grand Mean	103	45.0
Standard Deviation		19.8

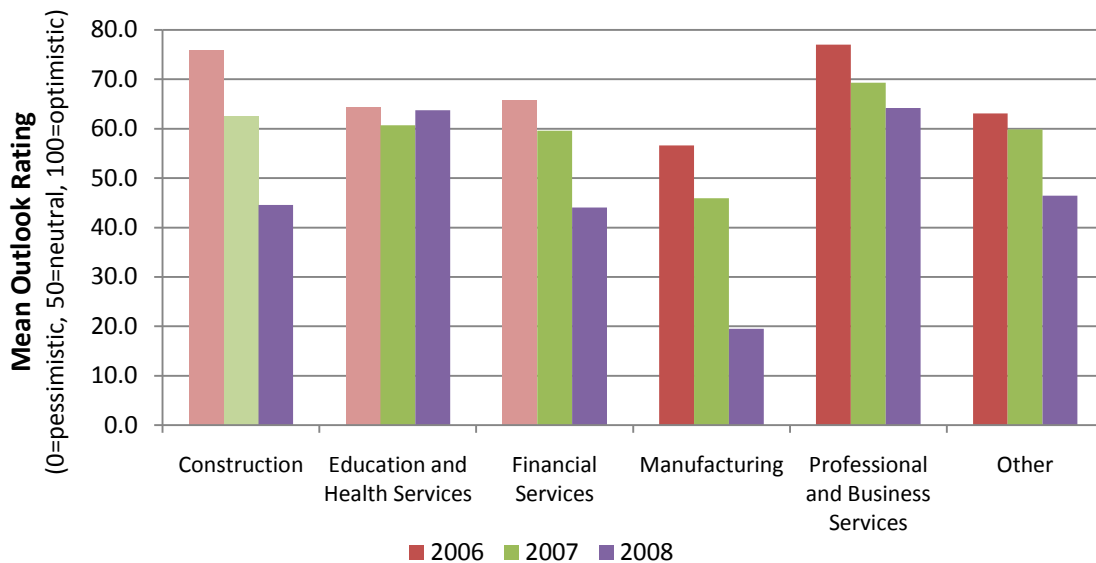
Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Industry Outlook. Respondents were asked to rate the outlook for their self-declared industry categorization. Among those industries with a sufficient number of respondents to draw reasonable inferences, the highest economic outlook by sector was in the Professional & Business Services industry for the third year in a row with a mean score of 64.2. The manufacturing sector offered the most pessimistic view, also for the third year in a row, with a mean response of just 19.5. Both averages were down substantially from previous years. The outlook improved from 2006 in only the Education and Health Services sector.

On average and across all industries, respondents in 2008 rated their industry outlook relatively neutral at 49.5 with a standard deviation of 23.5. While industry outlook ratings were higher than both the U.S. and Indiana outlooks, the industry outlook also reveals wider variation in responses.

Between 2006 and 2008, average economic outlook for industries decreased in all industries, with an especially sharp drop in Manufacturing. The average decrease across all sectors of 11.7 points was statistically significant ($p < .01$).

Figure 10. Industry Economic Outlook, 2006-2008

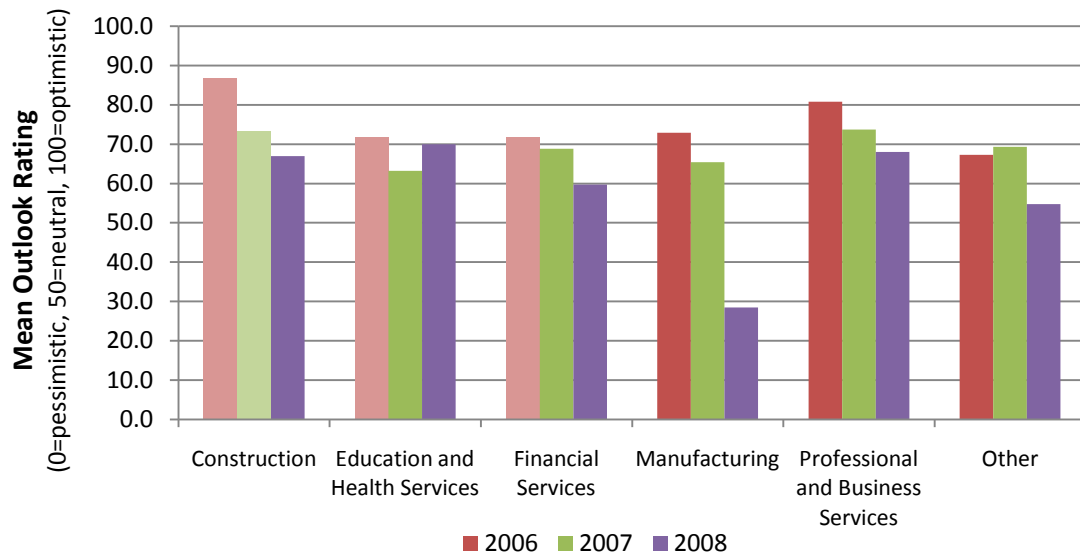


Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Firm Outlook. When asked about their individual firms' outlooks, respondents were more optimistic than for any other outlook category, averaging 59.9 with a standard deviation of 22.6. Respondents in the Education and Health Services industry presented the most optimistic view of their firms, followed closely by Professional and Business Services and Construction. Respondents in the manufacturing sector were the most pessimistic of any industry regarding their firms.

Between the 2006 and 2008 surveys, respondents from all industries indicated an average decline in outlook for their firms. Only Education and Health Services increased from 2007, but the outlook remained below 2006 levels.

Figure 11. Economic Outlook for Firms by Industry, 2006-2008



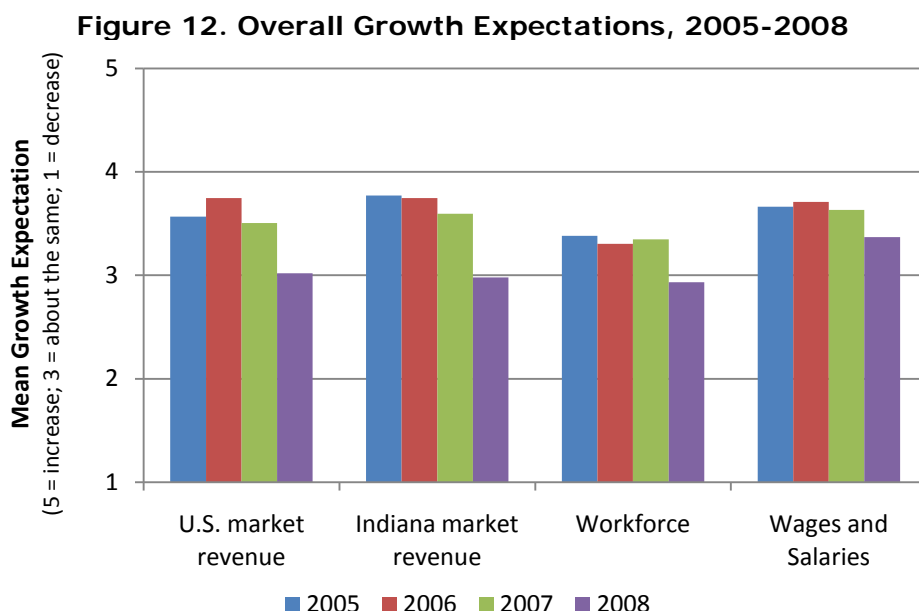
Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Growth Expectations

Survey respondents were asked to consider their organization's goals with respect to revenues, workforce size and wages, and to indicate expectations for growth in the next six months.

Nearly half (46%) of the 2008 respondents expected revenues in U.S. markets to remain about the same, and nearly as many (40%) expect the same for Indiana market revenues. Forty-nine percent of respondents expect workforce sizes to remain about the same and the majority (52%) of respondents expect wages and salaries to be relatively unchanged in coming months.

Compared to previous years, expectations across all four growth categories are noticeably down from previous years (Figure 12).



Revenue Growth. On average, CFOs and managing partners expected their firms' US revenues to remain about the same, a change from 2007 when respondents expected modest increases. Three sectors expect U.S. market revenues to decline; these are the Construction, Manufacturing and Other sectors.

Respondents also indicated they expect revenues for Indiana markets to remain about the same in the next six months, also a decline from 2007's expectations of modest increases. Sectors where the average response expected a decrease in revenues include Construction, Financial Services and Manufacturing.

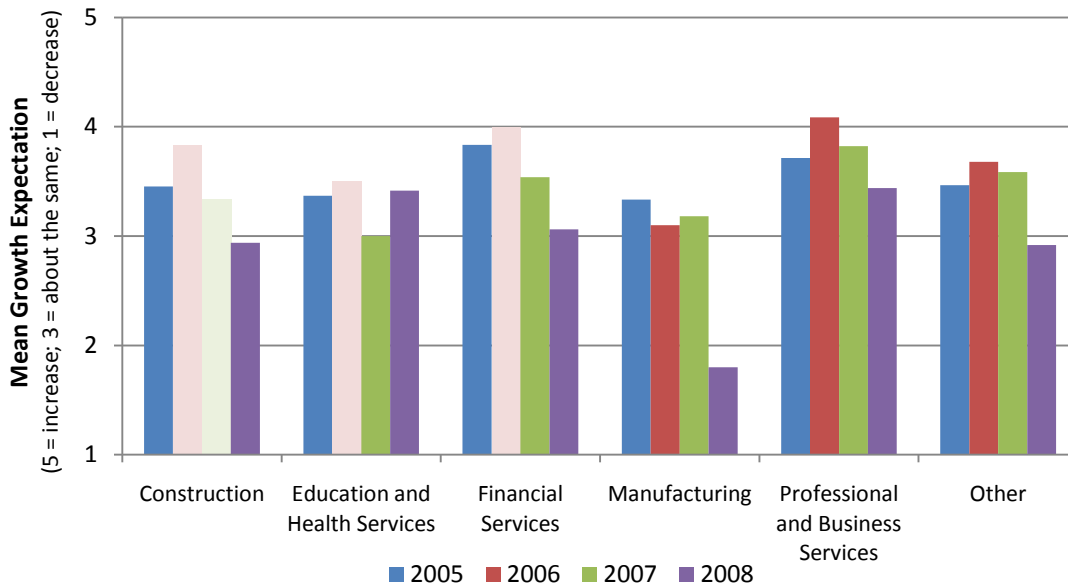
The sectors with respondents expecting the greatest growth are Professional and Business Services and Education and Health Services. The mean response for both sectors was the same for both U.S. and Indiana markets (see Table 16 and Table 17).

Table 16. Growth Outlook by Industry for U.S. Markets, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.9	1 (6%)	1 (6%)	10 (63%)	4 (25%)	
Education and Health Services	12	3.4	1 (8%)	5 (42%)	4 (33%)	2 (17%)	
Financial Services	16	3.1	1 (6%)	3 (19%)	9 (56%)	2 (13%)	1 (6%)
Manufacturing	10	1.8			3 (30%)	2 (20%)	5 (50%)
Professional and Business Services	25	3.4	2 (8%)	11 (44%)	9 (36%)	2 (8%)	1 (4%)
Other	24	2.9	1 (4%)	4 (17%)	12 (50%)	6 (25%)	1 (4%)
n	103	3.0	6 (6%)	24 (23%)	47 (46%)	18 (17%)	8 (8%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 13. U.S. Market Revenue Growth Expectations by Industry, 2005-2008



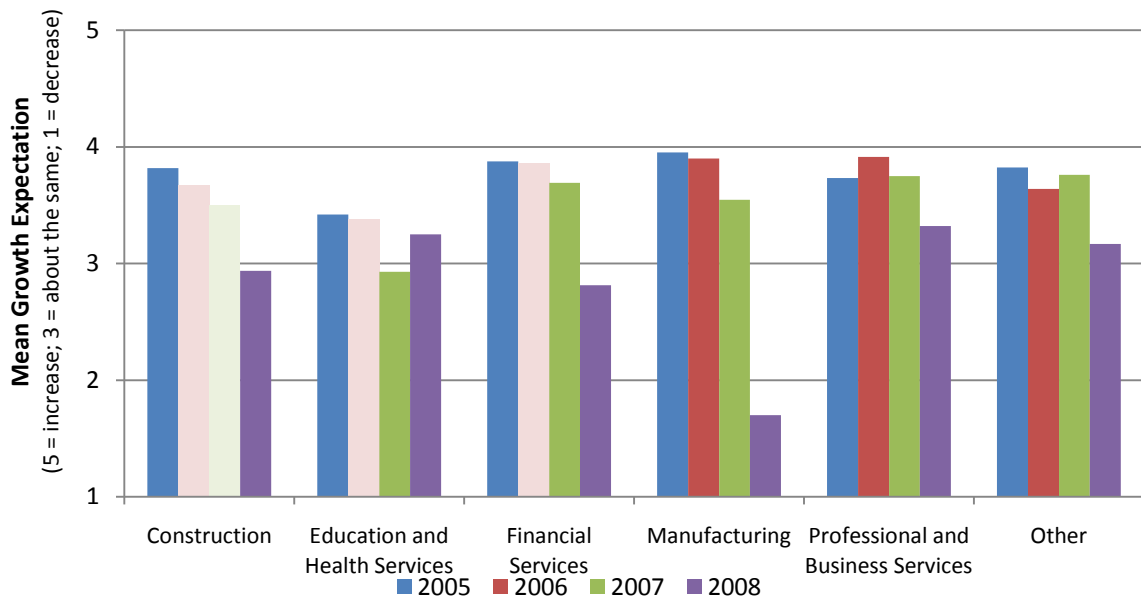
Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 17. Growth Outlook by Industry for Indiana Market Revenues, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.9	1 (6%)	3 (19%)	7 (44%)	4 (25%)	1 (6%)
Education and Health Services	12	3.3	1 (8%)	2 (17%)	8 (67%)	1 (8%)	
Financial Services	16	2.8		2 (13%)	10 (63%)	3 (19%)	1 (6%)
Manufacturing	10	1.7		1 (10%)		4 (40%)	5 (50%)
Professional and Business Services	25	3.3	2 (8%)	8 (32%)	11 (44%)	4 (16%)	
Other	24	3.2	2 (8%)	9 (38%)	5 (21%)	7 (29%)	1 (4%)
n	103	3.0	6 (6%)	25 (24%)	41 (40%)	23 (22%)	8 (8%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 14. Indiana Market Revenue Growth Expectations by Industry, 2005-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Workforce Growth. On average respondents expect a slight decrease in workforce size during the next six months (Table 18). Just 23 percent of the 2008 respondents indicated increases were likely. On average, respondents in three sectors indicated they expect a very slight increase—Education and Health Services, Financial Services, and Professional and Business Services.

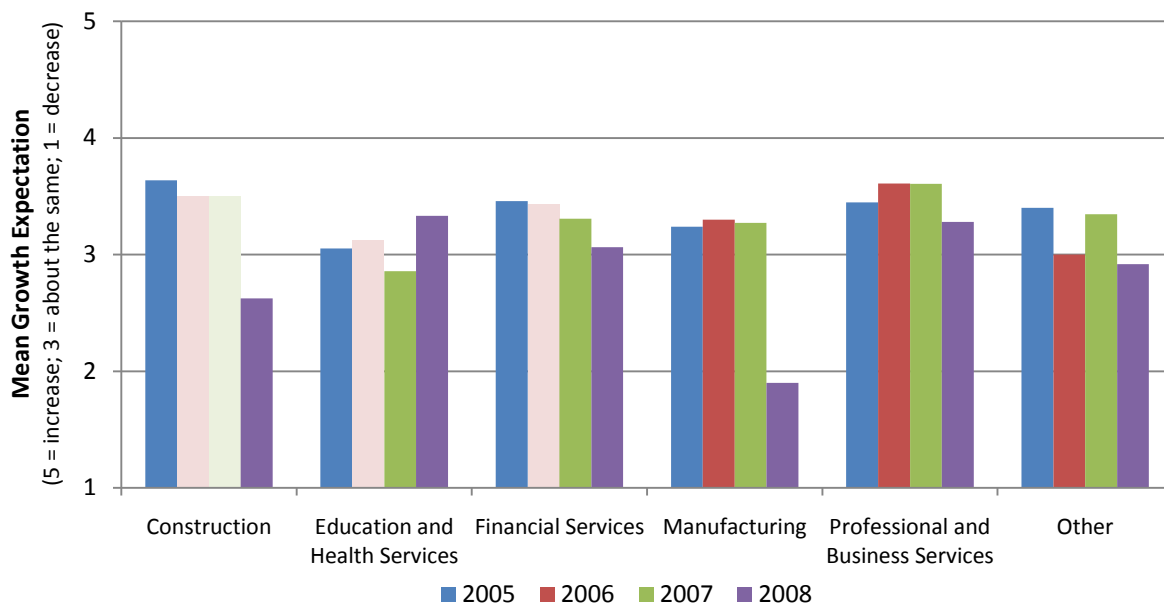
Results vary from year to year across sectors, but of particular noteworthiness are the significant declines in growth expectations for the Construction and Manufacturing sectors relative to the prior three years (Figure 15).

Table 18. Growth Outlook by Industry for Workforce Size, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.6		1 (6%)	8 (50%)	7 (44%)	
Education and Health Services	12	3.3		5 (42%)	6 (50%)	1 (8%)	
Financial Services	16	3.1		4 (25%)	9 (56%)	3 (19%)	
Manufacturing	10	1.9			1 (10%)	7 (70%)	2 (20%)
Professional and Business Services	25	3.3		8 (32%)	16 (64%)	1 (4%)	
Other	24	2.9	1 (4%)	5 (21%)	10 (42%)	7 (29%)	1 (4%)
n	103	2.9	1 (1%)	23 (22%)	50 (49%)	26 (25%)	3 (3%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 15. Workforce Growth Expectations by Industry, 2005-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Wage and Salary Growth. The majority of survey respondents (52%) expect wages and salaries to remain about the same or to increase somewhat (41%) in the next six months. Only 6 percent of respondents indicated they expect wages and salaries to decrease (see Table 19).

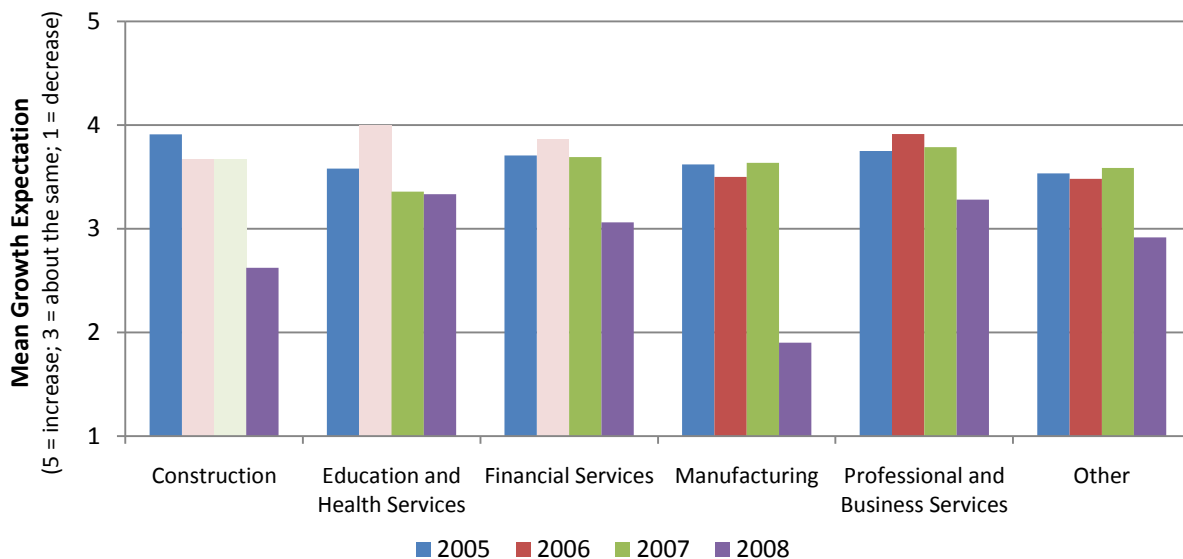
Compared to previous years, respondents in the Construction and Manufacturing sectors show significant declines in growth expectations.

Table 19. Growth Outlook by Industry for Wages and Salaries, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	3.4		6 (38%)	10 (63%)		
Education and Health Services	12	3.6	1 (8%)	6 (50%)	4 (33%)	1 (8%)	
Financial Services	16	3.5		8 (50%)	8 (50%)		
Manufacturing	10	2.9		2 (20%)	5 (50%)	3 (30%)	
Professional and Business Services	25	3.5		13 (52%)	11 (44%)	1 (4%)	
Other	24	3.3		7 (29%)	16 (67%)	1 (4%)	
n	103	3.4	1 (1%)	42 (41%)	54 (52%)	6 (6%)	

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 16. Wage and Salary Growth Expectations by Industry, 2005-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Outlook for Strategic Initiatives

Of the respondents surveyed, thirty-two (31%) indicated that their firms are currently investigating mergers and acquisitions (M&A) or alliance opportunities as part of their firm's growth strategy. This figure is unchanged from 2007, but down slightly from 37 percent in 2006. On average, however, the pursuit of M&A's and alliances has increased since 2005.

Figure 17. Outlook for Strategic Initiatives, 2005-2008

Respondents in organizations actively pursuing an M&A or Strategic Alliance opportunity

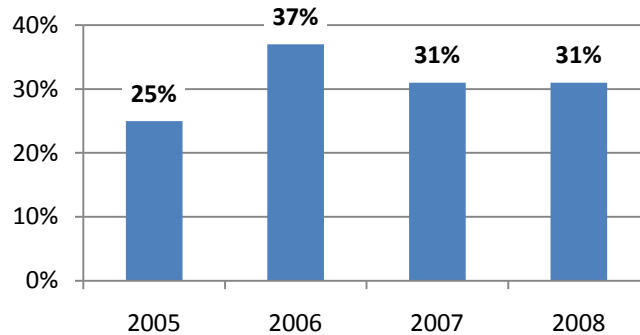
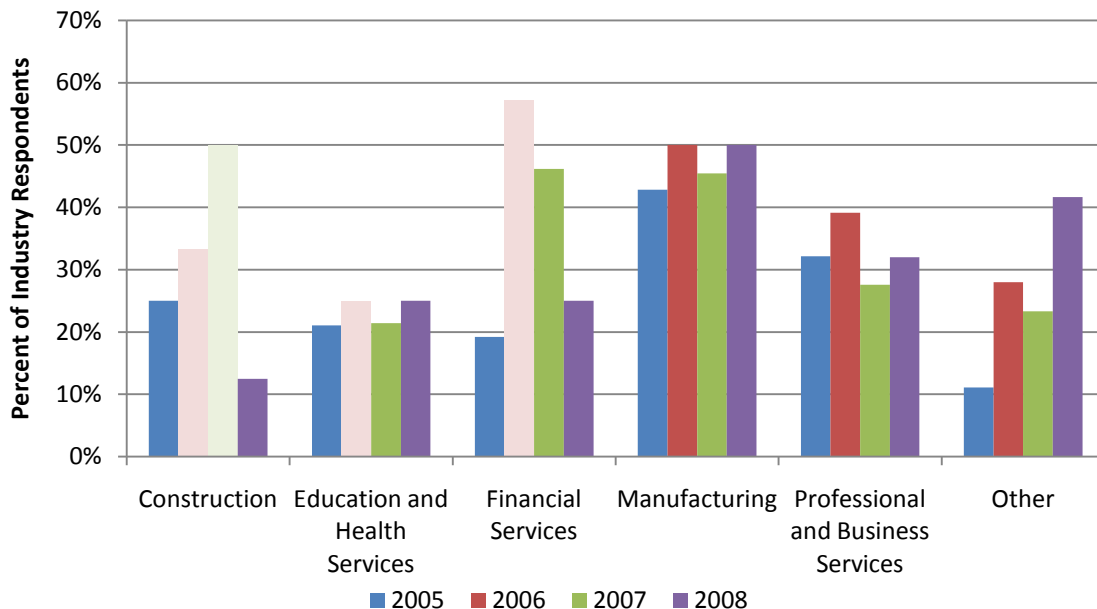


Figure 18. Strategic Initiatives as a Percent of Total Industry Respondents, 2005-2008

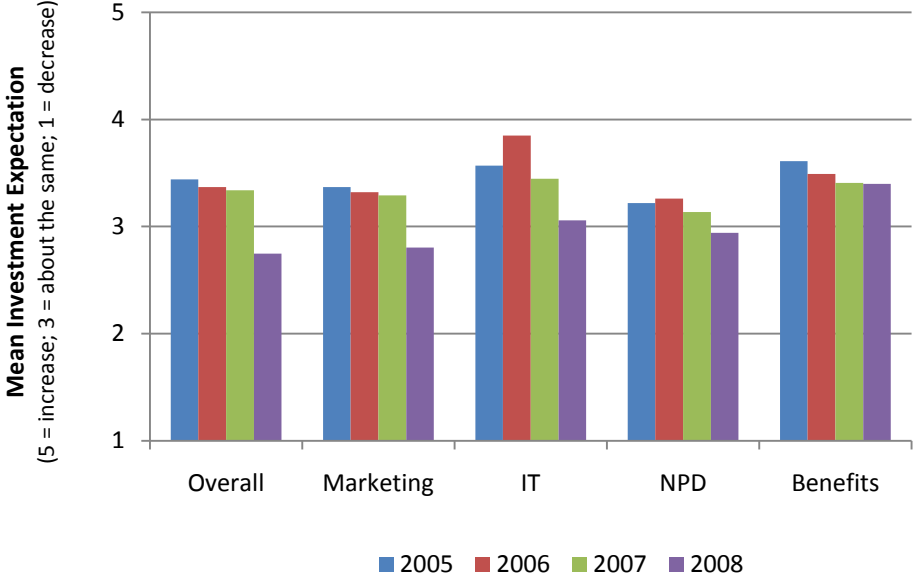


Lightly shaded columns indicate the mean was generated with fewer than 10 respondents.

Investment Outlook

Since 2005, average investment expectations among survey respondents have fallen in all measured investment categories. Respondents to the 2008 survey expect modest decreases in overall capital spending, marketing and advertising, information technology, and new product development; only for benefits is an increase in spending expected.

Figure 19. Overall Investment Expectations, 2005-2008



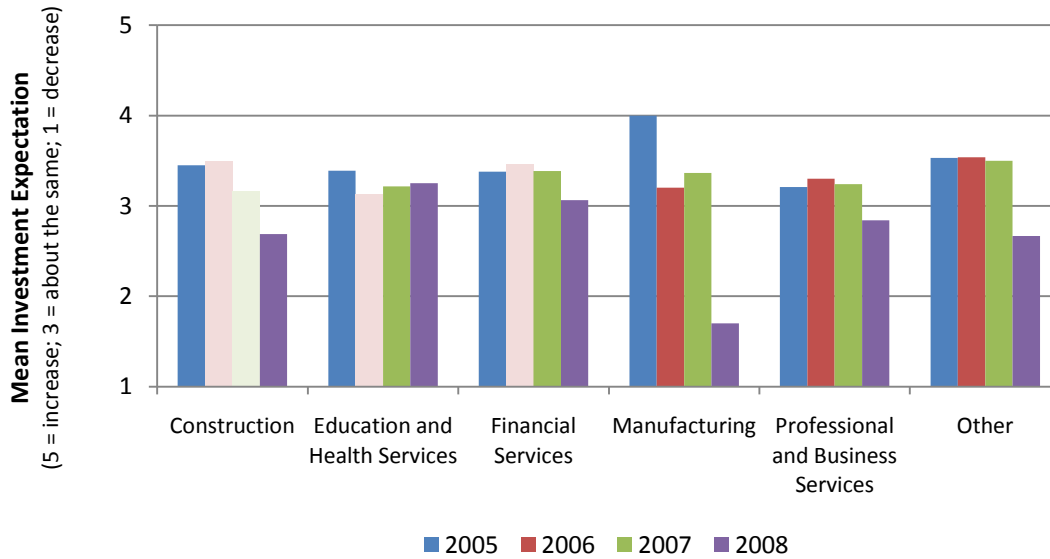
Respondents anticipate a slight decline in overall capital spending, with an average score of 2.7. Only 21% of respondents indicated they expect capital spending in their firm to increase. Forty percent indicated they expect capital spending to remain about the same while the remaining 39% of respondents expect capital spending to decline. Respondents in the manufacturing sector offer the grimmest outlook for capital spending, expecting substantial decreases; the education and health services spending outlook was up slightly.

Table 20. Investment Outlook: Expected Change in Overall Capital Spending, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.7		2 (13%)	8 (50%)	5 (31%)	1 (6%)
Education and Health Services	12	3.3	1 (8%)	4 (33%)	4 (33%)	3 (25%)	
Financial Services	16	3.1	1 (6%)	3 (19%)	8 (50%)	4 (25%)	
Manufacturing	10	1.7			1 (10%)	5 (50%)	4 (40%)
Professional and Business Services	25	2.8		3 (12%)	16 (64%)	5 (20%)	1 (4%)
Other	24	2.7		8 (33%)	4 (17%)	8 (33%)	4 (17%)
n	103	2.7	2 (2%)	20 (19%)	41 (40%)	30 (29%)	10 (10%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 20. Expected Change in Investment Spending, 2005-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

The next series of investment-related questions are divided into four basic components of investment and spending: Advertising and Marketing, Information Technology, New Product Development and Employee Benefits.

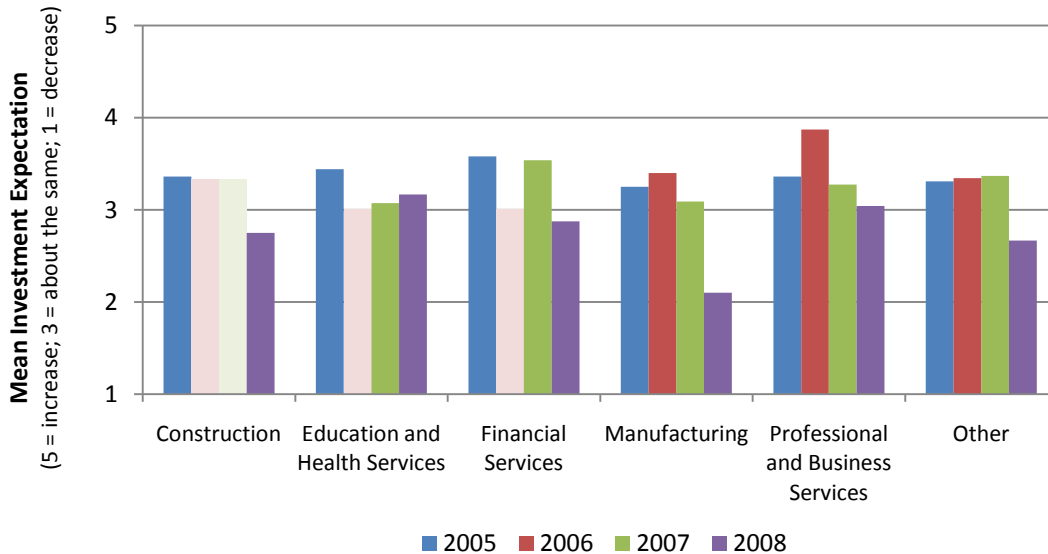
Respondents anticipated investing modestly more, on average, in Information Technology (3.1) and Employee Benefits (3.4), and a bit less in Advertising and Marketing (2.8) and New Product Development (2.9). While the average expectation for Information Technology investment increased from 3.6 in 2005 to 3.9 in 2006, it has declined for the two subsequent years to 3.1, suggesting a reversal in expectations for IT spending.

Table 21. Investment Outlook: Expected Change in spending on Marketing and Advertising, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.8		1 (6%)	10 (63%)	5 (31%)	
Education and Health Services	12	3.2		4 (33%)	6 (50%)	2 (17%)	
Financial Services	16	2.9		1 (6%)	12 (75%)	3 (19%)	
Manufacturing	10	2.1			4 (40%)	3 (30%)	3 (30%)
Professional and Business Services	25	3.0		5 (20%)	16 (64%)	4 (16%)	
Other	24	2.7		2 (8%)	15 (63%)	4 (17%)	3 (13%)
n	103	2.8		13 (13%)	63 (61%)	21 (20%)	6 (6%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 21. Expected Change in Investment in Marketing and Advertising, 2005-2008



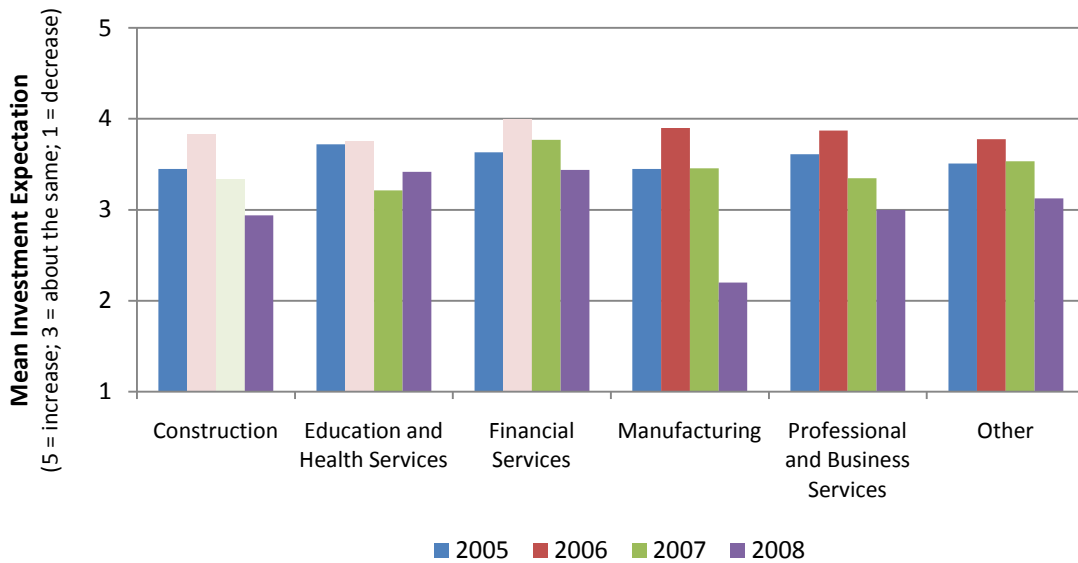
Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 22. Investment Outlook: Expected Change in Investments on Information Technology, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.9	1 (6%)	1 (6%)	11 (69%)	2 (13%)	1 (6%)
Education and Health Services	12	3.4	2 (17%)	2 (17%)	7 (58%)	1 (8%)	
Financial Services	16	3.4		7 (44%)	9 (56%)		
Manufacturing	10	2.2	1 (10%)		2 (20%)	4 (40%)	3 (30%)
Professional and Business Services	25	3.0		7 (28%)	13 (52%)	3 (12%)	2 (8%)
Other	24	3.1	2 (8%)	7 (29%)	7 (29%)	8 (33%)	
n	103	3.1	6 (6%)	24 (23%)	49 (48%)	18 (17%)	6 (6%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 22. Expected Change in Investment in Information Technology, 2005-2008



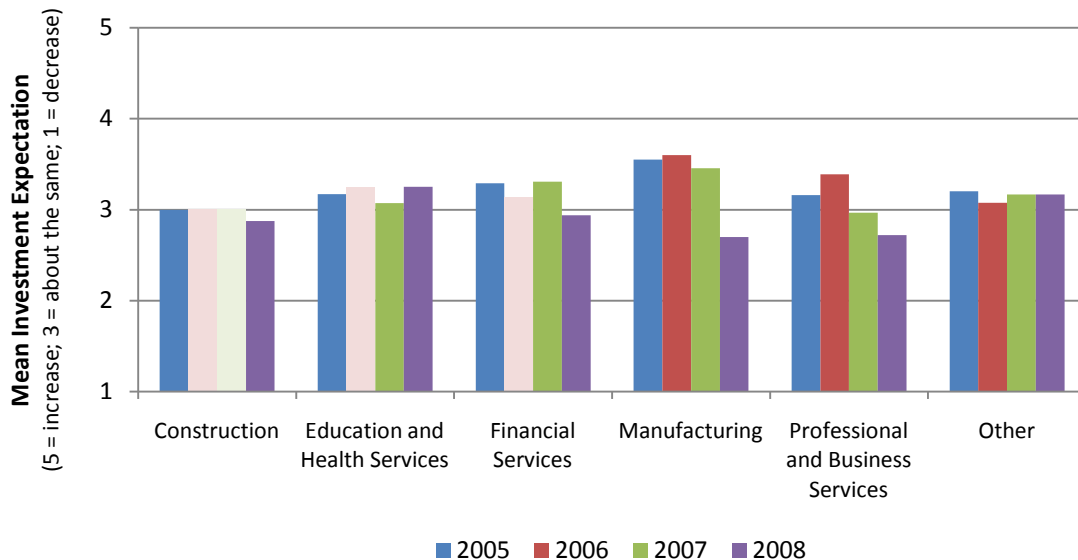
Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 23. Investment Outlook: Expected Change in Investments on New Product Development, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.9		1 (6%)	12 (75%)	3 (19%)	
Education and Health Services	12	3.3		3 (25%)	9 (75%)		
Financial Services	16	2.9		2 (13%)	11 (69%)	3 (19%)	
Manufacturing	10	2.7		3 (30%)	3 (30%)	2 (20%)	2 (20%)
Professional and Business Services	25	2.7		2 (8%)	16 (64%)	5 (20%)	2 (8%)
Other	24	3.2	1 (4%)	6 (25%)	13 (54%)	4 (17%)	
n	103	2.9	1 (1%)	17 (17%)	64 (62%)	17 (17%)	4 (4%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 23. Expected Change in Investment in New Product Development, 2005-2008



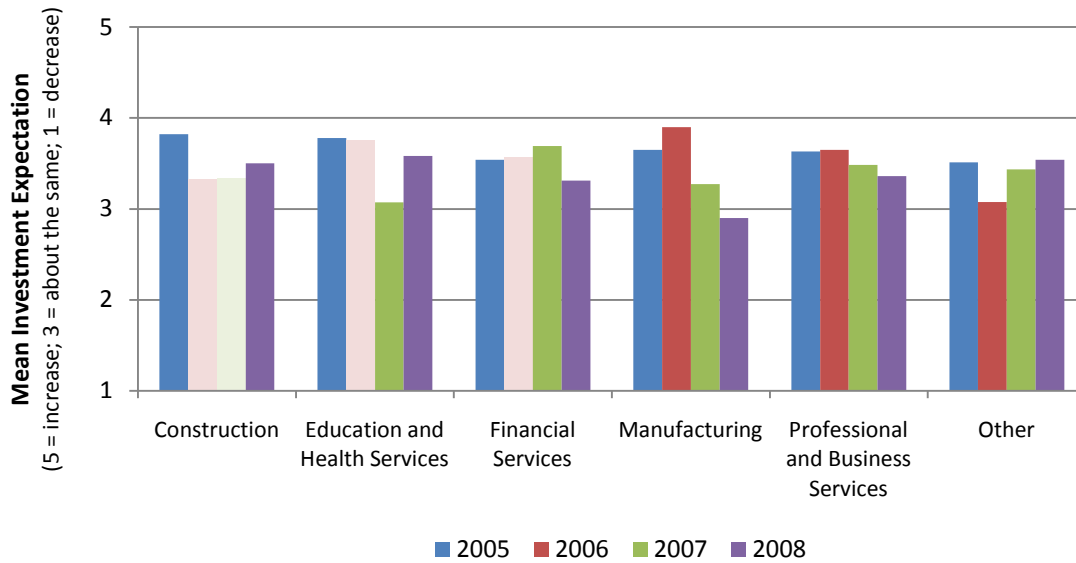
Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 24. Investment Outlook: Expected Change in Employee Benefits, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	3.5		9 (56%)	6 (38%)	1 (6%)	
Education and Health Services	12	3.6		7 (58%)	5 (42%)		
Financial Services	16	3.3		5 (31%)	11 (69%)		
Manufacturing	10	2.9		3 (30%)	3 (30%)	4 (40%)	
Professional and Business Services	25	3.4		11 (44%)	12 (48%)	2 (8%)	
Other	24	3.5		14 (58%)	9 (38%)	1 (4%)	
n	103	3.4		49 (48%)	46 (45%)	8 (8%)	

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 24. Expected Change in Investment in Employee Benefits, 2005-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Financing Outlook

Respondents were asked to indicate their expectations about financing debt and equity over the next six to twelve months. On average, respondents expected little change in their firms' debt financing (3.0) and equity financing (3.0). A total of 60% of respondents indicated an expectation that debt financing would remain about the same, while 79% percent of respondents indicated equity financing would remain about the same, both slight increases relative to the 2007 survey.

In previous survey years, expectations for financing both debt and equity were marginally higher. Responses have declined since 2005 when debt financing was rated at 3.1 and equity financing just below 3.2.

Figure 25. Overall Debt and Equity Financing Expectations, 2005-2008

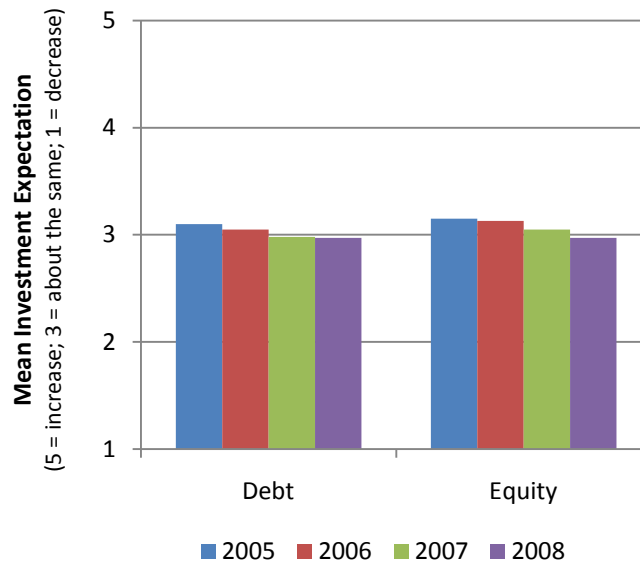
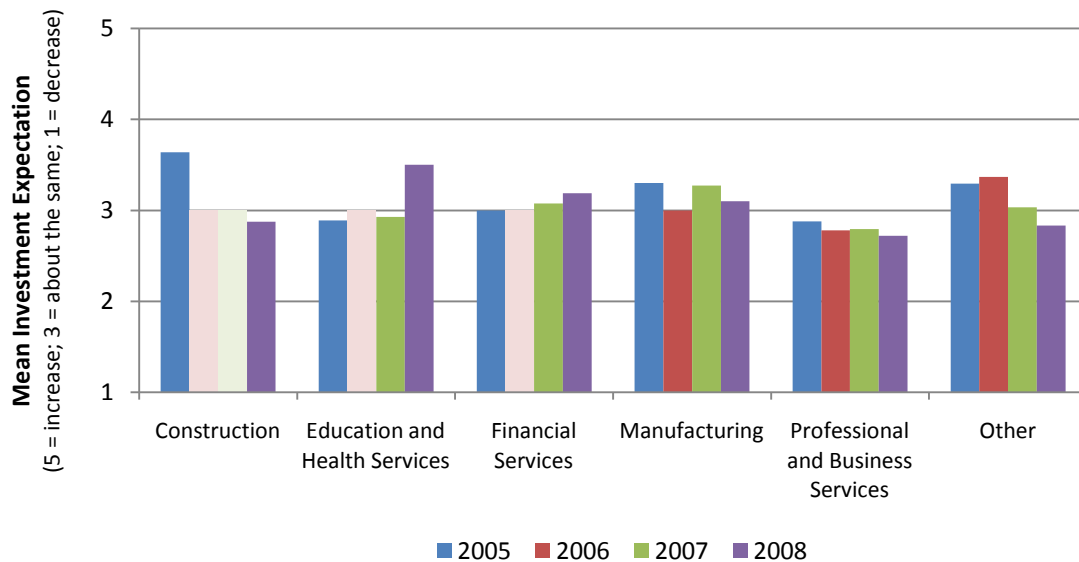


Table 25. Investment Outlook: Expected Change in Financing by Debt, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	2.9		2 (13%)	10 (63%)	4 (25%)	
Education and Health Services	12	3.5	2 (17%)	3 (25%)	6 (50%)	1 (8%)	
Financial Services	16	3.2		4 (25%)	11 (69%)	1 (6%)	
Manufacturing	10	3.1	1 (10%)	1 (10%)	6 (60%)	2 (20%)	
Professional and Business Services	25	2.7		1 (4%)	17 (68%)	6 (24%)	1 (4%)
Other	24	2.8		4 (17%)	12 (50%)	8 (33%)	
n	103	3.0	3 (3%)	15 (15%)	62 (60%)	22 (21%)	1 (1%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 26. Expected Investment Change in Financing by Debt, 2005-2008



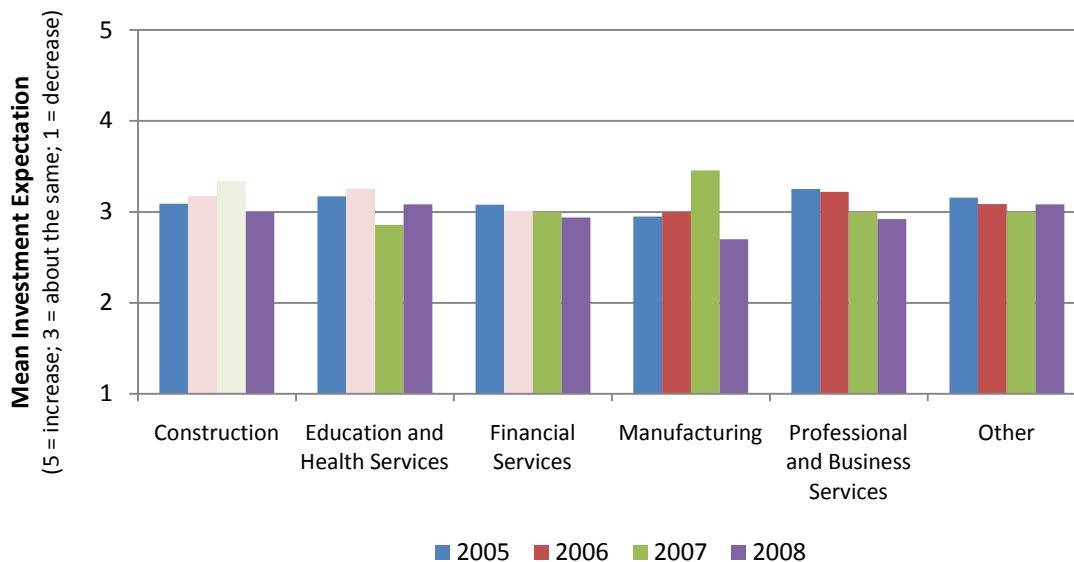
Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Table 26. Investment Outlook: Expected Change in Financing by Equity, 2008

Industry	n	Mean	Increase Substantially	Increase Somewhat	Remain about the same	Decrease Somewhat	Decrease Substantially
Construction	16	3.0		1 (6%)	14 (88%)	1 (6%)	
Education and Health Services	12	3.1		1 (8%)	11 (92%)		
Financial Services	16	2.9		2 (13%)	12 (75%)	1 (6%)	1 (6%)
Manufacturing	10	2.7		1 (10%)	7 (70%)		2 (20%)
Professional and Business Services	25	2.9		1 (4%)	21 (84%)	3 (12%)	
Other	24	3.1	1 (4%)	4 (17%)	16 (67%)	2 (8%)	1 (4%)
n	103	3.0	1 (1%)	10 (10%)	81 (79%)	7 (7%)	4 (4%)

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Figure 27. Expected Change in Investment in Financing by Equity, 2005-2008



Lightly shaded columns indicate the mean was based on fewer than 10 respondents.

Concerns about Business Issues

The traditional final section of the survey asks respondents how their concern for the following business issues has changed over the past six months:

- Cost or availability of credit (rising interest rates)
- Energy / fuel costs
- Materials, supplies or equipment costs
- Employee and benefit costs (wages, salaries, benefits)
- Governmental regulations affecting your organization
- Foreign competition
- Domestic terrorism
- Litigation risks

Responses averaged across all categories indicated greater degrees of concern compared to 2006 and 2007, but lower concern than respondents registered in 2005.

In 2008, respondents indicated that they were more concerned about all business issues addressed in the survey, with the exception of foreign competition (2.8) and domestic terrorism (3.0). The largest increase in concern was in relation to governmental regulation, with a slightly higher level of concern than in the six months preceding the 2007 survey. Fuel costs, which were the area with the greatest change in concern in 2007, ranked fourth in the 2008 survey, behind governmental regulation, cost or availability of credit, and employee and benefit costs.

Concerns related to the cost or availability of credit increased substantially in 2008, compared to 2007.

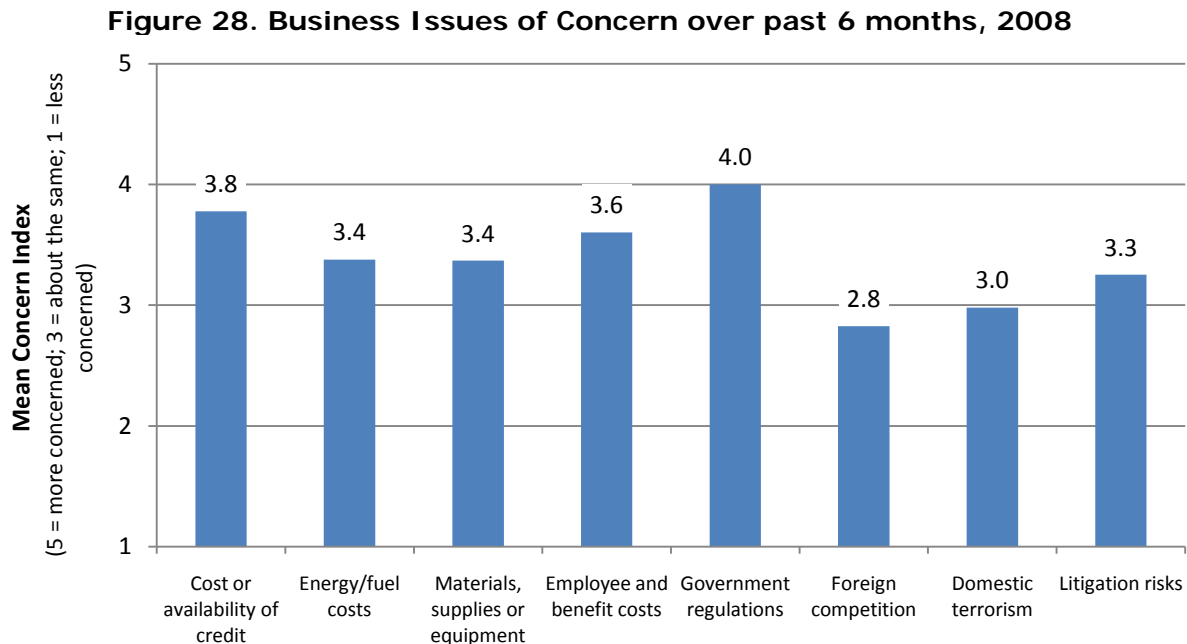
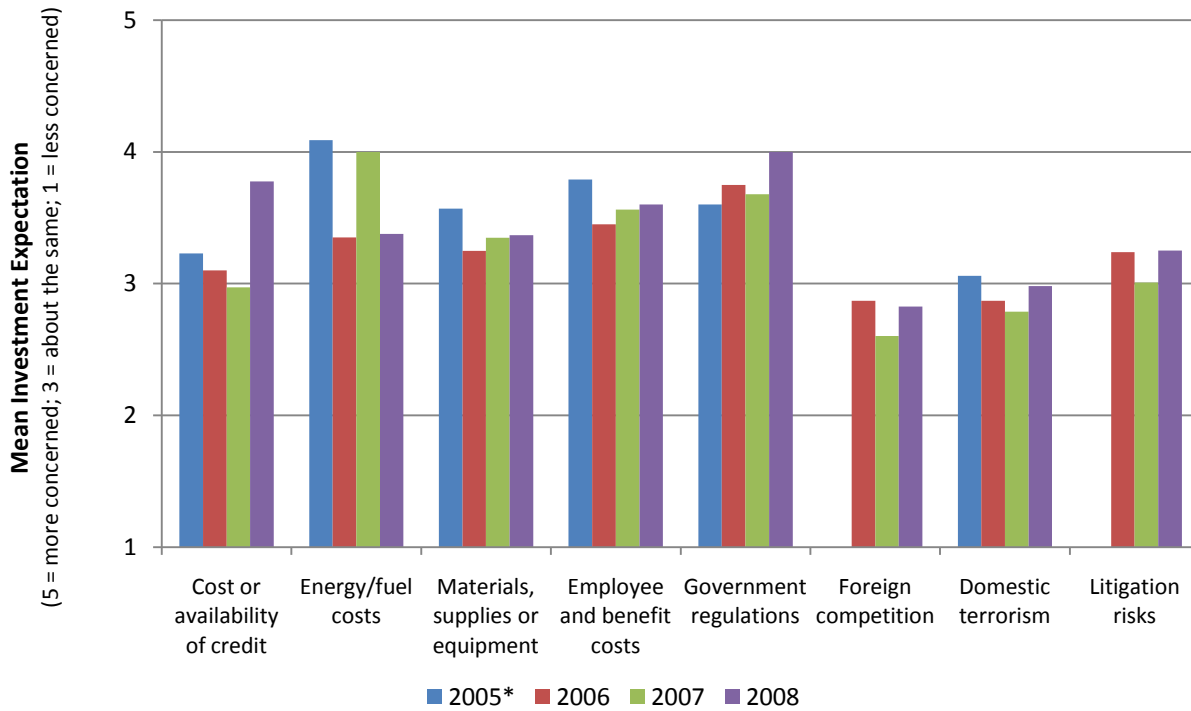


Table 27. Business Issues: Change in Concern over past 6 months, 2008

Business Issue	n	Mean	Substantially More Concerned	More Concerned	About the Same	Less Concerned	Substantially Less Concerned
Cost or availability of credit	103	3.78	22 (21%)	41 (40%)	35 (34%)	5 (5%)	
Energy/fuel costs	103	3.38	13 (13%)	36 (35%)	31 (30%)	23 (22%)	
Materials, supplies or equipment	103	3.37	6 (6%)	38 (37%)	47 (46%)	12 (12%)	
Employee and benefit costs	103	3.60	13 (13%)	43 (42%)	40 (39%)	7 (7%)	
Government regulations	103	4.00	34 (33%)	40 (39%)	24 (23%)	5 (5%)	
Foreign competition	103	2.83	1 (1%)	5 (5%)	76 (74%)	17 (17%)	4 (4%)
Domestic terrorism	103	2.98	1 (1%)	14 (14%)	73 (71%)	12 (12%)	3 (3%)
Litigation risks	103	3.25	4 (4%)	30 (29%)	59 (57%)	8 (8%)	2 (2%)
Overall	103	3.40	(11%)	(30%)	(47%)	(11%)	(1%)

Rating Scale: 5 = more concerned; 3 = about the same; 1 = less concerned

Figure 29. Business Issues of Concern over past 6 months, 2005-2008



* Not all data points are available for this year.

Assessing the Credit Crisis

In light of the recent credit crisis and negative economic growth in the third quarter of 2008, a new section was added to the survey. The section sought to better understand how issues related to the crisis are affecting respondents' and their clients' firms. The new section features 5 questions gauging effects on cash management practices, holdings of short-term government securities, financial flexibility, and access to short-term credit.

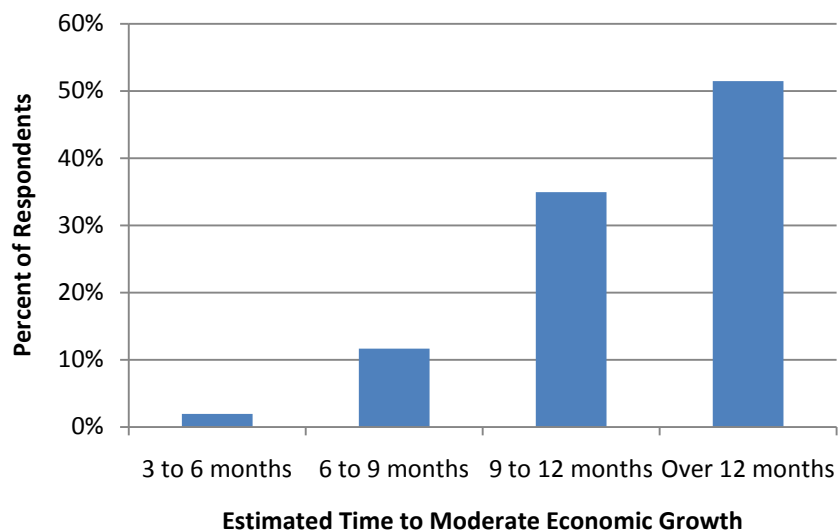
A total of 48 percent of the respondents indicated that holdings of cash or cash equivalents had increased, while 43 percent indicated that cash positions were remaining about the same. With respect to holdings of government securities, 78 percent of respondents said the recent crisis has not had an effect, while 18 percent of respondents indicated an increase in holdings.

The noticeable negative effects of the credit crisis relate to the availability of credit. The majority of respondents, 57 percent, indicated a reduced availability of long-term credit or financial flexibility. Responses spanned all major respondent industries. Only a single respondent from the financial services sector noted an increase in flexibility.

In contrast, only 30 percent of the survey's respondents identified reductions in the availability of short-term credit, with the majority of respondents suggesting there was no change in the availability of this type of credit.

Respondents were also asked to identify the period of time between the survey and a return to modest economic growth, defined as greater than a 2 percent annual increase in gross domestic product. On average, respondents tended to think the U.S. economy would take 9 or more months to return to a modest rate of growth, and fully half of them predicted such growth would not be seen for more than a year.

Figure 30. Respondents' expectations for when U.S. economy will return to moderate economic growth



Conclusion

The results from the 2008 INCPAS survey, like previous years, highlight the diverse opinions of CFOs and managing partners in various industries. The results also demonstrate the varied effects that changes in the national and state economy have on perceptions of spending, investment, and the business operating environment.

While caution should be used in drawing conclusions from the generated dataset due to the small sample size, the results do provide valuable insights of INCPAS members.

On the whole, responses provided in 2008 were notably more pessimistic than in 2006 and 2007, indicating substantially worsened expectations for coming months. Respondents' outlooks across all measured areas declined from the previous two years. On average, respondents' outlooks are pessimistic about the U.S. economy for the next 6 months, slightly pessimistic toward Indiana, neutral about their industries, and moderately positive about their firms.

Respondents indicated expectations for growth in U.S. and Indiana market revenues to remain about the same and for wages and salaries to increase modestly. Expectations regarding investments fell in all measured categories, with substantial declines in prospects for growth in advertising and information technology relative to 2007. Investments in these areas are expected to decline marginally or remain about the same, respectively.

Over the past 6 months, respondents have become increasingly concerned about government regulations, the cost or availability of credit, and employee and benefit costs. Compared to 2007, the greatest decrease in concern leading up to the survey was in relation to energy and fuel costs, which have deflated somewhat during the past year.

The greatest increase in concern among business issues relative to previous surveys is linked to the availability or cost of credit. While the majority of respondents were not generally affected by short-term credit or reduced holdings of government securities, the majority did indicate reductions in the availability of long-term credit or financial flexibility. Finally, respondents tended to think the U.S. economy would take 9 or more months to return to a rate of growth of 2 percent or more.

Appendix A:
Survey Invitation Letters and Instrument

Initial Invitation – November 3, 2008

As a CFO or Managing Partner, you are among the most influential CPAs in Indiana. The Indiana CPA Society is asking for your help in promoting the business knowledge and expertise of Indiana CPAs to the media and public. We are working with the Indiana Business Research Center (IBRC) this month to conduct the Society's fourth annual Business Outlook Survey.

We would appreciate 5 to 10 minutes of your time to complete the survey. To take part, please use the following link:

<http://www.ibrc.indiana.edu/cpa08>

Note: If your e-mail program does not allow you to click on the link, you may copy and paste it into your web browser.

Results will be distributed to the Indiana business media in early 2009. Given the recent financial turmoil around the world, we expect that the business media will be particularly interested in the survey results and generate significant exposure for CPAs statewide. Please join us in making a difference for the CPA profession by enhancing the image of the CPA and helping position CPAs as trusted business advisors for their employers and their clients.

Thank you in advance for your participation.

Gary Bolinger
President & CEO
The Indiana CPA Society
8250 Woodfield Crossing Blvd., #100
Indianapolis, IN 46240-4348
Web: <http://incpas.org>

If you have questions or need any assistance with the survey, please contact the Indiana Business Research Center at (812) 855-5507 or livings@indiana.edu.

First Reminder Notice – November 12, 2008

In an effort to promote the business knowledge and expertise of Indiana CPAs, the Indiana CPA Society is working with the Indiana Business Research Center (IBRC) at Indiana University to conduct the Society's fourth annual Business Outlook Survey. The results will be distributed to the Indiana business media in early 2009. Given the current business environment, the business media should be particularly interested in what you have to say.

If you have already responded to the survey, thank you for your contribution. However, if you have yet not participated, we would appreciate 5 to 10 minutes of your time to complete the anonymous web survey. To take part, please use the following link:

<http://www.ibrc.indiana.edu/cpa08>

Note: If your e-mail program does not allow you to click on the link, you may copy and paste it into your web browser.

If you have questions or need any assistance with the survey, please contact the Indiana Business Research Center at (812) 855-5507 or livings@indiana.edu.

Please join us in making a difference for the CPA profession by enhancing the image of the CPA and helping position CPAs as trusted business advisors for their employers and clients.

Thank you for your participation.

Gary Bolinger
President & CEO
The Indiana CPA Society
8250 Woodfield Crossing Blvd., #100
Indianapolis, IN 46240-4348
Web: <http://incpas.org>

Final Notice – November 19, 2008

If you have already responded to the Business Outlook Survey, please excuse this gentle reminder. Thank you for your contribution.

However, if you have yet not participated, time is running out to have your opinions included in the Indiana CPA Society's fourth annual Business Outlook Survey, the results of which will be used to promote the CPA profession and help position CPAs as trusted business advisors for their employers and clients.

As a CFO or Managing Partner, you are among the most influential CPAs in Indiana. This survey takes only a few minutes to complete, and we don't ask for any personal identifying information.

The survey ends Friday, November 21, 2008. To take part, please use the following link:

<http://www.ibrc.indiana.edu/cpa08>

Note: If your e-mail program does not allow you to click on the link, you may copy and paste it into your web browser.

If you have questions or need any assistance with the survey, please contact the Indiana Business Research Center at (812) 855-5507 or livings@indiana.edu.

Thank you for your time and your contribution to the Indiana CPA Society.

Gary Bolinger
President & CEO
The Indiana CPA Society
8250 Woodfield Crossing Blvd., #100
Indianapolis, IN 46240-4348
Web: <http://incpas.org>

Survey Instrument

The 2008 INCPAS survey was administered using web-based Qualtrics software. Previous iterations of the survey utilized Survey Select software. The traditional survey comprised 15 questions including 3 matrix-type items. This year's survey featured an additional 5 questions related to credit issues. The instrument as seen by respondents follows. Bracketed comments were not visible to survey respondents.

Indiana CPA Society Survey Questions

Introduction [Page 1]

As a CFO or Managing Partner, you are among the most influential CPAs in Indiana. The Indiana CPA Society would again like your help in promoting the business knowledge and expertise of Indiana CPAs to the media and the public.

This month we are conducting the Society's fourth annual Business Outlook Survey. This survey seeks the opinions and expectations of leading Indiana CFOs and Managing Partners who are trusted business advisors to their employers and clients. The results will be distributed to the business media, generating significant positive exposure for CPAs statewide.

Your responses to this survey will remain strictly confidential. Results will be provided only in an aggregated format and will not indicate individuals who responded to the survey.

While taking the survey, please use the internal "Next" and "Back" buttons to navigate. To begin the survey, select the "Next" button below.

Estimated time to complete survey: 5 - 10 minutes

Organization Background [Page 2]

Which of the following best describes your organization's primary industry?

Descriptions correspond to NAICS Super Sectors

- Natural Resources and Mining
- Construction
- Manufacturing
- Trade, Transportation and Utilities
- Information
- Financial Services
- Professional and Business Services
- Education and Health Services
- Leisure and Hospitality
- Other Services

What is your primary role in your organization?

- CFO
- Managing Partner
- Other

What is the size of your organization?

- Fewer than 50 employees
- 50 – 100 employees
- 100 – 499 employees
- 500 – 999 employees
- 1,000 – 5,000 employees
- More than 5,000 employees

Please indicate your organization's annual revenues:

- Less than \$5 Million
- \$5 Million to \$9.999 Million
- \$10 Million to \$49.999 Million
- \$50 Million to \$99.999 Million
- \$100 Million to \$499.999 Million
- \$500 Million or more

What is the ownership structure of your organization?

- Public (NYSE)
- Public (NASDAQ / AMEX)
- Private
- Government
- Non-Profit

Is your organization headquartered in Indiana?

- Yes
- No

If yes, what is your organization's primary five-digit ZIP code? _____ **[Page 3, conditional]**

If no, do your Indiana operations account for more than 20% of your overall organization? **[Page 3, conditional]**

Based on number of employees, revenues, etc.

- Yes
- No

Economic Outlook [Page 4]

With respect to the business climate over the next six months, please rate your optimism about each of the following topics using a 0-100 scale, where 0 = very pessimistic, 50 = neutral and 100 = very optimistic:

The U.S. Economy: _____

Indiana's economy: _____

Your Industry: _____

Your Organization: _____

Growth Outlook [Page 5]

Please indicate how you think your firm's performance in the following areas will change over the next six months:

	Increase Substantially	Increase Somewhat	Remain About the Same	Decrease Somewhat	Decrease Substantially
Revenue growth in US markets?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Revenue growth in Indiana markets?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The total size of your organization's workforce?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Average wages/salaries at your organization?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Is your organization actively pursuing mergers and acquisitions (M&A) or Strategic Alliance opportunity?

- Yes
- No

Investment Outlook [Page 6]

Compared to your prior year budget, please indicate how your organization's investment and spending in the following areas will change over the next six to twelve months:

	Increase Substantially	Increase Somewhat	Remain About the Same	Decrease Somewhat	Decrease Substantially
Overall capital spending?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Advertising and Marketing expenses?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment spending in Information Technology?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Investment spending in New Product Development?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee Benefits (including health care)?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financing from Debt?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financing from Equity?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Business Issues [Page 7]

Compared to six months ago, are you more or less concerned about each of the following issues?

	Substantially More Concerned	More Concerned	About the Same	Less Concerned	Substantially Less Concerned
Cost or availability of credit (rising interest rates)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Energy/fuel costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Materials, supplies or equipment costs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employee and benefit costs (wages, salaries, benefits)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Governmental regulations affecting your organization	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Foreign competition	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Domestic terrorism	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Litigation risks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Credit Issues [Page 8]

Given the recent financial crisis and forecasts for slower growth, to what degree have you (as a CFO) or your clients' businesses (as a managing partner) changed cash management practices?

- Substantially reduced cash and cash equivalents
- Reduced cash and cash equivalents
- No change in cash and cash equivalents
- Increased cash and cash equivalents
- Substantially increased cash and cash equivalents

Given the recent financial crisis and forecasts for slower growth, to what degree have you (as a CFO) or your clients' businesses (as a managing partner) increased holdings of short-term government securities?

- Substantially reduced holdings of short-term government securities
- Reduced holdings of short-term government securities
- No change in holdings of short-term government securities
- Increased holdings of short-term government securities
- Substantially increased holdings of short-term government securities

Credit Issues [Page 9]

To what degree have the recent financial crisis and forecasts for slower growth changed the financial flexibility or long term financing options of your firm (as a CFO) or your clients' businesses (as a managing partner)?

- Substantially reduced flexibility
- Reduced flexibility
- No change
- Increased flexibility
- Substantially increased flexibility

To what degree has the recent disruption in the commercial paper market affected your firm's (as a CFO) or your clients' businesses (as a managing partner) ability to access short-term credit?

- Substantially reduced short-term credit availability
- Reduced short-term credit availability
- No change
- Increased short-term credit availability
- Substantially increased short-term credit availability

How long do you or your clients' businesses think it will take for the economy to return to modest economic growth (GDP growth rate at greater than 2%)?

- Less than 3 months
- 3 to 6 months
- 6 to 9 months
- 9 to 12 months
- Over 12 months

[Submit/Close]

Appendix B:

Summary Data Tables

Table B.1. Economic Outlook by Industry, 2006-2008

Industry	Respondents (n)			U.S.			Indiana		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	73.3	63.3	38.4	71.7	59.2	51.1
Education and Health Services	8	14	12	66.9	56.1	54.5	62.5	50.0	55.8
Financial Services	7	13	16	65.0	60.0	25.0	64.6	55.8	42.2
Manufacturing	13	11	10	51.7	47.7	24.5	58.8	46.6	18.0
Professional and Business Services	28	29	25	68.6	58.6	37.3	69.5	55.1	48.8
Other	26	30	24	61.4	52.8	35.6	63.9	54.1	44.8
All Sectors	88	103	103	64.2	55.9	35.9	65.5	53.5	45.0

Industry	Respondents (n)			Industry			Firm		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	75.8	62.5	44.6	86.7	73.3	66.9
Education and Health Services	8	14	12	64.4	60.7	63.8	71.9	63.2	70.0
Financial Services	7	13	16	65.7	59.6	44.1	71.7	68.8	59.7
Manufacturing	13	11	10	56.6	45.9	19.5	72.9	65.5	28.5
Professional and Business Services	28	29	25	77.0	69.3	64.2	80.8	73.8	68.0
Other	26	30	24	63.1	59.8	46.5	67.3	69.3	54.8
All Sectors	88	103	103	67.9	61.2	49.5	74.4	69.5	59.9

Rating Scale: 100 = very optimistic; 50 = neutral; 0 = very pessimistic

Table B.2. Growth Outlook by Industry for U.S. Market Revenues, Indiana Market Revenues, Workforce and Wages, 2006-2008

Industry	Respondents (n)			U.S. Market Revenue Growth			Indiana Market Revenue Growth		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	3.8	3.3	2.9	3.7	3.5	2.9
Education and Health Services	8	14	12	3.5	3.0	3.4	3.4	2.9	3.3
Financial Services	7	13	16	4.0	3.5	3.1	3.9	3.7	2.8
Manufacturing	13	11	10	3.1	3.2	1.8	3.9	3.5	1.7
Professional and Business Services	28	29	25	4.1	3.8	3.4	3.9	3.8	3.3
Other	26	30	24	3.7	3.6	2.9	3.6	3.8	3.2
All Sectors	88	103	103	3.7	3.5	3.0	3.7	3.6	3.0

Industry	Respondents (n)			Workforce			Wages		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	3.5	3.5	2.6	3.7	3.7	3.4
Education and Health Services	8	14	12	3.1	2.9	3.3	4.0	3.4	3.6
Financial Services	7	13	16	3.4	3.3	3.1	3.9	3.7	3.5
Manufacturing	13	11	10	3.3	3.3	1.9	3.5	3.6	2.9
Professional and Business Services	28	29	25	3.6	3.6	3.3	3.9	3.8	3.5
Other	26	30	24	3.0	3.3	2.9	3.5	3.6	3.3
All Sectors	88	103	103	3.3	3.3	2.9	3.7	3.6	3.4

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Table B.3. Investment Expectations by Industry, 2006-2008

Industry	Respondents (n)			Marketing & Advertising			Information Technology		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	3.3	3.3	2.8	3.8	3.3	2.9
Education and Health Services	8	14	12	3.0	3.1	3.2	3.8	3.2	3.4
Financial Services	7	13	16	3.0	3.5	2.9	4.0	3.8	3.4
Manufacturing	13	11	10	3.4	3.1	2.1	3.9	3.5	2.2
Professional and Business Services	28	29	25	3.9	3.3	3.0	3.9	3.3	3.0
Other	26	30	24	3.3	3.4	2.7	3.8	3.5	3.1
All Sectors	88	103	103	3.3	3.3	2.8	3.9	3.45	3.1

Industry	Respondents (n)			New Product Development			Employee Benefits		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	3.0	3.0	2.9	3.3	3.3	3.5
Education and Health Services	8	14	12	3.3	3.1	3.3	3.8	3.1	3.6
Financial Services	7	13	16	3.1	3.3	2.9	3.6	3.7	3.3
Manufacturing	13	11	10	3.6	3.5	2.7	3.9	3.3	2.9
Professional and Business Services	28	29	25	3.4	3.0	2.7	3.7	3.5	3.4
Other	26	30	24	3.1	3.2	3.2	3.1	3.4	3.5
All Sectors	88	103	103	3.3	3.1	2.9	3.5	3.4	3.4

Industry	Respondents (n)			Financing Debt			Financing Equity		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
Construction	6	6	16	3.0	3.0	2.9	3.2	3.3	3.0
Education and Health Services	8	14	12	3.0	2.9	3.5	3.3	2.9	3.1
Financial Services	7	13	16	3.0	3.1	3.2	3.0	3.0	2.9
Manufacturing	13	11	10	3.0	3.3	3.1	3.0	3.5	2.7
Professional and Business Services	28	29	25	2.8	2.8	2.7	3.2	3.0	2.9
Other	26	30	24	3.4	3.0	2.8	3.1	3.0	3.1
All Sectors	88	103	103	3.1	3.0	3.0	3.1	3.0	3.0

Rating Scale: 5 = increase; 3 = about the same; 1 = decrease

Appendix C:
Counties for Geographic Regions

Northwest Region

Jasper
Lake
La Porte
Newton
Starke
Porter
Pulaski

North Central Region

Cass
Elkhart
Fulton
Kosciusko
Marshall
Miami
St. Joseph
Wabash

Northeast Region

Adams
Allen
DeKalb
Huntington
LaGrange
Noble
Steuben
Wells
Whitley

Northwest Central Region

Benton
Carroll
Clinton
Fountain
Montgomery
Tippecanoe
Warren
White

Central Region

Boone
Hamilton
Hancock
Hendricks
Johnson
Marion
Morgan
Shelby

Southwest Central Region

Clay
Greene
Monroe
Owen
Parke
Putnam
Sullivan
Vermillion
Vigo

East Central Region

Blackford
Delaware
Fayette
Grant
Henry
Howard
Jay
Madison
Randolph
Rush
Tipton
Union
Wayne

Southwest Region

Crawford
Daviess
Dubois
Gibson
Knox
Lawrence
Martin
Orange
Perry
Pike
Posey
Spencer
Vanderburgh
Warrick

Southeast Region

Bartholomew
Brown
Clark
Dearborn
Decatur
Floyd
Franklin
Harrison
Jackson
Jefferson
Jennings
Ohio
Ripley
Scott
Switzerland
Washington

Indiana Counties and Regions



Appendix D:
Select Tests of Statistical Significance

Table D1. Two-Sample t-Test for US Economic Outlook, 2007-2008

	<i>US 2008</i>	<i>US 2007</i>
Mean	35.9	55.9
Variance	304.4	255.0
Observations	103	101
df	202	
t Stat	-8.93	
P(T<=t) one-tail	1.3E-16	
t Critical one-tail	1.65	
P(T<=t) two-tail	2.7E-16	
t Critical two-tail	1.97	

Table D2. Two-Sample t-Test for Indiana Economic Outlook, 2007-2008

	<i>IN 2008</i>	<i>IN 2007</i>
Mean	45.0	53.5
Variance	393.5	328.2
Observations	103	101
df	201	
t Stat	-3.57	
P(T<=t) one-tail	2.2E-04	
t Critical one-tail	1.65	
P(T<=t) two-tail	4.4E-04	
t Critical two-tail	1.97	

Table D3. Two-Sample t-Test for Industries Economic Outlook, 2007-2008

	<i>Industry 2008</i>	<i>Industry 2007</i>
Mean	49.5	61.2
Variance	552.0	385.6
Observations	103	101
df	197	
t Stat	-4.19	
P(T<=t) one-tail	2.1E-05	
t Critical one-tail	1.65	
P(T<=t) two-tail	4.2E-05	
t Critical two-tail	1.97	