

DECEMBER 2013



# KĀLA

The Official Publication of the Hawaii Society of Certified Public Accountants

*Season's  
Greetings  
with Aloha!*



HSCPA  
Hawaii Society of  
Certified Public Accountants



America Counts on CPAs

# In This Issue



The Official Publication  
of the Hawaii Society  
of Certified Public  
Accountants

**December 2013**

President's Message .....3 <i>By Michael Tanaka</i>	Wedding Bells Ring at a CPA Firm!.....12
Get Your Team to Increase Revenues Today!.....4 <i>By Eric Hunt</i>	Y-CPAs' CPA Exam Workshop at UH.....13
The Search for Unreported Income.....6 <i>By Jim Buttonow</i>	The Power of Nonverbal Communication: Personal Space.....10 <i>By Dr. Linda Talley</i>
Succession – Cover These Bases for Every Retiring Partner.....8 <i>By Gary Adamson</i>	Norman's Book Review.....16
Ala Moana Beach Clean-up .....10	CPA Firm Microcomputer Technology.....18 <i>By Ron Gouveia</i>
	Y-CPA Buzz.....19



KALA will be published digitally through the HSCPA website. Printed copies will be available only until December 2013.

#### Officers

President	Michael I. Tanaka
President-Elect	Patrick Oki
Vice President	Gordon M. Tom
Secretary/Treasurer	Warren Y.F. Wee

#### Directors • 2012 – 2014

Gordon D. Ciano
James P. Hasselman
Robert S. Kawahara (MAUI)
Edmund N. Nakano
Norman N. Okimoto
Samantha L. Shetzline (KAUAI)

#### Directors • 2013 – 2015

Brenda F. Cutwright
Ronald I. Heller
Wendell K. Lee
Trisha N. Nomura
Darryl K. Nitta
Valerie N. Shintaku
Melanie S. Shishido
Jessica Su

#### Ex-Officio

Immediate Past President
Craig M. Watanabe

#### AICPA Council

Ronald I. Heller (Designated)
Ross R. Murakami (Elected)
Donny C. Shimamoto
(Elected At-Large)

#### Executive Director

Kathy M. Castillo

#### Administrative Assistant

Debbie Cortes

#### Hawaii Society of CPAs

900 Fort Street Mall, Suite 850  
P.O. Box 1754  
Honolulu, Hawaii 96806  
Tel: (808) 537-9475  
Fax: (808) 537-3520  
E-mail: info@hscpa.org  
Website: www.hscpa.org

This publication is designed to provide general information only, and should not be used as a substitute for professional advice. The authors and editors disclaim any liability for any loss or damage resulting from the use of any information or advice herein. Although a reasonable attempt has been made to be accurate, neither the HSCPA nor the authors and editors can guarantee that all information contained herein is correct as of the date of publication.

KALA (the Hawaiian word for money) is published monthly and is the official publication of the Hawai'i Society of Certified Public Accountants. Please direct all inquiries regarding editorial content, subscriptions and circulation to HSCPA, 900 Fort Street Mall, Suite 850, Honolulu, Hawai'i 96813.

# President's Message

By Michael Tanaka



Aloha, Members! Hope you all had a wonderful Thanksgiving! If you're like me, you probably had more than your

share of turkey and all the trimmings. Not to mention, we're still trying to finish off our post Halloween candy brought into our office by generous co-workers and will be munching on more holiday goodies from clients, vendors and friends in the coming weeks. Most of our office treats typically disappear by the middle of January . . . then again, there are always those last few pieces that remain uneaten for days as we all thoughtfully leave them for others to enjoy.

So . . . expect to put on pounds during the holidays? You're not alone. It's easy to understand why if you read the somewhat dated but still informative "Diet Detective's Countdown" by public health advocate Charles Stuart Platkin. According to Platkin, if you're a 155-pound person, to burn off the calories from one gingerbread cookie you'll have to swim 18 minutes. The more you weigh, the more calories would be burned per hour.

That martini and party mix would take 47 minutes on the bike. A half pound prime rib will require 230 minutes of yoga, and a Starbucks caramel macchiato will take 38 minutes on the bike. To burn off that Big Mac from McDonalds, plan on walking 144 minutes!

Here's how long it will take to run off these excess calories:

- Eggnog (1 cup): 49 minutes
- Beer (12 oz.): 22 minutes
- Honey-glazed ham (6 oz): 30 minutes

Don't mean to take the fun out of eating this holiday season, but we'll need to

keep in mind the consequences of our decisions. Of course, we can always resolve to exercise and watch what we eat after the New Year's celebration.

Besides enjoying the holiday treats, December reminds me to continue to give back and contribute to certain needy charities. This includes donating those still useful household goods and clothing – the charity that I visit typically has mounds of items especially during those last few days before year end. Consider dropping these off earlier to avoid waiting in line and remember to get your receipt for tax deduction purposes.

According to Charity Navigator, on average, people make roughly one-fourth of their annual donation in December alone with average Americans giving 4.7% of their income to charities. In addition, nearly 26.5% of the adults in the U.S. volunteered with an organization in 2012, and contributed 12.7 billion hours, worth an estimated \$259.6 billion – I'm sure many of us continue to give our time and resources in support of our local charities.

## License and Permit Renewals

For those of you renewing your license, permit to practice and/or firm permit to practice, remember to do so by December 31st in order to avoid late fees. If you practice public accountancy as a sole practitioner/sole proprietor, partner, or principal of a public accounting firm, your CPA firm must also have a Hawaii Firm Permit to Practice (FPTP), in addition to the individual Permit to Practice. Sole practitioner's operating as a single-member LLC register as an LLC and pay the \$221 FPTP fee versus the \$75 fee for sole proprietorships. Also, when inputting your CPE courses for HSCPA-sponsored seminars, remember to indicate "HSCPA" in the boxes for

"NASBA or Hawaii State Board Registration No.," "Sponsor Approval By," and "Name of Sponsor."

Last chance to get your Ethics credits! Ron Heller will be conducting his final session on December 6th. In addition to the tax update and individual tax workshop courses offered during the second week of December, consider visiting our website and signing up for the 2013 Tax Forum Express session on December 5th from 8:00 am to 12 noon. The Forum features local attorneys including Michael Purpura, Howard Chang and Kurt Kawafuchi discussing a variety of matters for us tax practitioners to be wary of.

**Reminder:** This is the last KALA edition that will be mailed to you since we are going green. Future editions will be posted to our website at the beginning of each month (except for January and February).

*Happy holidays to you all and hope you're all able to enjoy this festive season with family and friends!*

**SAVE THE DATE**  
FEATURING  
**Barry Melancon**  
President / CEO  
American Institute of CPAs

**HSCPA**  
**54th**  
**Annual**  
**Conference**  
June 20, 2014

**HSCPA**  
Hawaii Society of  
Certified Public Accountants

# Get Your Team to Increase Revenues Today!

By Eric Hunt of Boomer Consulting, Inc.



Partners in CPA firms often express to me that they wish their teams would help drive revenue more. Many firms rely on one or two rainmakers or partners to bring in the majority of clients. A major problem for these firms is that the staff sees this as normal and expects it to always be this way. Firm management needs to work with the staff to help change the thinking and the process of revenue generation to include everyone. There are a number of steps that can be taken to increase staff participation, but I believe the following steps are a great way to start!

## #1 - Set the Expectations

Let's get this out of the way to start, not

everyone in your firm is going to be a rainmaker! It takes years of building relationships, the right attitude and training to become one. With that said, EVERYONE should be expected to do their part in generating revenue. I recommend that firms start this conversation by setting new expectations among their teams. Simply put, firm management needs to communicate what they expect to see from their staff. This may be a certain number of client and prospect touches (calls, emails, face-to-face meetings), a dollar amount generated, or # of new clients brought to the firm. Set the expectations during reviews and communicate on a regular basis on those specific expectations.

## #2 - Teach the Basics

Setting expectations is a great first step,

but firms will see little progress if they don't equip their teams with the basics. Firms must build a foundation for success by teaching their teams two things. First, every staff member must know all of the available services that the firm can provide. This is essential; otherwise, your staff won't be confident in communicating their value. Provide your staff with a deep training of the firm's service offerings and the reasons why companies should use them. This seems simple, but often times staff members get locked into their specialty and don't search out their clients' needs in other areas. For example, your tax team needs to be able to understand your audit services or client accounting services and how they tie into the total firm offering.

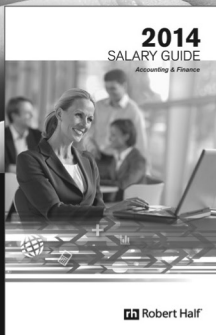
Second, have your rainmakers or best business developers give your team some guidance on questions they should have ready when on engagements or talking with prospects. These questions come naturally to rainmakers, but not to the general staff. Some examples would be:

- What is something giving your heartburn right now about your company?
- What opportunities would your company like to pursue in the next year?
- Are there things that you are doing right now that you would like to delegate to others?

These are open-ended questions that are geared at getting your clients to open up about their companies. Train your team to listen for response and then offer firm solutions when appropriate. The great thing about this is that it is more conversational and less "yes or no" type situations.

You could spend hours searching for financial salary information. **Or just seconds.**

[ [roberthalf.com/salary-center](http://roberthalf.com/salary-center) ]



For hiring news, industry trends and salary information, download your free Salary Guide today at [roberthalf.com/salary-center](http://roberthalf.com/salary-center).

Honolulu • 808.531.8056

**rh** Accountemps®  
A Robert Half Company

**rh** Robert Half®  
Finance & Accounting

© 2013 Robert Half International Inc. An Equal Opportunity Employer. 0913-9013d

### #3 - Celebrate Success

Once you set expectations and teach your team, let them go to work and hold them accountable. Be sure to celebrate wins, big or small. This builds the team's confidence as well as changing the culture. I tell firms to celebrate in front of others, so the good feelings can spread. Another great trick is to make sure to make mention of effort even if the results don't end in revenue. If your team member asks the right questions and offers your service, but it ends in a no...celebrate it!

They followed through on the expecta-

tions and training. If they continue, they will eventually hear a yes and that is how it starts! Don't be afraid to celebrate a big win in a big way. If someone brought in their first big account to the firm, you should make a big deal out of it! Give them the day off, give them a bonus, give them a night out to dinner, whatever you feel they would like...just do something and let the whole team see it! Celebrating success is a sure-fire way to get your team motivated!

### #4 - Lather, Rinse, Repeat

These steps get you moving, but I recommend continuing to raise expectations,

increase training and celebrate with your team. This isn't something you can do once or twice and hope it sticks. Keep working with your team and you will see the results you want. Don't let revenue generation fall in the hands of the few.

*As Director of Business Development for Boomer Consulting, Inc., Eric is responsible for the execution of strategic business development goals, building key customer relationships, identifying business opportunities and maintaining extensive knowledge of current market conditions. Eric's primary focus is on the expansion of Boomer Consulting's major service communities and consulting services.*

## For your real estate needs, **trust** a proven professional



- » **President & Owner** - Prudential Advantage Realty
- » Voted **Hawaii's Best Real Estate Firm** for the past 5 years – Star Advertiser
- » Voted **Best of Honolulu, Real Estate Firm, 2012** - Honolulu Magazine
- » Voted **Best of the Best Realtor 2010, 2009** - Star Advertiser
- » **#1 Agent for Prudential Real Estate in Hawaii** for over a decade
- » One of **top two residential realtors on Oahu** (Hawaii Business Magazine)
- » Extensive experience with **tax deferred 1031 exchanges**
- » Former CPA - **KPMG Peat Marwick**, Honolulu office
- » Former CPA - **Pricewaterhouse/COOPERS** (formerly known as Coopers and Lybrand), San Francisco office

### MYRON N. KIRIU (R)

President, Owner  
(808) 864-9000

MyronK@PruHi.com  
www.MyronKiriu.com



Kahala Mall, Upper Level | 4211 Waialae Ave, Box 9050 | Honolulu, Hawaii 96816

# The search for unreported income

Use five IRS audit techniques to find potential unreported income before filing – and avoid surprises after filing



According to the most recent IRS tax gap study released in 2012, the U.S. Treasury loses \$376 billion each year due to inaccurate tax returns that underreport income and overstate deductions and credits. IRS data indicates that the biggest culprits who underreport income are small businesses and high-income individuals, both groups that receive few information statements that the IRS can use to electronically track income. For the past year, the IRS has made some progress looking for potentially unreported income by com-

By Jim Buttonow, CPA, CITP

paring Forms 1099-K, Payment Card and Third Party Network Transactions, to business returns. However, most IRS efforts to combat small business and high-income underreporting involve face-to-face examinations of taxpayers.

In these face-to-face examinations – also called office and field audits – the IRS looks at each taxpayer's facts and circumstances to determine whether all income was reported. When preparing their clients' taxes, tax professionals should conduct due diligence and “ask the second question” to determine whether all income is properly reported on the return. If tax professionals fail to conduct due diligence, the IRS could propose preparer penalties. In fact, under IRS examination procedures, when an examination reveals substantial amounts of unreported income and results in the substantial understatement penalty to the taxpayer, the IRS is required to also consider preparer penalties.

In conducting due diligence prior to tax preparation, tax professionals should consider taking a closer look at their clients' records and small business operations. Here are five common IRS audit techniques you can proactively use to test the validity of your client's reported income and avoid potential surprises in an IRS audit.

## 1. Financial status analysis

Try this quick litmus test for unreported income. The IRS refers to this procedure as a “T account” analysis, which compares sources of cash on the left and cash expenditures on the right. This process looks a lot like budgeting. For an individu-

al taxpayer client, the question you should answer in this analysis is: “Does my client have sufficient funds for even the minimum personal living expenses?” For a ballpark estimate of your client's minimum living expenses, use Bureau of Labor Statistics data, which the IRS uses in examinations. When performing this analysis, you should also account for sources of cash and expenditures of cash reported on the tax return that are not related to personal living expenses.

If there isn't enough income to support basic living expenses, you should address the imbalance and ask about other sources of funds such as loans, gifts and other sources of revenue. As the IRS instructs its auditors in its Internal Revenue Manual, “When completed, the analysis should indicate that either income is sufficient to support the taxpayer's financial activities or there is a significant imbalance indicating the potential of unreported income.” When the imbalance is \$10,000 or more, the IRS examines income more closely.

## 2. Bank deposit analysis

In an examination, the IRS usually analyzes bank deposits to determine whether income is properly reported. You can also compare deposits for all bank accounts to gross income reported on the return. For unexplained or unrecorded deposits, determine whether the deposit reflects income that should be reported on the return. Significant nontaxable deposits, like loans or gifts, may require you to ask a few additional questions to confirm the amounts are not taxable.

### Document storage and security is best left to the experts.

Access can help protect your valuable information with safe storage and secure shredding and information destruction services. We're the leader in records and information management in Hawaii and throughout the United States.

Call your local Access Client Care Representative today at 1 877 FileLine.



**Access**  
Information Protected.

InformationProtected.com | 1 877 FileLine

Records and Information Management  
Temperature and Humidity Controlled Media Vault  
Secure Shredding | Destruction  
Digital Solutions | Scanning | Web-Hosted Storage

Access is the only NAID-certified  
(National Association for Information Destruction)  
operation in Hawaii certified for plant and mobile destruction.

### 3. Website and e-commerce analysis

If your client has a website and/or conducts e-commerce activity, the IRS will scrutinize these operations for additional income. Websites provide insight into lines of business and products sold, types of payment accepted, and customer information. Perform a quick review of your client's website; it may trigger questions about possible additional income. Many taxpayers are making additional income from online auction sales, website advertising sales, and fees for customer lists sold to referral partners.

### 4. Reconciling revenue reported on specific information statements

For individual and business returns, it is important to ensure that each information statement is reflected on the return. For business operations, it can be helpful to test income reported on an information statement by tracing it back to the customer. For example, if your business client receives a Form 1099-MISC, Miscellaneous Income, for payments totaling \$100,000 from its customer XYZ Company, your client's records should reflect the same amount paid by XYZ Company, or your client should have a valid explanation for why the amount is different.

Because the IRS now uses automated programs that match individual and business returns against information statements, this test provides the added advantage of preparing your client for potential matching discrepancy questions from the IRS. For business returns, you can include an explanation with your client's return. For example, in the IRS' initial pilot program comparing Forms 1099-K to business returns, the IRS has found many inconsistencies due to businesses sharing merchant card machines. You can explain this discrepancy in an

attachment to your client's return. This can prevent a Form 1099-K discrepancy notice because the IRS is manually reviewing the discrepant return, including attachments, before sending a notice to the taxpayer.

### 5. Ratio analysis

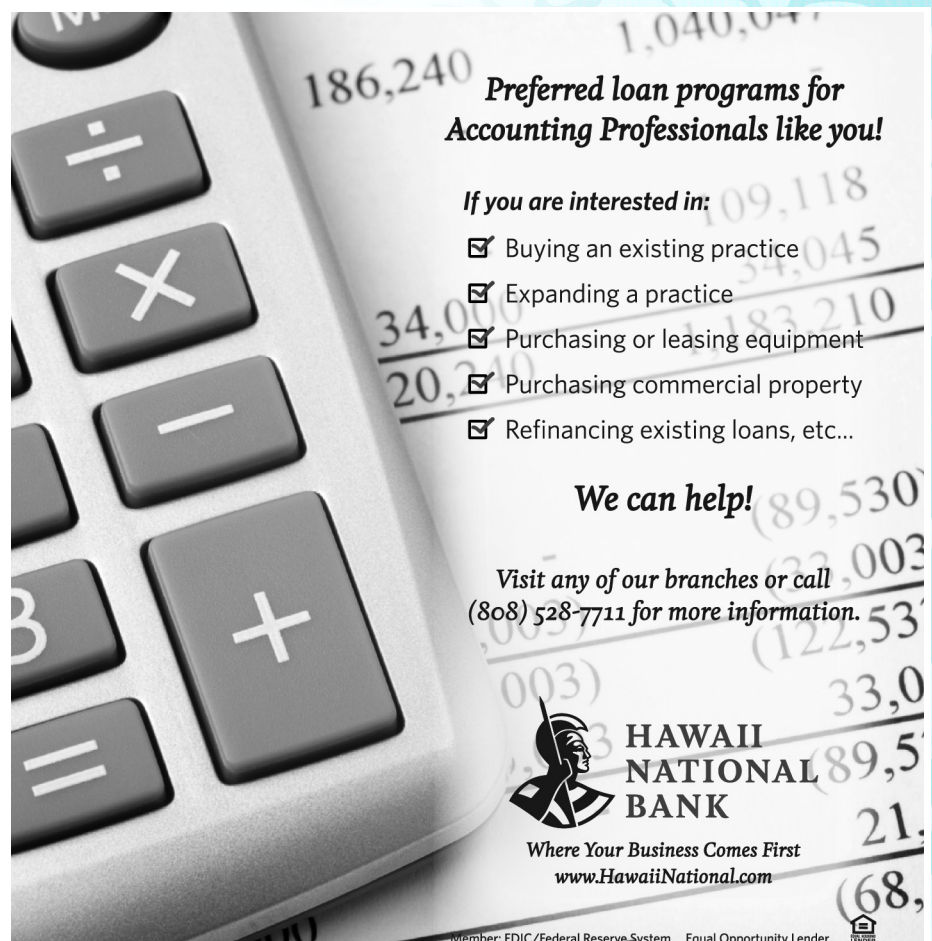
Do financial ratios make sense for your client's small business? What are your client's gross and net profit ratios? Are these ratios in line with your client's industry? Is the amount consistent with prior years? Do you have clients in similar industries or professions whose information you can use to compare ratios? IRS agents use business ratios from [www.bizstats.com](http://www.bizstats.com), which contains data on various industries and professions for corporations and sole proprietorships. The site contains gross and net profit ratios, as well as other information, such as ratios on certain business expenses to sales.

Karen Hawkins, director of the IRS Office of Professional Responsibility, has pointed out that a "don't ask, don't tell" and "willful blindness" policy does not meet the standard of practice under Circular 230. To rely on client data, a tax professional must ask the client "reasonable questions" in tax preparation due diligence.

No tax professional wants to explain to the IRS why a client did not report all of his or her income. Taking a few extra due diligence steps and asking the second question, especially as it relates to income, can protect you and your client in an IRS audit.

Reprinted with permission of the AICPA CPA Insider™ E-Newsletter

*Jim Buttonow, CPA/CITP, is cofounder of Beyond415. He has more than 26 years of experience in IRS practice and procedure. Reach Jim at [JButtonow@Beyond415.com](mailto:JButtonow@Beyond415.com).*



**Preferred loan programs for Accounting Professionals like you!**

**If you are interested in:**

- Buying an existing practice
- Expanding a practice
- Purchasing or leasing equipment
- Purchasing commercial property
- Refinancing existing loans, etc...

**We can help!**

Visit any of our branches or call  
(808) 528-7711 for more information.

**HAWAII NATIONAL BANK**  
Where Your Business Comes First  
[www.HawaiiNational.com](http://www.HawaiiNational.com)

Member: FDIC/Federal Reserve System Equal Opportunity Lender

# Succession – Cover These Bases for Every Retiring Partner

By Gary Adamson, CPA



Every firm is working through the succession maze and dealing with the exit of key partners in the firm. It is the Baby Boomer Bubble up close and personal, which I have written about and which every firm that I work with is dealing with. Unfortunately some firms are in the “march to the cliff” having no plan and in many cases having waited too long to do anything about it.

This article is directed at those of you, and I hope the majority, who do have enough time to deal with it and the determination and focus to do so. Every partner leaves holes in the firm that we have to fill. We need to recognize that our plans to fill them will be different depending on the role that the individual partner plays in the in the firm. With that said, there are four areas that you must cover for every partner. And each one deserves a plan of its own. They are:

## Technical Skills and Expertise

The most senior partners in the firm have a skill set that has been built over the years and often they are the firm’s expert in one or more areas. It may be a service specialty such as state and local tax or valuations or the go-to person for questions surrounding LIFO. They may also be the firm’s lead expert in an industry niche such as auto dealers or contractors. My experience is that it is generally easier to replace the industry expertise in larger firms because you have an industry team working together on the niche. The exception may be a partner who has built a significant reputation outside of the firm such as the “national auto dealer expert”. Remember to focus on shoring up both service and industry knowledge for the firm.

## Leadership

Leadership transition is one of the most

difficult succession issues facing firms. We see it and know that we have to deal with it when the partner is the managing partner or a partner in charge of an office or the leader of our auto dealer niche, etc. But don’t ignore the leadership roles that don’t necessarily carry a title with them. Maybe it is the partner who plays the mentor role better than anyone else in the firm. Maybe it is the partner who is the firm’s best business generator who we all learn from and aspire to emulate.

The managing partner role is obviously key and we just don’t have enough of those candidates in most firms. I won’t get into all of the issues within this writing in planning for the managing partner hand-off, but it is the number one most difficult spot to transition and we need to do it right. Take a look at an article on my website for some ideas on duties and qualifications: [Managing Partner 101 - Just What Exactly is the Job?](#)

## Hours

You should do a detailed review of the hours that you will have to back fill. Don’t ignore the non chargeable codes. There will tasks there that you will need to cover and you don’t want to be surprised later with “I didn’t know she was doing that” or “I didn’t realize it takes that much time”.

On the chargeable side I suggest that you work with the partner to break it down into the following categories:

- Client relationship time
- Technical review or consulting time
- Preparation time



HSCPA Executive Director Kathy Castillo and President-elect Patrick Oki with Barry Melancon, President & CEO of the American Institute of CPAs, and Vice Chair, Tommye Barie at the AICPA/CPA-SEA Leadership Conference.



Make it a focus to separate and move the preparation time. If you have a partner doing work that they should not be doing (I have not seen a partner's book yet that doesn't have some of it) that can be pushed down, do it now. It will help take some of the pressure off of the transition. The technical and consulting time should also be reviewed for opportunities to move it or leverage it. The summary point here is that because we need to move a particular client relationship, that doesn't mean that we also have to replicate and move all of the partner hours intact to one individual.

### Client Relationships

Now to the big one. This is it. This is the one that pays the bills. Seriously, the

annuity revenue stream that we enjoy from our clients is critical and it is the currency that most firms use to pay the unfunded retirement benefits to the exiting partner. We really do have to get this right.

The client transition plan needs to be orchestrated over at least two years, it needs to be written and it needs to be supervised and managed by the firm's managing partner. More and more firms are requiring a minimum notice period for early exits, mandatory retirement ages and that the retiring partner work through a specific client transition process with the firm. There is also a trend toward penalties (reduction in retirement benefits) for the retiring partner if clients are lost because of

inadequate notice and/or the client transition process is not completed.

Beyond the above broad parameters, what should the process look like? First separate the clients into groups based on their ease of transition. This really comes down to two or three factors: the closeness of the retiring partner's relationship with the client decision maker, the degree of involvement of other people in the firm with that decision maker and the size of the client. The 1040's and small business clients may be as easy as a phone call or a letter introducing the new person. Perhaps personal introductions are all that you will need for others. The larger business clients are more likely to have other staff and partners involved and

*Continued on page 13*

# GROWTH

It's what CGMA stands for.

Officially, of course, it's Chartered Global Management Accountant. A new designation representing accomplished professionals that drive and deliver business success, worldwide.

Find out more at [cgma.org](http://cgma.org)

Copyright © 2013 American Institute of CPAs. All rights reserved.

# Annual Give Back Day... A

Making this an annual event, the Y-CPAs got together with UH-Manoa's Accounting Club and Beta Alpha Psi members for its give-back-to-the-community project on November 2nd at Ala Moana Beach Park.

Over 50 students and young CPA professionals gathered bright and early on a Saturday morning to contribute to civic duty by cleaning up the trash at Ala Moana Beach Park. With neon-bright HSCPA safety vests, the group was divided into five teams to cover Magic Island and the beach park areas. Adding some fun to the clean-up, the teams were tasked with

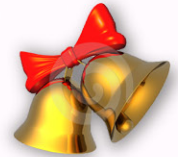


# Kala Moana Beach Clean-up

finding over 15 various 'gimme-gimme' items. The winning team, appropriately named – Disposable Assets – won by accumulating the most points.

Volunteers enjoyed snacks, water and a delicious bento for their hard work. Thank you to Mr. Leong and his firm, Robert H.Y. Leong & Company, CPAs, Inc., for their generous donation and continued support of this annual event. Thank you to all the young professionals and students for committing time to this worthwhile community service project!





## Wedding Bells Ring at a CPA Firm!

This has to be a first . . . Congratulations to HSCPA members Colin Lee of Kobayashi Kanetoku Doi Lum & Yasuda, CPAs (KKDLY) and Debbie Chow (now Lee, of Prudential Advantage Realty) who exchanged wedding vows at the KKDLY office on October 25th presided by (Retired) Judge Richard Lum.

What goes around comes around . . . Well, for Colin and Debbie that's sort of the case. They met while working at KKDLY so it was fitting that that they got married at the KKDLY office. Debbie is the Accounting Manager at Prudential Advantage Realty (thank you, HSCPA member Myron Kiriu) and Colin will be transitioning to Prudential in January 2014 as a Realtor Associate – where, once again, they will be working together at the same company!

So if anyone is interested in performing nuptials at their office, contact Stan Lum at KKDLY . . . he has the 'connection'!

Our best wishes to the happy newlyweds, Colin and Debbie, as they embark on a new journey together!



**Don Clephane** is a Certified Financial Planner® and General Securities Principal of Oak Tree Securities, Inc., a privately owned independent broker-dealer. He is licensed to sell securities in Hawaii and California, and Life/Disability Insurance in Hawaii. He has over 17 years experience in the industry, providing Investment, Estate and Retirement Planning for his clients. He can be reached at **536-2227** or at [dclephane@oaktreesecurities.net](mailto:dclephane@oaktreesecurities.net)



**Oak Tree Securities, Inc.**  
Pioneer Plaza Bldg.  
900 Fort St. Mall, Suite 400  
Honolulu, HI 96813  
**Ph: 536-2227**

Securities offered through Oak Tree Securities, Inc.  
Member FINRA/SIPC

# Lower Your 2013 Tax Payments

There's still time to save on your 2013 taxes by purchasing Oil & Gas Drilling/Income Programs\*

- **Potential Tax Advantages for 2013**  
(Estimated IDC for 2013 from 50% to 70% of initial investment amount.)
- **Potential Tax Advantages for Future Income**
- **Potential Future Cash Flow**
- **Potential Long Term Profits**

### Year End Tax Strategies

- Tax Advantaged Investments
- Charitable Gift Annuities
- Utilizing Lifetime Gift Exemptions
- Contributions to College Savings Plans
- Retirement Plan Contributions

**For Information Call 536-2227**

\*Available to Accredited Investors Only. Defined as a natural person with a net worth exceeding \$1,000,000.00, excluding value of primary residence OR individual income in excess of \$250,000.00 (\$300,000.00 joint) in each of the last two most recent years & reasonable expectation of same this year.

These statements are intended for informational purposes only and should not be construed as legal or professional tax advice. In all cases, please consult your attorney or tax advisor about your individual situation. This is neither an offer to sell nor a solicitation of an offer to buy any security. Such an offer may only be made by means of an offering memorandum or a prospectus, which must accompany or precede any offer.

sometimes may actually be easier than accounts where the partner has been the primary contact. For the close personal relationships which are always the toughest to transition, you should plan on shadowing for at least two year-end cycles.

### Other tips:

- Make sure that there are quarterly progress meetings with the managing partner.
- Remember that the new partner on the account needs to establish a new relationship with that client. We all know how we jump through hoops and do whatever it takes to make sure a brand new client of the firm loves us. The new partner on a transitioned client should

look at it exactly the same way!

- Put the right person on the account. The problem is that the right person may already be full. I know that it may seem crazy to create even more transition issues within the firm. But for the large important clients, we may need to move some other clients to make room for the right partner or person in the firm to be able to take them on.
- Many times the level of difficulty of a transition is magnified in the eyes of the retiring partner. The personal relationships built up over the years are significant and the friendships cause many partners to believe that the client just won't accept anyone else. The reality is that they will and the friendship with the retiring

partner does not end when someone new begins to serve the client. Don't make it more difficult than it really is. In fact, most clients will stick it out to see how well they will like the "new guy".

The retirements that we are just beginning to focus on are key to the future of our firms. Covering these bases will give you a better shot at a successful outcome.

*Gary Adamson is the President of Adamson Advisory, specializing in practice management consulting for CPA firms. He is an Indiana University graduate and has extensive hands on experience as the recent managing partner of a top 200 CPA firm. He can be reached at (765)488.0691 or gadamson@adamsonadvisory.com. For more about Adamson Advisory, visit www.adamsonadvisory.com or follow the company at www.adamsonadvisory.com/blog.*

New Listing: 1888 Kalakaua Avenue - 35th Floor  
4 Penthouses # 3501, 3502, 3503, & 3504  
Visit our website today!

[www.waikilandmark35thfloorpenthouses.com](http://www.waikilandmark35thfloorpenthouses.com)

Individually Priced at

Penthouse 3501 at \$4,600,000 FS - 3BD, 3,111 sq. ft.

Penthouse 3502 at \$2,600,000 FS - 1BD, 2,134 sq. ft.

Penthouse 3503 at \$3,700,000 FS - 2BD, 2,015 sq. ft.

Penthouse 3504 at \$4,750,000 FS - 3BD, 3,225 sq. ft.

Combined Penthouses 3504 & 3502 at \$7,000,000 FS - 4BD, 5,359 sq. ft.

Let's Talk Real Estate

Call Jack Today!



John "Jack" Tyrrell,  
Realtor®, CRS, & CPA (not in public practice)  
Jack.Tyrrell@JTCHawaii.com  
C: 808.306.6933 O:808.532.3330  
Office: Ala Moana Hotel - Main Lobby (1F6)  
Please visit: [www.JTCHawaii.com](http://www.JTCHawaii.com)

JACK TYRRELL  
& COMPANY



# The Power of Nonverbal Communication: Personal Space

By Dr. Linda Talley



You've seen it but perhaps it has not registered with you. Men take up more space than women and it makes them appear more powerful because of this perception of a larger "bubble" around them. This bubble is perceived as an intangible marker that limits another person's approach. When someone hits your "bubble" you feel either attraction or defensiveness. A man's bubble which tends to be perceived as larger than a woman's bubble does not get invaded as often as a woman's bubble, particularly in a business setting. Usually it's a man invading a woman's bubble and not the other way around. However, this can change in a social setting.

Research by Piercy (1973) noted that men expanded their space (enlarged their bubble) by having sprawling legs and arms dangling over chairs. Men used the four-corners of crossing their leg by putting their foot on their knee. At the other end of the spectrum, women constricted their bodies. They kept their legs crossed tightly, their elbows close to their sides in order to take up as little space as possible. Women tend to protect their bodies by taking up less space and don't feel the need to take up a lot of space.

Unfortunately, when a woman does not take up a lot of space, their power and dominance is questioned.

One aspect of space and gender that is not gender specific is the consideration of dominance. Most times men exert dominance over a female, but in today's work environment where men and women share equivalent work roles, it is the work role that determines dominance rather than the gender. An example: a female CEO and a subordinate male VP; a female doctor and male nurse.

*Linda Talley, body language expert, leadership development coach, behavioral theorist, keynote speaker, and business coach works with leaders to improve their business relationships, communication, and performance.*

*Having a Peer Review done, doesn't have to be a pain!*

*System Reviews —  
Engagement Reviews*

**PO Box 223096  
Princeville, HI 96722**

**Tel: 888-763-7323**

**Email: [dawn@gbacpa.com](mailto:dawn@gbacpa.com)**



**Grant Bennett Associates, a qualified Peer Review firm specializing in local CPA firms, having done hundreds of Peer Reviews is able to relieve your pain, and make your Peer Review Process less stressful.**

**GBA  
C P A**

**Grant Bennett  
Associates**

**<http://www.gbacpa.com/>**

## Back By Popular Demand . . . Y-CPAs' CPA Exam Workshop at UH

On October 28, Y-CPA Squad members Kent Kasaoka and Gordon Tom were invited to speak to the University of Hawaii at Manoa's Beta Alpha Psi and Accounting Club members about how to become a CPA, including requirements for taking the exam and obtaining your license, and distributed information on the available HSCPA and AICPA scholarship programs. Approximately 75 students attended, and they also were able to hear from Y-CPA Committee members Andrea Carr (Carr, Gouveia + Associates, CPAs, Inc.), Jayrald Rabago (PKF Pacific Hawaii LLP), and Adrian Hong (Island Plastic Bags, Inc.) who spoke about their experiences and gave the students tips on how they were able to successfully pass the exam. Kent and Gordon appreciated the opportunity and enjoyed giving the presentation!



# GET A SECOND OPINION NOW!

## HMAA Provides

*Comprehensive Coverage • Superior Customer Service  
Extensive Provider Network • Competitive Pricing  
Special Plan for HSCPA Sole Proprietors*

*In Addition to Your Health Plan,  
You Will Enjoy These Benefits:*

*Cutting-Edge Health & Wellness Programs*

*Value-Added Products & Services through*

*Business Alliance Hawaii, a division of HMAA*



MKT Ext-26 A-38 04 0804 012413

*Call Cindy Suzuki at 791-7513 or  
Mary Ann Lorenzo at 791-7663!*

 **HMAA**  
HAWAII MEDICAL ASSURANCE ASSOCIATION  
*We're Passionate About Your Health.*

Toll Free: (800) 621-6998 • HMAA.com

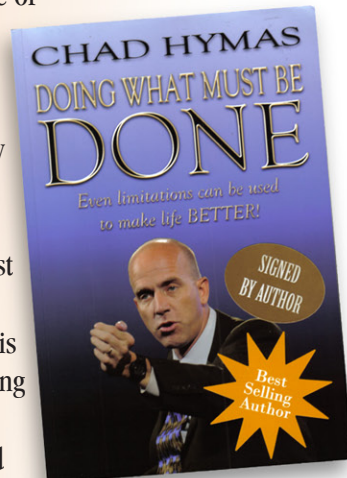


# Norman's Book Review

## “Doing What Must Be Done”

by Chad Hymas

At a credit union conference this past October, I had the pleasure of meeting and listening to Chad Hymas speak. A quadriplegic since 2001 when a one-ton bale of hay fell on him and broke his neck, he mesmerized and challenged us to be the best we can be. If he could turn his life around after his accident, we can do anything we put our minds to. We were given an autographed copy of his book and I thought it was the perfect book to end 2013 with. His book is filled with inspirational quotes and his life story is emotional and inspirational. The following are some of the treasures I found in the book.



pauses, weighs what he has lost versus what he has gained, and says, “No, I wouldn’t change what happened. That doesn’t mean I don’t wish to walk. It means I wouldn’t sacrifice the friendships I have made, the people I’ve come to know and the opportunity I have to speak around the globe. I wouldn’t change that. When I walk again, it will be according to God’s plan and in God’s time. It may be in this life or the next. For now, I am grateful for what I get to do. I get to make a difference.”

As Winston Churchill once said, *“There comes a special moment in everyone’s life, a moment for which that person was born. That special opportunity, when he seizes it, will fulfill his mission, a mission for which he is uniquely qualified. In that moment, he finds greatness. It is his finest hour.”*

### Cut The Strings!

When the first two police officers arrived on the scene and found the one-ton bale of hay on Chad, they tried to no avail to lift it off of him. Chad tried his best to tell them to “cut the strings” but his voice was too weak. Finally, after one hour, more people arrived and the bale of hay was lifted off of him. One can only wonder if the strings around the bale of hay were cut right away, maybe

Chad would be walking today. The lesson is, “Are you buried under crushing burdens? Projects that are too huge? Schedules that are too complicated? Maybe you are trying to do too much at once – trying to do everything instead of doing something. Cut the strings and cut yourself free. Do one thing at a time – and get it Done. Move out of the strain of the doing and into the peace of the done.”

“Simplify, simplify, simplify!” (Henry David Thoreau)

### The Gift of An Injury

“When a broken bone heals, it is stronger in that place than it was before the break. It is the same with mental and emotional healing. You become stronger than before the injury. That is the beauty of healing and that is the gift of injury.”

### How To Overcome Obstacles

Chad was able to overcome his accident with the help of his dad and mentoring of Art Berg, also a quadriplegic. Art’s message was the following:

*“Dreams are never destroyed by circumstance. They live or die in your heart. My dreams come true not in spite of my circumstance but because of it... For those of us in this life who are afraid to change, life will change for us. Then it is always a more painful experience... Dream new dreams or dream old*

### Finding Your Life’s Purpose

As Chad gradually realized after his unfortunate accident, sometimes in our darkest hour we discover our life’s purpose. How would anyone have known that he would become, according to the Wall Street Journal, one of the ten most inspirational speakers in the world? Be one of the youngest and newest speakers ever to receive the Certified Speaking Professional distinction from the National Speakers Association? Be honored in the National Speakers Hall of Fame?

When asked if he would choose not to have had his paralyzing accident, he



*dreams in new ways. Think new thoughts or think old thoughts in new ways... The miracles of our lives do not come about by grand events, but by the little things we have chosen to do... The biggest problems come about, because I avoid the little things too long... The difficult takes time; the impossible just takes a little longer."*

### **Learning to Accept the Kindness of Others**

One of the toughest life lessons Chad had to learn was to accept the kindness and generosity of others, including strangers, and move ahead with faith. A good friend offered him a job at his construction company. He became a valuable contributor and later got his start in public speaking. He flies over 300,000 miles a year around the world for speaking engagements, many times by himself. He relies on the kindness of others because for example, he can't lift himself out of his seat and into a wheelchair... people like the Delta pilots who aren't supposed to lift him out of his airline seat and into the wheelchair would tell him, "We got you covered Chad" and do it because they want to. Hotel staff members who make certain he

has everything he needs in his room and transfer him to his bed...he can't transfer himself if the bed is more than four inches above the wheel height of his chair. They also check in on him periodically to make sure he is okay. Chad's freedom depends on the kindness of others.

*"It is right to give,  
This we all believe;  
But it takes a truly generous heart,  
To learn graciously to receive."*

### **How To Help Someone With A Disability**

Per Chad, "Put yourself in our position and do the same thing you would want someone to do for you. JUST ASK. Help us in the way we ask you to, then move on and don't make a big deal out of it. Say "Hello" as you would anyone else. Include us in your chats and invite us to your after-work get-togethers. Do it because you want to. It truly is the right thing to do. You may find that we will be good friends in return – especially if one day a bale of hay falls on your head!"

### **The Power of Family Support and Friendship**

I think we all know this but it is worth repeating...never underestimate the

power of family support and friendship. It is critically important to support those going through tough times – it can be as simple as a phone call, hand squeeze, etc. Chad could not have achieved what he has so far without his family, friends, and employees. Chad and his wife Shondell were high school sweethearts growing up in Utah. They had two young boys at the time of his accident and since then have adopted two children.

*"If you want to be a great leader, you must gather around the best people, for they will reflect on you and you will learn from them." (Machiavelli)*

*"Once you choose hope, anything is possible." (Christopher Reeve)*

### **Doing What Must Be Done**

Chad's message throughout his book and in his presentation is to "go DO something about something. Get something DONE. Make a difference. If you're already doing something about something, good for you – you didn't wait for a bale of hay to land on your head!"

Let's give thanks for what we have, finish things we need to complete in 2013, and get ready to do great things in 2014! Happy Holidays!



*Norman with author, Chad Hymas*

### **Hawaii Practices For Sale**

**Honolulu CPA Practice** - gross \$450K. Well-established practice serving a high-quality, desirable client base of primarily businesses and owners.

**Honolulu CPA Practice** - gross \$356K. Highly-profitable firm with strong fee structure and excellent cash flow to owner of about 60% of gross.

**Honolulu CPA Practice Partnership Opportunity** - gross \$440k. Strong fee structure & experienced staff in place. For more information, please call 1-800-397-0249 or visit [www.AccountingPracticeSales.com](http://www.AccountingPracticeSales.com) to see listing details and register for free email updates.

**Thinking of Selling Your Practice?** Accounting Practice Sales is the leading marketer of accounting and tax practices in North America. We have a large pool of buyers looking for practices now. We also have the experience to help you find the right fit for your firm and negotiate the best price and terms. To learn more about our risk-free and confidential services, call Ryan Pannell with The Holmes Group at 1-800-397-0249 or email [ryan@accountingpracticesales.com](mailto:ryan@accountingpracticesales.com).





# CPA FIRM



# MICROCOMPUTER TECHNOLOGY

By Ron Gouveia CPA, CITP of Carr, Gouveia + Associates, CPAs, Inc.



I know that I commented on this last month but articles on the vulnerabilities related to using Windows XP

after April 2014 continue to warn that using Windows XP after April will become more and more dangerous as hackers focus on known new vulnerabilities fixed in later systems but for which no patch is released for Windows XP. You should plan on having your workstations off Windows XP by then. I'm still recommending upgrading to Windows 7 but am currently evaluating Windows 8.1 for future recommendation.

Security of clients' data is a constant concern. One strategy for data security would be to only allow data to reside on the firm's servers. These servers would be kept in a locked room for physical security because if the server was stolen and the data was not encrypted it could easily be breached. Each staff would have a desktop computer for use in the office but that computer would have no data on it and if stolen there would be no problem.

Generic laptops would be used in the field. These laptops would have remote control software such as GoToMyPC to log into the staff's desktop to run software. Because there would be no data on the laptop, loss of the laptop would not create an issue. The only question remaining is whether to encrypt the server hard drives where the confidential data resides. While it is recommended, I don't think this has become common practice. The reason for this might be that encryption is only as effective as the passwords of users who access the data. If passwords are weak and are compromised in any way the data would be breached even if encrypted. Certainly encryption is a protection in the event a server is stolen. The one exception to the rule not to store client data on staff desktops is the e-mails stored in the local Outlook client. This vulnerability should be minimized by discouraging both staff and clients to use e-mail to communicate confidential information.

When it comes to password protection, the best practice is to use a password manager such as RoboForm. I think the best IT implementation I've done this year was the

implementation of RoboForm. It allows the use of strong passwords which are unique for each site or software. It's a must have.

Another area of risk for loss of confidential information is the smart phones and tablets we carry around with us. These devices should have strong passwords. Also, we should minimize the confidential information on these devices both by discouraging the use of e-mail to communicate confidential information to and from our clients (we should use a secure portal for this) and by limiting the number of days of e-mail that are stored on these devices (tablets and phones have a setting for the number of days of e-mail to retain).

Another layer of security to consider is mobile device encryption. Newer phones offer built-in encryption options, but they must be enabled and configured. The encryption procedure and the type of data that is encrypted depend on the mobile operating system and version. For example, Apple iOS devices offer hardware encryption, and setting a passcode adds additional protection by tying the hardware encryption keys to the passcode. However, this "data protection" encryption only covers e-mail, attachments, and certain applications. For Android devices, full device encryption is available, but encryption must be set up separately from the lock code. Additionally, it takes longer to encrypt and decrypt Android devices, and there is no easy way to remove encryption once it is set up.

If you have any questions or comments call me at (808) 837-2507, or send e-mail to [ron@cga-cpa.com](mailto:ron@cga-cpa.com).



Challenged by your fixed income returns?  
Let's talk!

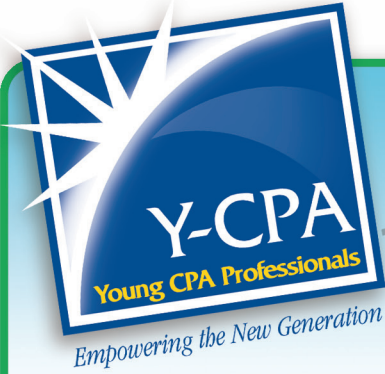


mel r. hertz, MBA, CFP

808-522-0100

237 Kuumele Place #8, Kailua, HI 96734  
[melhertz@theretirementcoach.org](mailto:melhertz@theretirementcoach.org)

Securities and advisory services offered through the Strategic Financial Alliance, Inc. (SFA), member FINRA and SIPC. mel r. hertz is a registered representative and an investment adviser representative of SFA, which is otherwise unaffiliated with derand capital management group and the retirement coach.



# Y-CPA BUZZ!



## Y-CPAs' Commitment to Give Back

by Trisha Nomura

Part of the Y-CPA Squad's mission is to provide opportunities for young CPA professionals to give back to the community. The holidays are the perfect time to reflect on what we have done, and can continue to do, to give back to others. Giving doesn't always mean that you have to give monetarily – there are so many different ways that you can give. You can also donate your time by volunteering and you can donate your talents by lending an expertise to an organization in need.

This year, the Squad will add an additional service opportunity to our list of projects that we will commit to this year. Annually, we coordinate a beach clean-up with the University of Hawaii's Beta Alpha Psi and Accounting Club students on the first Saturday of November. This year, we had over 50 students and professionals appear bright and early on November 2nd to help pick up trash and keep one of our most famous beach parks clean. It was nice to have people ask us what organization we are a part of and thank us for helping. We in turn are thankful for Robert H.Y. Leong and Co., who generously sponsored our project again this year and allowed us to provide lunch and refreshments to all of the volunteers.

In the beginning of February, we will volunteer for VITA, and it will be the first time Y-CPA will be coordinating this particular project. We look forward to assisting low-income households with completing their returns and lending our expertise to those that are less fortunate.

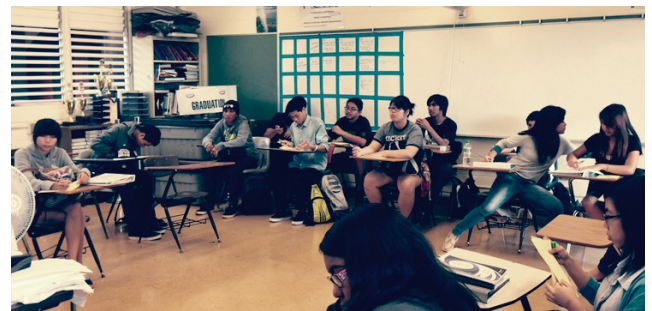


Next May, we will again spend a day at the Hawaii Foodbank packaging weekend food bags for children. While many of us take for granted the fact that we have a hot meal to eat every night, there are so many people in Hawaii that cannot say the same. It is especially disheartening when those people are children. Since we started doing this project a few years ago, we have learned more about this particular program and enjoy spending the day together making a difference in the lives of Hawaii's keiki.

Throughout the year, we will visit high schools around the island of Oahu,

educating students about our profession. On November 8, Squad members Michelle Kaneshiro and Yumi Ueda joined me in attending Pearl City High School's Career Fair. We were able to utilize the AICPA's "Start Here, Go Places" site, which is targeted specifically for high school students. The three of us shared information on different avenues our profession provides, explained what it means to be a CPA and answered questions about careers in accounting. It is always refreshing to meet students that are interested in learning more about what we do and to know that some of them will someday become CPAs themselves. We also continue to present information on the CPA exam twice a year on the University of Hawaii at Manoa campus. It is important to continue to inspire students to major in accounting and to give back to the schools that played such an important role in our own careers.

We look forward to working with the Y-CPA committee and all of our Y-CPA members to continue our efforts to give back to the community. We are grateful for the HSCPA's support as we fulfill our commitment to give back and wish everyone a wonderful holiday season!



# BIG LOANS AT SMALL LOAN RATES

*For a limited time, you can get a Jumbo Loan at an affordable 15- or 30-year conforming loan rate.*

Current Term (as of 11/6/13)	Interest Rate	APR (as of 11/6/13)	Monthly Principal and Interest Payment*
<b>30-year fixed</b>	<b>4.125%</b>	<b>4.153%</b>	<b>\$3,150</b> for 360 months
<b>15-year fixed</b>	<b>3.125%</b>	<b>3.175%</b>	<b>\$4,528</b> for 180 months

\*Payments do not include property taxes or insurance which may increase monthly payments.  
Example based on a \$650,000 loan amount and 25% down payment for a purchase transaction. Rates subject to change without prior notice.

- 0.50% discount on closing cost fees for any purchase transaction<sup>1</sup>
- Jumbo Loan amounts from \$625,501 to \$1,500,000
- Purchase or Refinance transactions
- No pre-payment penalties
- 30-day loan decision

Central Pacific HomeLoans is dedicated to fulfilling the mortgage financing needs of Hawaii's realtors, homeowners and homebuyers through flexible financing options, local decision making and exceptional customer service.

Call, click, or visit us today for details.



**CENTRAL PACIFIC HOMELOANS**

*A Division of Central Pacific Bank*



Phone: 808-356-4000 | Toll-Free: 1-800-342-8422

Main Office: 201 Merchant Street, Suite 1700 • Honolulu, HI 96813

Apply online at [centralpacificbank.com/homeloans](http://centralpacificbank.com/homeloans)

Oahu Maui Hawaii Kauai



Member FDIC

Program only available for owner-occupied properties located in the state of Hawaii. Offer good for complete applications with supporting documentation submitted on or before 12/31/13. Offer of credit subject to application and credit approval. Other restrictions and fees may apply.

<sup>1</sup>Discount offered on purchase transactions only. Not valid with any other offer. Subject to change or cancellation at any time without notice.