

NOVEMBER 2014

KĀLA

The Official Publication of the Hawaii Society of Certified Public Accountants

Accounting
& Financial
Reporting

Compilation

Review

**Happy
Thanksgiving!**

Financial
Reporting
Center

Audit &
Attest

Assurance
& Advisory
Services





THIS IS NOT A NAPKIN.

This is your next big breakthrough. A business plan. A new direction.
We know that to succeed in business you need ideas, which is why we're always coming up with new ways to help businesses reduce costs and manage cash flow.

SHOW US YOUR IDEAS - AND WE'LL SHOW YOU OURS.

— CALL 528-7711 —



Member FDIC
Federal Reserve System

A bank for life.



**HAWAII
NATIONAL
BANK**

HawaiiNational.com



The Official Publication of the Hawaii
Society of Certified Public Accountants

NOVEMBER 2014

In This Issue

Officers

President Gordon M. Tom
President-Elect Norman N. Okimoto
Vice President Patrick Oki
Secretary/Treasurer Warren Y.F. Wee

Ex-Officio

Immediate Past President
Michael I. Tanaka

AICPA Council

Darryl K. Nitta (Designated)
Ross R. Murakami (Elected)

Executive Director

Kathy M. Castillo

Administrative Assistant

Debbie Cortes

Directors • 2013 – 2015

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

Directors • 2014 – 2016

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

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

President's Message 4

By Gordon Tom

A Summary of Current Exposure
Drafts and Future Initiatives..... 6

By Dustin Verity

Are your clients bypassing you
after tax season?..... 8

By Jim Buttonow

New Revenue Recognition Standard..... 10

By Kim Kushmerick

CPA Firm Microcomputer Technology.. 12

By Ron Gouveia

Norman's Book Review..... 14

Y-CPA Buzz..... 16

CPE Calender..... 18

Hoop News..... 20

By Walt Matsuno



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 Gordon Tom



Aloha Members!

I hope you all had a great October 15th and enjoyed your Halloween with family, friends and colleagues. Don't forget to send us pictures of your costume! The best costume may be featured in a future HSCPA photo gallery post or KALA! Unfortunately, I did not dress up this year, but I enjoyed getting my son into his first Halloween costume (and enjoyed lots of candy on his behalf!)

November is here and Thanksgiving is coming soon. That means lots of eating, family events and the inevitable lists of things that we are all thankful for this year. So in keeping with that tradition, here is my list of the things I am thankful for this year, presented David Letterman style:

10. My CPA – If I had not chosen to become a CPA, the past 14 years of my career would not have been full of wonderful experiences, learning and growth. I can definitely say I'm better off from the adventure. Maybe my CPA should be #1, but I guess I need to start somewhere!
9. My Clients – I'm thankful for my clients because without them, I would not have a career, job or the learning opportunities I have had over the past 14 years. I have met so many awesome professionals through my clients and look forward to the many challenges and learning opportunities they will bring me in the future.
8. The AICPA – Thanks to the AICPA for all they do to build, support and maintain the CPA as the leading business profession. It amazes me how much goes on behind the scenes at the Institute to help us all be proud of our profession.
7. The HSCPA Board of Directors and its Members – I am thankful for the learning opportunities, professional experiences and relationships that I have developed during my time with the HSCPA Board and I hope I can continue to learn with the Society in the future. I'm also thankful for all that we do as an organization to protect and promote the CPA profession in Hawaii and the opportunity to help the members connect with the value of the CPA profession.
6. The Y-CPA Squad – Thanks to my friends and colleagues on the Y-CPA Squad over the years. We have accomplished a lot together thanks to your insight, creative ideas and passion for the profession. I think we have made a difference in getting young CPAs involved in the profession and we have much to look forward to in the future.
5. Kathy and Debbie – I'm thankful for Kathy and Debbie, who make my role as president and all of the other officers and directors responsibilities at the HSCPA as painless as possible, and for which without them the previous two items would have been impossible. Thank you, Kathy and Debbie, for all that you do for the Society and CPAs in Hawaii.
4. My Mentors – Thank you to the many mentors and career counselors I have had over the years. Your guidance, support and advice over the years have helped me learn from my mistakes, face new challenges and develop my professional skills.
3. My Colleagues – I'm thankful for my many professional colleagues over the years. You have provided guidance, helping hands and the occasional open ear to vent when the deadlines are approaching too fast or the challenges of work pile up a little too high.
2. My Friends – Thank you to my friends for their companionship and friendship over the years. Spending time with friends and family outside of work allows me to maintain work/life integration and they have helped me recharge my batteries many times throughout the years.
1. My Family – Most of all, I am thankful for my family, who has supported me as I started my career, endured many weeks of being away from home for conferences or client engagements, and continues to support and stand by me through the late work nights. Most of all, thanks to my wife and son for all their love and support for which all of the sacrifices, challenges and demands of my career make it all worth while.

In Memory Of Owen Loui 1911 - 2014

Our sincere regret at the loss of a colleague, friend and a member of the HSCPA (#42) since 1948. Mr. Loui served as HSCPA President from 1966-67. He was 103. We wish to express our deepest sympathy to his family and friends.



808.532.3330

JTCHawaii.com



John "Jack" Tyrrell,
Realtor®, CRS, &
CPA (not in public practice)
Jack.Tyrrell@JTCHawaii.com
C: 808.306.6933
O: 808.532.3330



JACK TYRRELL
& COMPANY

A Real Estate Brokerage Corporation



KOOLANI Penthouse 11

Offered at \$1,998,000

MLS#201407172

2 bd . 2.5 ba . 1,801 sf

KoolaniPenthouse11.com



JTCHawaii.com



WAIKIKI LANDMARK 35TH FLOOR PENTHOUSES

Offered at \$12,500,000

MLS#201337956

9 bd . 9.5 ba . 10,485 sf

Waikikilandmark35thfloorpenthouses.com

A Summary of Current Exposure Drafts and Future Initiatives

By Dustin Verity



For the last two years, I have had the privilege of serving on the AICPA PCPS Technical Issues Committee (the “TIC”).

For those not familiar with the TIC, it is a committee of volunteer CPA practitioners working to represent the views of local firms and their clients in the standards-setting process. We monitor the activities of professional and accounting standard setters, deliberate exposure drafts, meet and share our views with the standard setters, as well as issue comment letters. A recent additional role that we have taken on is to serve as the Advisory Board to the newly formed AICPA Center for Plain English Accounting.

Every September, we meet in Norwalk, CT – home of the Financial Accounting Foundation and its Boards: the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and, at this September meeting, we were also joined by the newly formed Private Company Council (“PCC”). Below is a summary of some of the more interesting items discussed at this year’s September meeting.

AICPA Peer Review Board. The first item discussed at this September’s meeting was the AICPA’s Peer Review Board’s response to the Accounting and Review Services Committee’s (“ARSC”) exposure draft titled, *“Proposed Statements on Standards for Accounting and Review Services (“SSARS”): Preparation of Financial Statements, Compilation Engagements, and Association With Financial Statements.”* This exposure draft proposes to exclude the preparation of financial statements as defined by the SSARS preparation exposure draft. This exposed document would be effective upon Peer Review Board approval.

Group Audits. While not a new standard by any means, TIC members undertook a project to help educate practitioners on Group Audits. As a part of this process, two articles have

been published in the Journal of Accountancy. The links to those articles are as follows:

- The Scoop on Group Audits: You may have them, even though you think you don’t <http://www.journalofaccountancy.com/News/20149529.htm>
- Qualitative Considerations for Allocating Materiality to Components in a Group Audit <http://www.journalofaccountancy.com/news/group-audits-201410712.htm>

For those not familiar with the Group Audit standard, a better title for it would be Group Financial Statements. Along with other requirements, it discusses specific audit documentation required when issuing consolidated and combined financial statements even if no other auditor is involved. Future articles will be on component auditor requirements and international engagements.

Cloud Computing. On August 20, 2014, the FASB issued an exposed ASU on *Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*. This ASU establishes the accounting for software costs incurred in a hosting and software-as-a-service scenarios. Under a hosting arrangement, this guidance would require capitalization of costs with subsequent amortization. For software-as-a-service arrangements, costs would be expensed as the service is provided. The determining factor would be whether or not a software license was purchased as part of the arrangement.

This exposure draft would be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, for public companies. For all other entities, the proposed amendments would be effective for annual periods beginning after December 15, 2015, and interim periods in annual periods beginning after December 15, 2016. Early adoption would be permitted for all entities.

Simplification. Several items were presented by the FASB as part of their simplification project. The first two in the simplification project are accounting for inventory and extraordinary items. These two projects are currently being exposed and would simplify the accounting for inventory by removing the requirement to further reduce the lower of cost or market by an approximate profit margin, as well as, remove the concept of extraordinary items.

In addition to simplifying the accounting for inventory and extraordinary items, the FASB has also added the statement of cashflows, accounting for income taxes, debt issuance costs, and debt classification to its simplification project list. These items are currently being deliberated by the FASB with exposure drafts due out thereafter.

The revisions under the statement of cashflows are too numerous to list here, but the thoughts are to alleviate the diversity in practice and address some of the more common practice issues.

Based on preliminary discussions with the FASB, they hope to simplify the accounting for income taxes by removing the requirement to classify deferred tax assets/liabilities as current and non-current. This proposal would require all deferred tax assets/liabilities, net, to be recognized as non-current.

It is also currently being discussed to whether or not to simplify the accounting for debt issuance costs by recognizing all debt issuance costs as a debt discount and no longer accounting for these items as assets.

There was a bit of lively discussion regarding the debt classification simplification project and while it may align with the IFRS, it appears that there may be a bit of unintended consequences associated with it. Hopefully, this project is dropped as it was probably the most controversial. I am sure that there will more

on this topic if the FASB decides to go forward with this project.

Intangible Assets. There was quite a bit of discussion regarding PCC 13-01A, Accounting for Identifiable Assets in a Business Combination. The PCC voted out alternative B-2, which would allow for customer related intangibles and non-compete agreements acquired in a business combination to be subsumed into goodwill. All other intangibles acquired in a business combination will continue to be accounted for separately. At the time this was written, the FASB still needed to vote on this alternative. It is hoped that this would be issued sometime in January 2015. While the effective date is still being worked out, it is assumed that early adoption will be permitted.

SSARS 21. This accounting and review standard will include guidance on general principles, preparation, compilation, and review services and is now in the production stage and should be issued later this fall with an effective date for engagements ending on or after December 15, 2015. Early adoption would be permitted.

Enhancing Audit Quality. We also spent some time discussing the AICPA's Enhancing Audit Quality Initiative. Under this initiative the AICPA is proposing some fundamental changes to the AICPA's Peer Review Program. Some of the changes include:

- Requiring all peer reviewers of "must select" engagements to be a member of the corresponding quality center;
- Annual peer review training with a competency exam for peer reviewers;
- Require pre- or post-issuance third-party reviews on "must-select" engagement for firms performing five or less "must-select" engagements with quality issues identified in their most recent peer review; and
- Require a post-issuance review for any firm performing a "must-select" engagement for the first time.

Practitioners are encouraged to comment and comments may be posted to the AICPA Community website.

Each question links to the where the question appears on the site and another link in the question box provides access to a discussion forum where all the questions appear to facilitate answering multiple questions from different sections. In addition, comments may be submitted by sending an e-mail or letter to EAQ@aicpa.org. For comments not posted online, responses are regarded as being on the public record unless the respondent specifically states otherwise (that is, the comments will be treated as confidential). Feedback is requested by November 7, 2014¹.

Our next meeting is in the middle of November and I plan to have an update prepared shortly thereafter. A hui hou ~ Dustin

Dustin Verity is the managing principal of Verity Accountancy Corp., a small firm of CPAs dedicated to providing auditing and attest services to small- and medium-sized companies and organizations in Hawaii.

¹ Enhancing Audit Quality: Plans and Perspectives for the U.S. CPA Profession, AICPA, August 7, 2014.

Are Your Clients Confused About Their Health Care Options?

Let HMAA help!

- Our experts will assist you & your clients in understanding health care reform and their insurance options.
- HMAA's Health Plans include cutting-edge health & wellness programs and value-added products & services.

Contact us now for details!

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

Toll-Free: (800) 621-6998 • hmaa.com

Cindy Suzuki
791-7513
csuzuki@hmaa.com

Mary Ann Lorenzo
791-7663
mlorenzo@hmaa.com

25th
*Celebrating 25 years
of healthcare coverage for
Hawaii's businesses*
anniversary

Are your clients bypassing you after tax season?

Here are six reasons clients need you after the return is filed

By Jim Buttonow, CPA, CITP



The annual tax filing ritual is not the only time a client may interact with the IRS – and recent trends show that your clients are more likely

than ever to have an issue come up after filing. And the truth is, clients often don't call their tax professional right away when they have a post-filing tax issue or notice.

As your clients' trusted advisor, it's best to get ahead of this trend and communicate with your clients about tax compliance. Take a look at these six facts, which demonstrate that your clients need you for more than just filing.

Fact 1: Many taxpayers have to contact the IRS outside of filing their tax return – and many are not using their tax professional to do so.

According to the IRS Oversight Board, 37% of taxpayers – that's almost 60 million taxpayers – have to contact the

IRS for something other than filing their returns. However, according to the IRS, tax professionals filed only 3.6 million authorizations in 2013 to help their clients with a tax issue. It could be time to examine whether you have a potential client retention risk because your clients aren't seeking your help when they need to understand their tax situation.

Fact 2: More clients are having trouble paying their taxes each year.

For 2011 returns, 23.7 million taxpayers filed a return with a balance due, and 3.7 million needed to make payment arrangements with the IRS. The Government Accountability Office reported in 2011 that 16.5 million taxpayers owe the IRS back taxes. Depending on how your client base fared in the economic slowdown, you may need to help a client who can't pay the IRS.

Fact 3: The Patient Protection and Affordable Care Act (ACA) will require non-filers to file.

In 2012, the IRS found 7.4 million potential non-filers for tax year 2010, and sent only 3.2 million notices to those taxpayers. In the past, the IRS had less incentive to pursue many of these non-filers, who potentially owed only a small balance. However, because the ACA will require taxpayers to reconcile premium subsidies and report insurance coverage, the IRS will question more of these non-filers. These taxpayers will be looking for expert help to file.

Fact 4: The IRS is making a concerted effort to find and penalize inaccurate tax returns.

The IRS has a lot of potentially inaccurate returns to pursue. According to government data, 24 million of the 143 million individual tax returns filed for tax year 2010 did not match information statements on file with the IRS. That's one out of six returns with potential underreporting that the IRS would like to see reconciled. However, in 2013, the IRS sent notices to only 4.1 million of these taxpayers. As the IRS moves to more automated compliance tools, expect your clients to receive more notices regarding discrepancies.

There could be many reasons for an underreporter notice, including IRS error. In fact, many underreporter notices are resolved with no change to the return. One out of six individuals will face this potential issue – and even more small businesses. Your clients should understand that an underreporter notice may not always indicate an error, and that you can help get to the bottom of the issue.

Hawaii Practices For Sale

Kailua Kona CPA Practice for Sale - gross \$236k. Quality client base, strong fee structure, and good cash flow to owner over 50% of gross. 85% income tax and 15% accounting services. Hilo Tax Practice for Sale - gross \$74k, Loyal client base, experienced staff in place, capacity for rapid growth, and strong cash flow to owner over 50% of gross. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.AccountingPracticeSales.com.

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.



You should also let your clients know that you can provide expert help to resolve any penalties resulting from an underreporter inquiry. This is important because the IRS is increasing its use of penalties to deter underreporting. From 2005 to 2013, the number of accuracy penalties the IRS assessed on inaccurate individual tax returns increased 1,154%.

Fact 5: The costs of an audit are high.

Clients need expert help in an audit, because the odds are in favor of the IRS. If your client gets audited, the IRS thinks the return needs an adjustment. Of the 1.56 million audits in 2013, the IRS made changes to almost 90% of the individual returns examined and 70% of the corporate returns examined. Overall, when the IRS completes an audit, individual taxpayers are left with an average bill of

more than \$16,000 per year examined in a field audit, and \$8,000 per year examined in a mail audit.

Fact 6: The IRS will continue to develop better technology to reach more taxpayers – by mail.

Despite losing 18 days to employee furlough and \$600 million in budget in 2013, the IRS slightly increased its compliance revenue from \$50 billion in 2012 to \$53 billion in 2013. With fewer people and reduced resources, the IRS has maintained its volume of compliance activity through correspondence. Scaling compliance activity by mail makes great business sense for the IRS. For example, document-matching audit notices have a 20-to-1 return on investment, compared with face-to-face audits, which have a 4-to-1 return on investment. Even though

the IRS is struggling with resource constraints, compliance activity is still strong, because compliance by mail covers more taxpayers at less cost.

Helping your clients with tax compliance is about more than filing their required tax returns. It's also about helping your clients after they file. Data shows that this body of work is significant, and that your clients will need your expertise in dealing with the IRS. Let your clients know that they are more likely than ever to get contacted by the IRS. And most importantly, let them know that you're the first person they should call to get expert help after filing.

Jim Buttonow, CPA, CITP, of Greensboro, NC, is an author and instructor in the field of tax controversy. He has 27 years of experience in IRS practice and procedure.

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**



**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.**



**Grant Bennett
Associates**

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

IMPORTANT: THIS APPLIES TO ALL FOR-PROFIT AND NON-PROFITS!

New Revenue Recognition Standard: Build Your Implementation Plan Now

By Kim Kushmerick

The Financial Accounting Standards Board's new revenue recognition standard presents the most significant accounting change many veteran CPAs have seen. The standard touches every entity (public and private, including not-for-profit entities) that reports under U.S. GAAP and will require CPAs to reexamine the underlying economics of large numbers of established business practices. The new standard applies to most transactions and contracts with customers except for leases, insurance contracts, most financial instruments and guarantees (other than product or service warranties).

At first glance, the implementation period for Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, might seem adequate if not generous. Public companies, for whom early adoption is not permitted, are required to adopt the standard in 2017 (for reporting periods beginning after December 15, 2016). Private companies get an additional year—starting with 2018 for their annual reports—and two more years, beginning in 2019—to start applying the standard to interim reports. Private companies may choose to adopt the

standard on the public company schedule.

After further study, however, many organizations may find the implementation period to be extremely aggressive and the task daunting. There are many components to be analyzed and many questions to be answered:

- How will the standard affect operational and performance metrics?
- What IT changes will be needed?
- How will you retrospectively adopt the standard?

If a public company chooses full retrospective adoption, revenue and the direct effects of change in accounting principle to all contracts must be restated for 2015 and 2016 to show comparative financial statements with a cumulative adjustment as of January 1, 2015.

You are encouraged to advise clients and employers to begin developing an implementation plan as soon as possible.

The AICPA has organized a major effort including industry work groups, training, and organizational tools to assist CPAs with this monumental implementation.

You can use the following key tasks based on the AICPA's New Revenue Recognition Accounting Standard—Learning and Implementation Plan as a high-level road map to begin organizing your organization's implementation.

Task 1: Form a task force (2014-2015)

Don't wait to get all of the major players involved. The standard replaces most transaction- and industry-specific guidance with a principle-based approach, making it difficult—if not impossible—for CPAs to estimate the implementation effort required in a specific organization without first conducting a detailed assessment to use in developing a work plan. In all but the very smallest private companies, this assessment will require substantial collaboration with most major business functions including sales and marketing, IT, legal and human resources.

Task 2: Evaluate the impact (2014-2016)

Evaluate the changes from current GAAP to the new revenue recognition standard and evaluate the impact on how your company accounts for existing revenue streams and the results to your company's financial statements. In addition, evaluate how the standard will affect operational and performance metrics, company contracts, compensation plans, accounting policies, internal controls and tax matters. Work with your auditor to ensure that your approach to implementing the new revenue recognition standard and any changes in accounting for revenue recognition are documented completely and accurately.



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

 the retirement coachsm

mel r. hertz, MBA, CFP

808-522-0100

237 Kuumele Place #8, Kailua, HI 96734

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.

Task 3: Choose how to retrospectively adopt (2014)

The standard should be applied using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:
 - a. For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.
 - b. For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.
 - c. For reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.
2. Retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. If an entity elects this transition method, it also should provide the additional disclosures in

reporting periods that include the date of initial application of the following items:

- a. The amount by which each financial statement line item is affected in the current reporting period by the application of the standard as compared to the guidance that was in effect before the change.
- b. An explanation of the reasons for significant change.

In September, the Securities and Exchange Commission determined that companies electing full retrospective adoption will only be required to apply the new standard for three years rather than the expected five years.

Task 4: Determine IT changes needed (2014)

Based on the determinations made in Tasks 2 and 3, the new standard may require modifications to IT systems to capture the appropriate level of information related to data used to make estimates on revenue recognition and new disclosures. Determine whether any changes will need to be made to IT systems or software applications to capture information needed for the new revenue recognition standard, including the following retrospective adoption and the additional qualitative and quantitative disclosures required.

Task 5: Determine interim disclosures needed for public companies (2014-2016)

Public companies should consider the guidance in SEC Staff Accounting Bulletin (SAB) No. 74 (Topic 11:M), Disclosure of the Impact that Recently Issued Accounting Standards Will Have on the Financial Statements of the Registrant When Adopted in a Future Period, to determine the appropriate interim disclosures to be made prior to the adoption of the new standard.

Task 6: Develop project plan (2014-2016)

Develop an evolving project plan for implementation of the revenue recognition standard considering all of the tasks above and facilitate training for your staff.

Task 7: Educate key stakeholders (2015-2016)

Based on the determinations made in Tasks 2 and 3, the new revenue recognition standard may result in changes in timing of revenue recognized as well as new qualitative and quantitative disclosures that will need to be explained to stakeholders. Educate key stakeholders such as your audit committee, board of directors, investors and lenders on the new revenue recognition standard and what changes they should expect in your company's financial statements.

Revenue Recognition Implementation Schedule
Prepared by George Lande, CPA, Chief Financial Officer

10/01/14 - 12/31/16

Project Folders	Q4 2014	Q2 2015	Q4 2015	Q2 2016	Q4 2016
☛ Revenue Recognition					
☛ Task 1: Form a task force					
☛ Task 2: Evaluate the impact					
☛ Task 3: Choose retrospective adoption option					
☛ Task 4: Determine IT changes needed					
☛ Task 5: Determine interim disclosures needed					
☛ Task 6: Develop project plan					
☛ Task 7: Educate key stakeholders					

CPA FIRM MICROCOMPUTER TECHNOLOGY

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



We continue to see an increase in virus attacks that are not detected by 'antivirus software and that are impossible to clean off

the computer which means wiping the computer clean by reinstalling everything. The three most likely avenues of attack are e-mail attachments and links, Internet browsing to infected sites, and clicking on links in Internet search results which takes you to an infected site. The moral of the story is to be very careful before opening any attachment,

clicking on any URL, or clicking on a search result unless you know that the site you're going to is a legitimate site.

iOS 8.0.2 is out for iPhones, iPads, and iPods. The original iPad, the iPhone 3G, and the iPhone4 won't work with the upgrade. Some have upgraded and are having problems. One thing to be aware of is that the upgrade requires additional disk space so if you're short on space, it's not a good idea to upgrade. There have been reports of devices running slower after the upgrade. Another thing to be aware of is that you can't roll back to iOS 7. There are those who have upgraded and like the new features, including a battery usage report that shows what apps are using battery resources and the swipe left and right on e-mails to perform actions. I'm waiting on this upgrade until it's clear that all the bugs have been worked out.

I attended HSCPA's Excel Best Practices seminar last week. One take away I'll share is the SUBTOTAL function. If you're still using the SUM function, you might look into using the SUBTOTAL function instead. It handles subtotals in a column better, it handles hidden rows, and if you filter data it only totals non-filtered data. I also attended the Small Business Internal Controls, Security, and Fraud Prevention and Detection seminar. The one take away from this course I'll share is Benford Law analysis. This is a powerful tool in

detecting fraud because it allows examiners to test numbers against recognized norms. In doing so, significant deviations from these expected values can be investigated to determine if there is evidence of fraud. To learn how to do this, you might google 'Excel Benford Analysis.' Both seminars were conducted by K2E instructor Randy Johnston.

The HSCPA Hawaii Technology Conference conducted by K2 Enterprises is coming up on November 6 and 7. Come and track the latest in technology trends for accountants in public and private accounting. Get 16 credits and a lot of useful knowledge.

Microsoft has unveiled a preview version of Windows 10 (yes, they're skipping Windows 9). Microsoft is hoping that this version will allow many who have stayed on Windows 7 to upgrade because it will support the business user who does not have a touch screen and who wants the start menu by default. There is speculation that this might be the last major release of Windows and that in the future Microsoft will use frequent small updates or a subscription model. Release of this version is expected in the second quarter of 2015.

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

What matters most?



When it comes to your information management program, what matters most to you? We think you will agree, it's access: secure and compliant, yet fast and convenient for you. Access serves premier accounting firms throughout Hawaii.

The right choice for you? It's Access. Call us today to arrange your FREE consultation and quote.

New hardcopy records storage accounts will receive three months of FREE storage. New destruction accounts will receive a 20% discount on purges.

Access
Information Protected.

InformationProtected.com
808.673.3200



Access to, storage, management and destruction of both paper and digitally based information. Nationwide.



Paradise Cove Luau puts on quite a show. And their banker helps set the stage.

Operated by PC Services, Inc., Paradise Cove Luau is one of Hawaii's largest and best-known luaus, for good reason. They offer fun activities, entertainment and a feast on 12 beautiful oceanfront acres. And to set the stage for continued success, they worked with their business banker to implement the right refinancing solutions and banking services.

Visit any American Savings Bank branch or call us today.
Oahu 627-6900 • Neighbor Islands (800) 272-2566

(front, left to right) 1. Pat Kaialau, Custom Event Manager 2. Keith Horita, President, CEO 3. Dan Oshima, their Banker 4. Norman Kaneshige, VP, COO
5. Ashley Espiritu, Wedding Sales Coordinator (back, left to right) 6. Jolee Peneku, Performer 7. Niko-Jesus Camacho, Performer

Member FDIC

asbhawaii.com



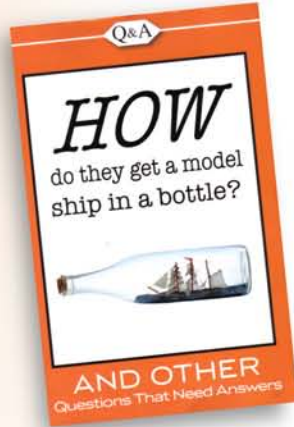


Norman's Book Review

"How Do They Get A Model Ship In A Bottle?"

by Editors of Publications International Ltd.

Not sure if you are like me but I used to always wonder how crafters got a model ship into a bottle. So, when my staff member showed me this book, I had to read it. Once I started reading, I was hooked as it was very informative with a light and humorous writing style. The authors of this book are 22 writers/editors and 9 people who did factual verification. A total of 170 questions like the book title are asked and answered in the book.



The following are 14 of the questions and answers I found most intriguing in the book.

How Do They Get A Model Ship In A Bottle?

People started putting ships into bottles in the 18th century. While it is actually pretty simple, it is not easy. The hull must be narrow enough to fit through the neck of the bottle. The masts are hinged so that they can be pushed flat against the hull. The sails are attached and a string is tied to the mast. The masts and sails are bent so that they are flat, and then the whole thing is pushed through the bottleneck. Glue or putty is put on the bottom of the bottle to keep the ship anchored. A long tool, shaped like a rod or skewer, is used to position the boat. Finally, the string that is attached to the masts is pulled to bring up the sails and complete the illusion.

How Does Sugar Rot Your Teeth?

It starts with plaque on your teeth, which is composed of millions of different kinds of bacteria. This bacteria loves to feast on the food we eat, especially sugar. Eating sugar is like dumping gasoline onto the inferno of bacteria in our mouth. When bacteria breaks down sugar into energy, the byproduct is several types of acid, including lactic acid. Lactic acid over time starts to eat away at the calcium phosphate in our tooth enamel, which is the beginning of a cavity. There is nothing sweet about sugar in our mouth.

How Do Sniffer Dogs Know What To Sniff?

Practice, practice, and more practice. Almost any dog can be trained to follow scents. Doggie noses have 20 – 40 times as

many receptors as human snouts. Dogs are given various items to smell and when they sniff the target odor, they get a reward.

How Did Murphy Get His Own Law?

All of us have probably heard about Murphy's Law, which holds that if anything can go wrong, it will, and probably wondered if someone named Murphy actually came up with it.

Well, in 1949, Captain Edward A. Murphy, an engineer at Edwards Air Force Base in California, was working on Project M3981, which involved multiple sled runs with sudden deceleration to see the impact on pilots. When a subordinate made a major mistake, he uttered that famous saying which became "Murphy's Law" and something to avoid at all costs. Murphy's Law went viral, as it was quoted in a variety of aerospace articles and advertisements, and gradually found its way into the lexicon of the military and of pop culture.

How Is It That Hair Grows In All The Wrong Places As You Age?

Both men and women produce female hormones such as estrogen. These hormones restrict the growth of body hair and counteract male type hormones such as testosterone (also present in men and women), which trigger the growth of body hair. When you're younger, the male and female hormones maintain the balance they should. As you get older, production of the female hormones slows down. Consequently, the male-female hormonal balance gets out of whack, and you begin to grow more hair where you don't want them.

How Many Germans Were Actually Nazis?

Surprisingly, according to the Nazi Party's official master file, there were only 7.2 million Nazi Party members, or about 10% of the German population, between its reconstitution in 1925 and its dissolution in May 1945.

How Much Beef Jerky Can You Get Out Of A Cow?

The book estimates a 1,200 lb cow will yield about 115 lbs of beef jerky. On average a cow that is butchered for lean beef yields about 38% of its original weight. During the drying process, the meat loses up to 75% of its original weight.

Are Tonsils Necessary?

Tonsils are part of the lymphatic system which is a major component of our immune system. It is designed to trap germs that come in through our nose and mouth. They also produce antibodies and immune cells that break down and get rid of those sneaky germs. However, tonsils are not invincible and can get infected, resulting in swelling, infection, breathing problems, and pain. With this justification, doctors will remove a tonsil. Our bodies can manage without a tonsil, but it is useful and should be kept if it isn't causing any major problems.

How Do People Break Concrete Blocks With Their Hands?

Bone is significantly stronger than concrete, and can withstand about 40 times more stress than concrete before reaching its breaking point.

The trick to smashing a block is thrusting your hand into the concrete with enough force to bend the block beyond its breaking point. A black belt in karate can throw a chop at about 46 feet per second, which results in a force of about 2,800 newtons. That's more than enough power to break the standard 1 ½ inch concrete slabs that are commonly used in demonstrations and typically can withstand only 1,900 newtons.

How Many Ronald McDonalds Have There Been?

McDonald's guards this information even more closely than its secret sauce recipe. The company forbids Ronald actors from revealing what they do. The only specific Ronald actor that McDonald's happily acknowledges is the original one, Willard Scott, who went on to become the world's most famous weatherman.

How Have The Russians Preserved Lenin's Body?

On January 21, 1924, Soviet leader Vladimir Lenin died after a series of strokes. Russian scientists devised a permanent embalming technique which has kept his body from putrefying to this day. His body is kept in a glass coffin at Lenin's Mausoleum on Red Square in Moscow. The only visible parts of his body are his head and his hands. He wears a plain suit, and the lower half of his body is covered with a blanket.

Every 18 months Lenin's body is immersed in a glass tub of a solution of glycerol and potassium acetate. The chemicals penetrate his body, and he becomes like any living human insofar as 70% of his body is liquid. After he's taken out of the tub, Lenin is wrapped in rubber bandages to prevent leakage. He is then dressed and groomed. Occasionally, a bacterial growth will develop, but it is quickly scrubbed off.

How Does Helium Make Your Voice Squeaky?

Since helium is six times less dense than air, your vocal cords behave slightly differently when they're surrounded by the element. Additionally, the speed of sound is nearly three times faster in helium than in regular air, and this lends quite a bit of squeak to your voice as well.

It's important to note, however, that inhaling helium is very dangerous. There's a high risk of suffocating because a person's lungs aren't designed to handle large quantities of helium. Additionally, the canisters used to fill balloons contain more than just helium – there are other substances in there that help properly inflate a balloon that can be harmful to your body if they're inhaled.

How Do You Know If You're Colorblind?

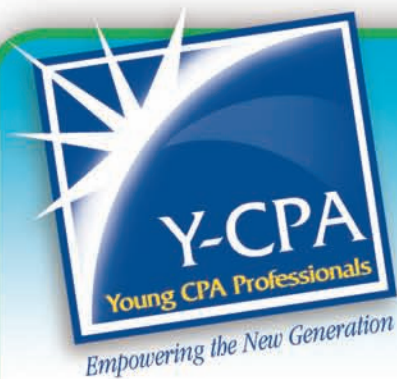
If the words "red" and "green" mean nothing to you, you probably have a condition known as deuteranomaly, or red-green colorblindness. It's the most common form of colorblindness and affects 5 to 8 percent of the world's male population. Other, rarer, forms of colorblindness include the inability to distinguish blue from yellow (trichromacy) and the inability to perceive any color (monochromacy).

The most common detector of colorblindness is the Ishihara Test, which consists of a series of colored numbers written in small dots against a contrasting background of similar dots. If you have trouble reading one or more of the numbers, you may have impaired color perception.

How Come So Many Manicurists Are Vietnamese?

In 2008, 43% of manicurists in the United States were Vietnamese, and in California the number was 80%! What's the deal here?

Well in 1975, when the South Vietnam government collapsed, refugee camps for over 125,000 Vietnamese immigrants sprang up all over the United States. At Hope Village, a refugee camp near Sacramento, actress Tippi Hedren was a frequent visitor who impressed the refugees with her beautifully manicured nails. Hedren asked her manicurist and a nearby beautician school to teach the refugees how to become manicurists and as the saying goes, the rest is history. The Vietnamese manicurists cut prices to get business and made a good living. They inspired other Vietnamese immigrants to become manicurists. Since 1975 over one million Vietnamese immigrants have come to the United States, and many of their first jobs have been in nail salons...a classic American success story!



Y-CPA BUZZ!



Networking: No More Excuses By Jill Hatakenaka



Growing up, our parents encouraged us to make friends and get to know our peers. In college, our professors preached to us the importance of networking in order to get a job. As professionals, our supervisors urge us to attend networking events to build our communication skills and business contacts. We heard it all. We know networking is important, “the exchange of information or services among individuals, groups or institutions; specifically, the cultivation of productive relationships for employment or business,” (Merriam Webster). It can lead to opportunities that will help us in our careers and gets our name out in the business community. Yet, how many of us actually network?

We have all the excuses: It’s intimidating; I won’t know anyone; I don’t have time; I’m not a sales person; it’s not part of my job description, etc. I admit, I’ve used most of these excuses. However, over the years, I’ve forced myself to attend networking events and it did get easier. Here are a few tips I’ve learned along the way:

- **Don’t worry about making the sale.** Networking does not require you to make the sale. Some people will discourage you from “selling your services”. Networking is about building relationships and learning how you can help one another. Avoid going into events with the mindset “what can I get out of this person.” Instead, go in with the mindset “how can I help this person.” Listen to what the person does and what his or her interests and goals are. Perhaps you can help by giving advice or introducing the person to someone who can help achieve his or her goals. Sometimes just hearing that someone

else cares helps. Build a reputation for helping others. As a result, people will want to meet you and you won’t have to worry about being alone at events. People will seek you out for assistance. Don’t worry, networking is not a one-sided relationship. People you help will want to help you too. They will be looking for ways they can return the favor which may result in job opportunities or potential business referrals.

- **Set goals.** Establish what you want to achieve by attending the event. Goals can be as simple as meeting three people you want to form a relationship with; meeting a specific person or type of professional (attorney, investment advisor, etc.); or holding a conversation with someone for five minutes. Setting goals will help you accomplish your purpose for the event. If you run out of things to talk about, bring up your goal for the event and ask the person to help you. Ask the individual what his or her goals are and try to reciprocate. Avoid playing the business card game. Networking is not about how many people you meet or business cards you receive. It is about the quality of the connection you make with others. It is better to go to an event and have three genuine conversations with people rather than getting 15 business cards and not remembering who gave them to you.
- **Choose your networking events wisely.** There are many networking groups or events that are specifically tailored to bring together young professionals from similar or different industries in a relaxed setting to



YCPA Social with HIIA

build relationships. Since everyone is starting on their career path and working on their networking skills, it alleviates the pressure of saying or doing something embarrassing since you're all at the same level. When choosing your event, be wary of those events that have a reputation for having drunk professionals or being a "meat market". The Y-CPA events are a great place to begin your networking experience.

- **Don't worry about being alone.** Invite a friend or colleague to go with you. Let the person know why you are attending the event and what your goals are. The friend or colleague can be your wingman and introduce you to people he or she meets. He or she can also be your safety net so you are not standing all alone. If you see someone standing alone, strike up a conversation with the person or invite him or her into the conversation you are having with others. By doing so, you just made another connection and helped someone feel a little more comfortable being at the event.

Also, when checking in at the event, introduce yourself to the event coordinators and let them know it's your first time attending one of their events. They have a vested interest in making sure their event goes well, which includes ensuring you feel comfortable and are not standing alone in a corner. They can introduce you to others so you are immediately included in a conversation. They will also keep an eye out for you throughout the event to make sure you are talking with someone and having an enjoyable time.

- **Remember something personal about the people you meet.** Learning something personal about the people you meet will help you remember them. You can tell what a person does by his or her business card, but remembering something personal will help you build that relationship. Write down the person's interests or other notes on his or her business card so you remember it the next day. There are phone apps that allow you to import a person's contact information just by taking a picture of their business card. Type in the personal facts about the person into your phone. Bring this up in conversation the next time you see him or her. The individual will be impressed you took an interest in him or her and remembered it.
- **Make time for networking.** You know that networking is important. Make time for it. Start small by attending four events a year. Work your way up to more. Remember that you can network anytime or anywhere. It doesn't have to be at a structured event,

although it helps as most of the people attending the event are there for the same purpose. You can strike up a conversation at the grocery store, softball game, bowling tournament, etc. There are people on your team or in your neighborhood that you can learn more about.

- **Be thankful and follow up.** If someone provides you with a business referral, follow up on the referral quickly. You are a reflection of the person who gave you that contact so be respectful and responsive. Also, be sure to thank your business contact and keep him or her posted on the status of the referral.

It is also a good idea to check in with your networking contacts periodically to maintain the relationship. Greet the person and touch base at future networking events. If you learn the person received a promotion, send a quick email to congratulate him.

Networking isn't hard, it's just uncomfortable. Just remember, the more events you attend, the more people you'll know. The more conversations you have, the more your skills will improve and the more comfortable you'll feel. It does get easier. So stop making excuses and get out there. See you at the next Y-CPA networking event!



rh

Should I hire a consultant?
A temp? A permanent employee?

YOU ASK. WE ANSWER.

For insight into financial salaries, trends and hiring from the industry's leading staffing firm, visit the Robert Half Salary Center:
roberthalf.com/salarycenter

Honolulu • 808.531.8056
roberthalf.com

rh Robert Half®

© 2014 Robert Half International Inc. An Equal Opportunity Employer M/F/D/V. 0914-9014



CPE in November 2014

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6 Hawaii Technology Conference	7	8
9	10	11	12 Personal Financial Planning Conference	13	14	15
16	17	18	19 Forensic Accounting: Fraud Reporting and Concealed Assets	20 FASB Review: Common GAAP Issues Impacting All CPAs	21 Annual Update for Compilation and Review Engagements	22
23	24	25	26	27	28	29
30						

For a complete listing of CPE and other events: www.hscpa.org/professional-development



Featured NOVEMBER CPE



Hawaii Technology Conference • November 6-7 (Thursday-Friday)

This popular conference will provide you with the tools and skill you need to keep up with the ever-increasing pace of changes in computer technology. Top instructors from K2 Enterprises will lead discussions and break-out sessions utilizing high-quality super VGA projection. Excellent program materials with follow-up guides provided. more>

Personal Financial Planning Conference • November 12 (Wednesday)

An information-packed day with great speakers covering a gamut of financial planning topics designed for CPAs providing personal financial planning services or those who are interested in providing these services. An information-packed day with great speakers covering a gamut of financial planning topics designed for CPAs providing personal financial planning services or those who are interested in providing these services. more>

Forensic Accounting: Fraud Reporting and Concealed Assets • November 19 (Wednesday)

Session will cover the role of the forensic accountant; development of the engagement agreement; common fraud scams; sources for corroborating data; testifying as an expert; analytical and investigative techniques; approaches to detect under/over valued assets; development of a written report; and much more. more>

FASB Review: Common GAAP Issues Impacting All CPAs • November 20 (Thursday)

This course will help you identify and apply the latest FASB accounting and reporting guidance; prepare disclosures; and describe current FASB exposure drafts and projects. It will cover topics such as accounting for leases, accounting for debt, accounting for income taxes, contingencies and other uncertainties, long-lived assets: interest capitalization and non-monetary transactions. more>

Annual Update for Compilation and Review Engagements • November 21 (Friday)

This course will cover planning, conducting and reviewing compilation, review and accounting service engagements; identify the professional standards and risk factors relevant to the planning of compilation, review and accounting service engagements; identify responses to compilation, review and accounting service practice issues that comply with all applicable professional standards. Also included will be recent SSARS developments, including SSARS Clarity; common deficiencies in peer reviews; current and future standard setting projects; special purpose framework financial statement issues and latest developments. more>

Register online or download registration form at: www.hscpa.org/writable/files/cpe_registration_form.pdf

HOP News

By Walt Matsuno

The 2014 HSCPA Basketball League plays all their games at the Manoa District Park (unless otherwise noted). This year's league started on May 14 and culminated with its Divisional Championship games on August 6, 2014.

The A Division Championship game was between the "Three-Peating" champs from W. T. Matsuno, CPA, Inc. [WTMco] and the "Never Say Never" team of Red Ink. Unfortunately for WTMco, its bid to be the first "Four-Peat" champions was thwarted by the hot shooting Red Ink team by the score of 56-49. In defeating WTMco, Red Ink preserved its "Perfect 10-0, Undefeated Season" for 2014.

The B Division game was between the defending "Two-Peat" champs from Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC [now known as KKDL] and Deloitte & Touche [D&T]. Try as they did, but D&T was no match for KKDL's goal to "Three-Peat" as B Division Champs as KKDL won convincingly by the score of 53-26.

KMH LLP ended their season by winning the Consolation Division title with a 63-43 win over CW & Associates, CPAs.

The final standings were as follows:

1. Red Ink
2. W. T. Matsuno, CPA, Inc.
3. KPMG
4. CPAA
5. Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs, LLC
6. Deloitte & Touche LLP
7. KMH LLP
8. CW Associates, CPAs
9. Accuity LLP

Those interested in joining the 2015 HSPCA Basketball League can contact Walt Matsuno at 951-8899 or via e-mail at walter@matsunocpa.com. The league fees range between \$400-\$575, depending on the number of teams entering and gym availability. Hope to see you there!



1st Place - A Division >> Red Ink

Top Row: Brandon Kakuda, Eric Ogata, Kent Nagaishi, Ed Abdul, Gaylen Shintaku

Front Row: Walter Koong, Trent Kobayakawa, Kido Kwon, Garret Yoshimi, Aron Chock



2nd Place - A Division >> W.T. Matsuno, CPA, Inc.

Top Row: Kimo Tuyay, Pat Kashani, Bruce's Son, Walt Matsuno, Drew Imamura

Front Row: Casey Ching, David Tang, Lance Takaki, Kekoa Taliafero



1st Place - B Division >> KKDL LLC

Top Row: Stanford Lum, Joel Zablan, Milo Smith, Guy Nishihira, Jake Barsana

Middle Row: Ernest Chu, Justin Ogata, Gordon Ciano, Reuben Macapinlac, Jacob Lowder

Bottom Row: David Darby, Leinnan Roylo, Jesse Soberman, Colin Lee, Kevin Lau, Bradford Lum