

MAY 2016

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President's Message

By Gordon Tom



Aloha, Members!

The saying goes "April showers bring May flowers", but I think for CPAs, it's really April "show-us-your-returns" bring May ".

I recently watched the 2015 movie, "The Big Short" starring Christian Bale and Steve Carell, which is a movie adaptation of the book of the same name by Michael Lewis about the financial and housing credit crisis of 2008. The movie is based on the true story of a small group of individuals, led by a former doctor and investment banker, who correctly recognized the impending subprime mortgage crisis and made a substantial profit betting that the US economy would fail through the use of credit default swaps. Although the movie producers and writers obviously used some creative license to entertain the audience, overall they did a great job of taking complicated financial topics like collateralized debt obligations, mortgage backed securities and derivative trading, and making them understandable and interesting for the general public. Although the movie is primarily about banking and finance topics, the underlying themes of overconfidence, anchoring, and recognizing conflicts of interest before they occur are relatable and relevant to CPAs.

In the movie (spoilers ahead!), Dr. Michael Burry, played by Christian Bale, sees the

impending collapse of the subprime lending market and invests almost a billion dollars from his hedge fund, against the wishes of his investors, by selling credit default swaps on subprime mortgage bonds. Dr. Burry's actions attract the attention of Mark Baum, played by Steve Carell, who tries to warn everyone about what he sees is coming. In one scene, an investment banker, overconfident in the rating agencies and the housing/mortgage market stability, summarily dismisses the concerns of Steve Carell's character.

Overconfidence is the tendency or bias to think we know more than we do, thereby preventing you from seeing an issue from another person's perspective. As CPAs, we must be careful about overconfidence in our knowledge and skills, and seek out the assistance of specialists or experts when needed. In another scene, Dr. Burry meets with an investment banker to try and sell him a credit default swap instrument he created on subprime mortgage bonds. The banker incorrectly anchors on historical statistical data of defaults of mortgage bonds, and fails to research and realize that the historical mortgage default data was not comparable to the subprime mortgage bonds.

Anchoring is the tendency to anchor on initial estimates or past data, and not sufficiently recognize when the data is not relevant or applicable to the current situation. Anchoring

on a client or Company's prior year financial statements or budgetary data can lead to a failure to identify variances, trends or opportunities that should exist based on current facts and circumstances. Finally, the movie illustrates in several scenes many of the unrecognized, inherent conflicts of interest that were present during the housing crisis: between the rating agencies who were hired by investment banks to issue ratings on the bank's securities; between the real estate appraisers hired by lenders to issue valuations to support the over-valued mortgage loans by the lender; and between the investment banks and brokers who sold subprime mortgage bonds to investors that wanted risk-free investments.

A conflict of interest exists any time an entity or individual's personal interests are incompatible with those of their public or customer's interests. As a CPA, a conflict of interest, whether in fact or appearance, directly impairs our ability to be objective and independent of a client. We must be vigilant and continually assess our client relationships for potential or perceived conflicts of interest.

Don't forget, early registration for our Annual Conference closes on June 10th. The Conference will be held on Friday, June 24, 2016 at the Hawaii Prince Hotel Waikiki. We have a great program planned, guaranteed to "awaken" your inner force, with guest speakers Bill Balhoff, Neil Rose, Laura Beeman, and, returning by popular demand, Jason "Pa"! The Conference will also include our annual business and election meeting in accordance with Article 3 and 7 of the HSCPA bylaws, during which the regular members in attendance will elect the nominated officers and directors for the new fiscal year which begins July 1, 2017. Please refer to the nominating committee's report included in this issue for more information on the annual and election meeting. I look forward to seeing you all there!

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10 Principles for a Happy Life and Career

Principle 3: Compassion

By Michael A. Crawford, CPA



Editor's Note: Mike Crawford has, even by his own accounts, had a successful and happy career as a CPA in

Oklahoma. He says there are 10 basic principles that have guided him through a joyful life and a fulfilling career. In this and future issues of CPAFOCUS, Crawford shares that idea and those principles.

“Consider the rights of others before your own feelings, and the feelings of others before your own rights.”

—John Wooden

Compassion (i.e., kindness, consideration, heart, sympathy, mercy, empathy, humanity) is one of the greatest gifts you can show others.

The dictionary defines compassion as “a feeling of deep sympathy and sorrow for another who is stricken by misfortune, accompanied by a strong desire to alleviate the suffering.” I define compassion as a strong desire to place the interest and welfare of others ahead of your own with nothing expected in return. It’s about caring and having a genuine desire to help others, especially when they suffer or experience misfortune.

While it’s not necessary to empathize with those who are suffering, often those who have experienced similar losses display compassion most effectively.

Further, compassion can be displayed through a simple gesture.

Recently, I was standing at a pharmacy counter picking up prescriptions. While waiting at the register, I noticed an elderly lady at the pharmacy drive-thru having an anxious conversation with the pharmacy technician. The lady was at the wrong pharmacy, and the technician was trying to direct her to the correct pharmacy, which was only three or four miles away. I knew the lady probably couldn’t find this pharmacy on her own, especially in her anxious state. Therefore, I asked the pharmacy technician to see if the lady would allow me to lead her to the correct pharmacy as she followed in her own vehicle. The lady happily agreed and off we went. After arriving to our destination, I asked the lady if she knew how to get home from the pharmacy. She was unsure. I offered to help her home after she picked up her prescriptions. Ironically, she lived in the same retirement village as my mother-in-law, so I did not need

further direction. When we arrived to the retirement village, she parked her car, walked over to me with tears in her eyes and hugged me as if I were her own son. She thanked me for my kindness, but there was no need for recognition because compassionately helping a stranger was a reward in itself.

Open your heart, and place the interest and welfare of others ahead of your own.

Mike Crawford, CPA, is the retired Chairman of Crawford & Associates, P.C., an Oklahoma City-based CPA firm dedicated to state and local government accounting and consulting. Crawford is a past president of the Oklahoma Society of CPAs, an inductee into the Oklahoma Accounting Hall of Fame, the 2011 recipient of the OSCP Public Service Award and is past vice chairman of the Governmental Accounting Standards Advisory Council. Over the past 30 years, he has authored a number of professional guides, practice aids and articles on topics of governmental accounting, auditing and ethics.

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Enhancing the Profession Worldwide

In business, as in life, who you know is often more important than what you know.

Not long ago, Joselin Martin, CPA, CGMA, got a crash course. As CFO of Hayles and Howe Inc., which makes ornamental plasterwork and imitation marble, Martin has the perfect set of skills to lead a modern international finance team. And for years, she and her boss had sought someone with a similar mix of skills to lead the company's UK finance operation.

While on the Business and Industry Executive Committee of the American Institute of CPAs, Martin met Louise Taylor from the AICPA's joint venture partner the Chartered Institute of Management Accountants. Thinking Taylor could help her with her company's UK-based talent dilemma, Martin sent Taylor an e-mail to see if she could offer any leads.

"This is something that's been floating around the back of my head for years," said Martin. "In less than an hour, I had a potential solution."

That is the power of collaboration. When profession leaders like the AICPA and CIMA join forces, new roads to success are paved for members of both organizations.

Now, the AICPA and CIMA want to strengthen their partnership even further.

Enhancing the profession worldwide

The organizations have proposed creating a new accounting association that would integrate operations and represent the entire accounting profession, while preserving the AICPA and CIMA membership bodies. Together, the two Institutes would provide members with enhanced advocacy, expanded resources and additional education opportunities.

The AICPA's Board of Directors and governing Council have endorsed the proposal and 51 state CPA societies, including HSCPA have so far passed resolutions of support. AICPA members must now weigh in through an online vote taking place between April 18 and June 16.

"Numerous trends are changing the way business is done, from international regulations to interconnected supply chains," said Gordon Tom, HSCPA President. "They won't stand still, and neither can we. This proposal is an opportunity to lead the profession forward and position it for strength amid a shifting landscape. We support it and encourage our members to vote 'yes.'"

The new association would not replace the AICPA or CIMA. Each organization would continue to serve the unique needs of its community, with the AICPA remaining steadfast in its commitment to promoting, protecting and growing the CPA. Members of the AICPA and CIMA would keep all of the same benefits they currently enjoy and have automatic dual membership in the new association for no additional dues.

The association would act like an engine room, leveraging the strengths of the AICPA and CIMA, to power enhanced resources and education opportunities across all aspects of accountancy. It would provide more agility to respond to member and market needs.

Equally important, the new association would be a powerful advocate for the world's accountants, speaking with the voice of more than 600,000 professionals to fight against onerous, unnecessary regulation increasingly originating overseas that do not protect the public interest. It would provide a broader platform to promote the accounting profession to the next generation.

Given the pace of change and complexity and the increasingly borderless, international state of business and finance, AICPA President and CEO Barry Melancon, CPA, CGMA, said it's an idea whose time has come. He equates the proposal to other changes throughout the profession's history -- among them, the Securities Act of 1933 that mandated audits of public companies, the advent of peer review, the transformation of the CPA exam, the profession's adoption of cloud-based technology, and the emergence of strategic advisory firms.

"This is not unique for our profession," he said. "This is part of the continual evolution. People throughout our history have made prescient and sometimes tough decisions that gave us a platform to build an incredibly successful profession. Now it's our turn."



Protecting the profession's core

While emphasizing the need to move CPAs forward, Melancon said the AICPA also remains focused on protecting the profession's core – a core that today stands strong. Universities are producing record numbers of accounting graduates and an overwhelming majority of key business decision makers, 88 percent, say that CPAs are valuable to their organizations. Another 84 percent say they would have more confidence in a job done by a CPA.

With that core in place and protected, there is opportunity for broader scope.

That's important to AICPA members, too. Eighty-four percent of CPAs believe the AICPA should represent the diversity of members, not just those in public accounting. But they give the AICPA a 41 percent performance rating in serving members in business and industry.

With nearly a 100-year history, CIMA brings a rich depth of thought leadership, tools and resources to members in management accounting. And it has strong relationships with employers around the globe – Shell, HSBC, Barclays and Unilever to name just a few.

CIMA members are also voting on whether to approve the proposal. Provided that

the memberships of both organizations give it the go ahead, the changes will begin to be implemented as of January 2017. It would be a methodical process to make sure all value is unlocked.

“We want to build up to something that maximizes our opportunities in the future,” Melancon said. “Twenty years from now, we don't want somebody to ask, ‘Why didn't you do this?’”

Visit AICPA.org/Horizons for more information about the proposal and to share feedback.



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AICPA taking multipronged approach to lead candidates into the CPA pipeline

By Kim Nilsen

No single statistic can adequately tell the story of the accounting profession's current health and long-term forecast. But among the many trend lines the AICPA has been monitoring and responding to in recent years is the gap between the number of recent college graduates with accounting degrees and the volume of new candidates sitting for the CPA exam.

While the latest numbers for the CPA exam show that the volume of candidates who tested for the first time grew 3.36% from 2014 to 2015 to 42,653, the exam gap persists. The number of first time test takers sitting for the exam was about half the number of accounting graduates.

"We've been looking into this issue in great detail and are considering a number of profession-wide initiatives to complement our existing programs and ensure that qualified accounting graduates are earning their CPA license," AICPA CEO and President Barry Melancon said when the Institute released its [2015 Trends in the Supply of Accounting Graduates and Demand for Public Accounting Recruits](#) report.

Joanne Fiore, vice president—Professional Media, Pathways & Inclusion for the AICPA, said the Institute's focus "has always been, and continues to be, moving accounting students to the CPA exam and working to close the gap between the two."

To better understand factors driving the gap, the AICPA commissioned qualitative and quantitative research by Applied Research & Consulting (ARC). The ARC researchers focused on accounting students and recent graduates and sought to uncover what influences students to:

(1) decide to major in accounting; (2) sit for the exam; and (3) carry through with

intentions to become a CPA.

The research revealed the CPA brand is strong. Students and recent graduates consider the CPA a valued credential that opens doors and is relevant to broader business and finance fields.

It also revealed that the environment, including a pro-CPA culture, plays a critical role in determining whether a CPA candidate sits for the exam, with those at Big Four firms having a very high sit rate and those graduates who go directly into business having a much lower one.

The Trends in Supply and Demand report and the ARC research are both part of the AICPA's research-driven approach to building the CPA pipeline.

The AICPA strategy employs continuous engagement with students, candidates, and CPAs and efforts to build a supportive pro-CPA environment throughout the pipeline. Here's a look at some of the initiatives:

- The CPA Exam Candidate Success report, completed this fall, identifies and shares best practices that drive more students to licensure. The study and report spotlight best practices that can be used on college campuses. The researchers received input from faculty at more than 50 schools that included ideas for creating more positive "CPA cultures" on campuses. One of the study's leading recommendations is to develop an academic champion program on campuses. Previous AICPA-commissioned research had shown that a pro-CPA culture was one of the top three influences on college students' likelihood to pursue licensure. The team is analyzing the report and identifying additional implications, prior to release.
- The AICPA has hired its first-ever Academic in Residence, Yvonne Hinson,

CPA, CGMA, PhD., formerly of Wake Forest University, to launch the academic champion program. The program will identify faculty at select universities to partner with the AICPA to help promote the CPA credential.

- To put more people on campuses to promote CPA, the AICPA and state CPA societies have launched a pilot program on student recruitment in seven states (Connecticut, Kentucky, Louisiana, North Carolina, New Mexico, South Carolina and Tennessee), using co-branded materials and ultimately creating a shared student experience. Students in those states join the AICPA and their state society at the same time and have the support of both on their journey to licensure.
- The AICPA has also launched a program with Beta Alpha Psi (BAP) that provides soft skills training to BAP student chapters, using a local CPA and an AICPA training video.
- The AICPA's 2015 Accounting Competition, completed in December, challenged teams of undergraduates to play the role of management accountants to take a fictional business to the next level and help it reduce costs and sell competitively. The competition drew teams from 117 schools. Approximately 92% of surveyed students said the competition gave them a better understanding of the accounting profession, and 51% said the competition positively influenced their decision to pursue a CPA license."
- To address demands for accounting faculty, a second iteration of the Accounting Doctoral Scholars Program is being considered. The program's first iteration moved 108 CPAs from practice into the classroom.
- Ongoing research by the AICPA that



will complement the Trends report is examining the hiring of accounting graduates in industry. This is of special interest because many accounting graduates who go straight into industry do not sit for the CPA exam.

- The AICPA Pre-certification Education Executive Committee membership has been expanded, and subcommittees have been formed to thoroughly address multiple issues, such as the impact of accreditation, simultaneously.
- Scholarships: Last year, because of members' donations to the AICPA Foundation, the dollar amounts increased by 46% for scholarships awarded to students who plan to become CPAs. "By offering scholarships to accounting students, we are showing our support and encouraging the next generation of CPAs," Fiore said. "And we have asked them to give back to the profession by holding on-campus events and advocating for the profession." The AICPA is providing resources to its scholarship recipients to spend eight hours each semester holding events on campus to promote the CPA.
- Three unique tools are available to enhance diversity and inclusion efforts. The [Accounting Inclusion Maturity Model](#) gives firm and business leaders an opportunity to perform a comprehensive self-assessment of their progress in fostering diversity and inclusion. The [Recruitment and Retention Toolkit](#) highlights best practices for attracting, recruiting, and retaining a diverse workforce. And the monthly [newsletter](#) Inclusion Solutions curates top news on diversity and inclusion. The tools are available at aicpa.org/diversity.
- In October, the AICPA and NAF's Academy of Finance agreed to pilot a

recognition program in four states (Florida, Maryland, North Carolina, and New York) that will teach diverse high school students both soft skills and technical accounting and finance skills, and will encourage and prepare them to pursue an accounting degree at a postsecondary institution. In addition, students will learn about the career possibilities available to CPAs. The first graduation will be this summer.

- To further strengthen the CPA brand's online presence at the high school level, the AICPA relaunched StartHereGoPlaces.com with 60 new resources for faculty to provide them tools to help guide students in their career choices. The site also contains a new financial literacy version of the popular Bank On It online game for high school students. The financial literacy version covers topics students need to master to be money-savvy

in the real world, such as balancing a checkbook, understanding credit scores and student loans, and investing in a startup company.

On the ThisWayToCPA.com site for college students, a new CPA Exam & Licensure Center tool informs students on the process and requirements of becoming a CPA. Because users increasingly visit those sites on mobile devices, both websites are now fully responsive, making them more accessible on smartphones and tablets.

- Recognizing the growing number of future CPAs that start out in community college, the AICPA is beefing up its community college programs by increasing scholarships and developing other resources to help bridge the gap for students transferring from two-year to four-year programs.

[Kim Nilsen](#) is publisher of the JofA.

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TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika, President –
Tax Foundation of Hawaii

Our Fuel Tax: Schizophrenia in Motion



December 31, 2015 not only marked the end of the top Hawaii individual income tax rates, but also of some fuel tax provisions.

For example, the state portion of the gasoline tax dropped from 17¢ to 16¢. Because the fuel tax goes into the highway fund and the Department of Transportation spends it, that department felt compelled to go back to the legislature to get that 17¢ tax restored. And as long as they're there, the Department figured they would ask for a tax hike as well.

In HB 2409 and SB 2938, the Depart-

ment asked for the state portion of the gasoline tax to be raised from 16¢ to 19¢; an increase in the vehicle weight tax of about 50% for passenger cars (there are various rates depending on weight); and for a hike in the vehicle registration fee from \$45 to \$60. They asked for hikes in all three of the above in the name of fairness. The gasoline tax is imposed on liquid fuel, and effectively taxes most auto usage, but of course it does not fall as heavily on electric vehicles, alternative fuel vehicles, and hybrids. The vehicle weight tax is designed to get contributions in proportion to road usage, on the theory that heavier vehicles cause more wear and tear on the roads, and also focuses on the electric vehicles that tend to be heavier.

Finally, the vehicle registration fee is imposed on each vehicle so each vehicle will pay something toward road upkeep. The House bill died a while ago and the Senate bill was recently killed by the House Transportation Committee, so the issue of how to fund our highway and bridge maintenance still needs to be dealt with.

Of the three taxes that were in play here, we focus on the fuel tax because there are other fuel tax bills alive, and they might be amended to accomplish the fuel tax hikes. It's not over until the legislature adjourns.

We need to realize that there are two starkly different rationales that apply to fuel taxes.

The first rationale likens the fuel tax to a user fee. We have roads and highways

and bridges that need to be repaired. The fuel tax makes those who use the roads pay for them. This is how we justify exemptions for off-highway use of fuel, such as for farm tractors.

The second rationale is that our fuel tax is a "sin tax" on fossil fuel. We tax tobacco and alcohol in an attempt to curb usage of these items (although we don't ban them outright), and our fuel tax can be thought of as a similar disincentive to using fossil fuel. Indeed, last year one part of the fuel tax, called the "barrel tax," was amended to apply to non-petroleum fossil fuels, such as coal and liquefied natural gas (LNG). It's now clear that this tax applies not only to fuel used in cars and trucks, but also to fuel consumed in electric power generation. The sin tax rationale justifies at least that part of the fuel tax.

In weighing these two diverse policy goals, we also need to be thinking about the regressivity of the fuel tax. Similar to the General Excise Tax, the fuel tax does not distinguish between the wealthy and the destitute. Everyone in our community bears the burden of the fuel tax if we drive cars or use power. Those of us who live in suburban and rural areas may need to drive more than others, on average. If we jack up this tax by 15% as requested, who in our community is going to suffer the most?

We need to recognize the schizophrenic nature of the policy rationale behind our fuel tax and figure out how it might be applied more fairly in light of its diverse aims.

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ACTION LINE Tax Week

Thank you to HSCPA members for once again volunteering during their busiest time of the year to man the phone lines during KHON2 Action Line Tax Week. In promotion of Tax Week, [KHON2's Sean Ibara interviewed Darryl Nitta to discuss how viewers can get organized to meet the tax deadlines.](#)

To kick off HSCPA's Tax Day on March 24th, [Reg Baker spent time with KHON2's Ron Mizutani](#) during the WakeUp2day morning news discussing important tips

for tax filings and to form a good partnership with a CPA or trusted tax advisor.

Manning the Action Line phones were Sean Barr (CW Associates, CPAs), Marie Cortez (TRUSTA), and Mamina Tahara (Accuity LLP) who took time off from their extremely busy schedules to answer questions from the community from 11:00 a.m. to 1:00 p.m. They answered approximately 30 calls regarding trusts, pensions, social security, and dependent issues, to name a few.

Thank you to Darryl, Reg, Sean, Marie and Marina for your service to the community and for representing the HSCPA and the profession!



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Learn about Xero's accountant tools and how to migrate clients from QuickBooks (desktop) to Xero. Also featured will be the Xero ecosystem of "apps" and integrations that can help reduce your workload and streamline data entry to increase your profitability.

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Norman's Book Review

"The Little Book of Talent"

by Daniel Coyle

Just imagine if you could take five years off to visit talent hotbeds such as a modest Moscow tennis club that over a three-year period produced more Top 20 women tennis players than the entire U.S., and an Adirondacks music camp where students accomplish one year's worth of progress in seven weeks, research centers throughout the country, and successful master coaches, to learn about how to get better. The experience would be awesome and priceless! Unfortunately for most of us, taking such a five-year sabbatical is impossible and just a dream. Thankfully, the author was able to do this and organized all the best advice he got into this book.

Book Organization

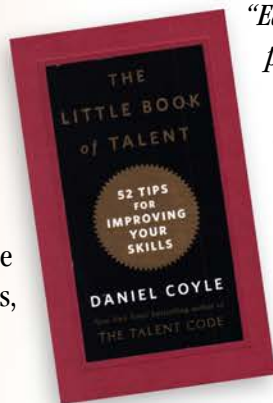
The book is concisely written into 52 field-tested and scientifically sound tips he learned from his journey. These tips are broken up into three natural categories, Getting Started, Improving Skills and Sustaining Progress. The author purposely made the tips brief and simple, since the basic truth he learned was, "Small actions, repeated over time, transform us."

*"This ain't magic, and it ain't rocket science. It's about working hard, and working smart."
(master vocal coach Linda Septien)*

The Essence of The Book

The most inspiring message of the book is everyone is born with the ability to be

great. It is not controlled by your genes but rather controlled solely by you.



"Each day, each practice session, is a step toward a different future."
There is hope for everyone!

My Favorite Tips

The author also purposely designed the book to be small so it could be carried in a purse, sports bag, or in your pocket. That way you could refer to it whenever you need to, like an owner's manual to greatness. Cool! The following are some of my favorite tips, but the most important tip is to get the book so you can start being a better parent, coach, employee, etc., and you can set your kids up to be successful!

Buy A Notebook

The author noticed many top performers kept some type of daily performance journal which they would refer to and reflect on. These notebooks created clarity and worked like a map. *"Results from today. Ideas for tomorrow. Goals for next week."*

Choose Spartan Over Luxurious

While many of the talent hotbeds the author visited could have afforded better, they were not luxurious at all and were sometimes called "chicken-wire Harvards." Why? Keeping things simple

and humble focuses our unconscious mind on the task at hand of practicing, struggling, and improving. Luxury is a motivational narcotic which tells our unconscious mind to give less effort. When given the choice between luxurious or spartan, the research says choose spartan every time!

Early Success Is A Weak Predictor of Long-Term Success

How many times have we heard about the young prodigy who has early, instant and effortless success, or that someone has inherited "talented genes" and is destined for greatness. News flash... Research shows early success is a very weak predictor of long-term success. In fact many top performers such as Michael Jordan, Walt Disney, Albert Einstein, Fred Astaire, Winston Churchill, Lucille Ball, etc. were overlooked early on, only to become accomplished and famous later on.

The author noted the talent hotbeds are focused on not identifying talent, but on constructing it, day by day. They don't pretend to know who will succeed. Many times the humble, hard working individual is the one who achieves the greatest success.

Practice Alone

"Solo practice is the best way to 1) seek out the sweet spot at the edge of your ability, and 2) develop discipline because it doesn't depend on others. In a study

of world-class performing musicians compared to top amateur musicians, the two groups were similar in every practice variable except one: the world-class musicians spent five times as many hours practicing alone!”

Take A Nap

This is one of the author’s favorite tips. He found napping is very common in talent hotbeds. He also noted professional athletic teams are usually professional nappers too!

“Napping is good for the learning brain, because it helps strengthen the connections formed during practice and prepares the brain for the next session.”

Stop Before You’re Exhausted

Especially during tax season, CPAs work crazy hours to get their work done. Be aware, however, that the science is very clear, especially with respect to learning: “Exhaustion is the enemy. Fatigue slows the brain. It triggers errors, lessens concentration, and leads to shortcuts that create bad habits. When exhaustion creeps in, it’s time to quit.”

Embrace Repetition

Repetition is the key to skills improvement because it makes our brain work quicker and more accurately. Top performers embrace skills repetition. As the late Bruce Lee remarked, *“I fear not the man who has practiced 10,000 kicks once, but I fear the man who has practiced one kick 10,000 times.”*

Have A Blue-Collar Mindset

Many people see top performers as living cushy and easy lives. Behind the scenes, however, these same people would be shocked at how much time and effort these top performers have invested in perfecting their craft. “Their mindset is not entitled or arrogant; it’s 100% blue collar. They get up in the morning and go to work every day, whether they feel like it or not.”

*“Inspiration is for amateurs.”
(artist Chuck Close)*

“We are what we repeatedly do. Excellence, then, is not an act, but a habit.” (Aristotle)

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CPA FIRM MICROCOMPUTER TECHNOLOGY

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



It seems that each month this article starts with news of a new malware that is using a new method to install itself in order to encrypt files. The latest variant is sent via an e-mail that includes your address and a very authentic looking invoice that is overdue. Click on the link and open a file that looks like a Word file and the ransomware encrypting your files installs on your computer. Here's what you can do to defend yourself and your firm:

- Keep informed regarding these kinds of attacks and continuously train staff to be extremely careful with e-mails and with web browsing.
- Simple! Train staff not to click on e-mail links.
- Use an e-mail filtering service that stops these kinds of e-mail before they hit your system.
- For web browsing security, use anti-virus and malware protection software and a Firewall with a comprehensive gateway protection package. This would include content filtering, gateway anti-virus, and anti-spyware.
- Don't give local admin rights to computer users.
- Do not lower the default UAC and browser security levels. This, when combined with the user not having admin rights, will stop most malicious software from installing on the computer.
- Make sure your backup strategy is effective and that backups are not continuously connected to the computer or network.

Microsoft announced in March that the support period for Windows 7 and Windows 8.1 devices on Skylake systems will be extended by one year: from July 17, 2017 to July 17, 2018. Dell followed with an announcement stating, *"Customers who want to buy new PCs with 6th Generation Core processors (Skylake) and continue to broadly use the Windows 7 operating system -- while testing Windows 10 -- can also confidently purchase new PCs with the newest processors knowing that their investment can transition to Windows 10 at any time before July 17, 2018 and still receive full operating system support on Windows 7 before the transition."*

Microsoft has published a Windows 10 Business roadmap. The features listed "in public preview" on the roadmap are expected to be in the anniversary update to Windows 10 expected this summer. These features include Edge extensions, Enterprise Data Protection, and multifactor authentication for apps and sites using Hello and Passport. The Enterprise Data Protection feature will provide file-level encryption for business data and apps. Also included on the roadmap are enhancements to Continuum which will allow Windows Phones to connect to large screen monitors, mice, and keyboards.

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

rh

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Making a Graceful Exit

By Adrian Hong



Exit planning for business owners has always been an issue and a sensitive one. It is never easy to transition out a company you created or built up. This issue has grown ever more pressing as a generation of baby boomers is set to retire in the next several years.

To find out how business owners should approach exit planning, I interviewed Mi-juskovic, MBA, MSIS, CExP,™ [Senior Partner/Certified Exit Planner, Wealth Strategy Partners](#). Marko is also the host of Hawaii Money Resource on 760 AM KGU from 5 PM – 6 PM on Wednesdays.

AH: How far out from retirement should one start exit planning?

MM: Experience, learning, and “trial and error” all require time—a luxury most business owners do not enjoy as they approach the end of their ownership lives. Once most owners begin to think about leaving, they want out sooner, rather than later. Time. Make time an ally by starting your exit plan now.

AH: Who should be involved in the exit planning?

MM: Experienced advisors. Choose advisors who have seen and learned from the failures and successes of other owners exiting their businesses. They should guide you through the exit process so you can avoid costly mistakes. Advisors are: Certified Exit Planner (quarterback), CPA,

attorney, financial advisor, insurance agent (personal and business), business valuator, business consultant, etc.

AH: What steps should one take?

MM: Step 1: Exit Objectives. Have you determined your primary planning objectives in leaving the business, such as:

- Your desired departure date?
- The income you need to achieve financial security?
- The person to whom you want to leave the business?

Step 2: Valuation and Cash Flow. Do you know how much your business is worth? Do you know what the business’s future cash flow is likely to be after you leave it?

Step 3: Making the Business More Valuable. Do you know how to increase the value of your ownership interest?

Step 4: Sale to Third Party. Do you know how to sell your business to a third party in a way that will maximize your cash and minimize your tax liability?

Step 5: Transfer to Co-owners or Family. Do you know how to transfer your business to family members, co-owners, or employees while paying the least possible taxes and enjoying maximum financial security?

Step 6: Business Continuity upon Death or Disability. Have you implemented all necessary steps to ensure that the business continues if you don’t?

Step 7: Wealth Preservation Plan. Have you provided for your family’s security and continuity should you die or become incapacitated?

AH: How does one maintain the value of the company?

MM: First, you need to know the value of your company in order to maintain it or if it’s not meeting your exit goals you will need to increase the value. Valuation of the business is the step you need to take in the beginning of the planning process.

Once you know the value, to grow it you will need to do following: Tax audits, Legal audits, identify your value drivers in the business and work on it, set up a team of people to help you as a business owner (management), look for your replacement, create the environment so you are working on the business instead of in the business, eliminate your personal liabilities and guarantees, have a continuity plan in place, etc.

AH: What is the biggest impediment to a successful exit?

MM: Not having enough time and not having a plan. According to a survey performed by the Business Enterprise Institute (BEI) of owners who are entering the retirement phase of their lives, only 38% of respondents think they have identified all steps necessary to successfully exit their business and only 8% have put those steps into writing.

ANNUAL ELECTION/BUSINESS MEETING

June 24, 2016

ELECTIONS

The Annual Election Meeting will be held on June 24, 2016 in conjunction with the 56th Annual Conference at the Hawaii Prince Hotel Waikiki. Following the Election Meeting, the new officers and directors will be installed at the 56th Annual Conference Luncheon on June 24, 2016.

NOMINATING COMMITTEE REPORT

Pursuant to the provisions in Article VI, 6.1 of the HSCPA Bylaws, the Nominating Committee has submitted the following nominations for officers and directors of the Society for the fiscal year beginning July 1, 2016. If any nominee should for any reason become unavailable after notice of the election has been given, and if voting is not conducted by written ballot, then nominations for that office from the floor by any member in good standing who is present in person at the Annual Election Meeting shall be accepted.

VICE PRESIDENT

Edmund N. Nakano – C.S. Wo & Sons, Ltd.

SECRETARY/TREASURER

Chad K. Funasaki – N&K CPAs, Inc.

DIRECTORS (2016-2018)

James P. Hasselman – James P. Hasselman, CPA LLC

Robert K. Hatanaka – KKDIY LLC

Steven R. Oberg – Oberg & Free, CPAs (KAUAI)

Valerie M. Peralto – Peralto & Co., CPAs, Inc. PC (HILO)

Ryan K. Suekawa - Deloitte

Warren Y.F. Wee – Hawaii Pacific University

In accordance with the Bylaws, officers automatically accede to the next level of office to serve terms as elected or as designated, and the directors named below will continue to serve their terms as elected or as designated, or may be removed by a vote of at least two-thirds of the voting members present at a designated meeting. The President automatically becomes Immediate Past President when his/her term ends..

PRESIDENT

Norman N. Okimoto – Hawaiian Tel Federal
Credit Union

PRESIDENT-ELECT

Darryl K. Nitta – C & Y CPAs LLC

IMMEDIATE PAST PRESIDENT

Gordon M. Tom – KMH LLP

DIRECTORS (2015-2017)

Brenda F. Cutwright – BFC Hawaii Consulting

Mark A. Hayes – CW Associates, CPAs

Franklin T. Kudo – University of Hawaii at West Oahu

Trisha N. Nomura – HiHR

Jessica Su – TRUSTA AAC

Natalie M.H. Taniguchi – American Savings Bank

AICPA Members of Council

Ronald I. Heller – Torkildson Katz Moore

Hetherington & Harris (Designated 2015-2016)

Wendell K. Lee – Accuity LLP

(Elected 2015-2018)

Proposed amendments to HSCPA Bylaws

First

Amendment to Section 2.12(3) to expand Faculty Membership by allowing persons who (a) have not taken the CPA exam, and/or (b) are teaching part-time, to qualify for Faculty Membership:

NON-VOTING MEMBERSHIP. Non-voting members shall include non-resident, associate, faculty, retired, life, committee affiliate, student and honorary members, as defined below.

(3) **FACULTY MEMBERSHIP.** Any resident of the State of Hawaii who is employed as a [full-time] faculty member teaching accounting in an accredited two or four year college or university in Hawaii; and is not holding a valid certified public accountant certificate issued by any territory or possession of the United States or the District of Columbia or the substantial equivalent issued by a foreign country or political subdivision thereof.

Second

Amendment to Section 2.12(2) to expand Associate Membership by allowing persons who qualify for associate membership in the AICPA (such as CGMAs) to be Associate Members of the HSCPA:

(2) **ASSOCIATE MEMBERSHIP.** Any resident of the State of Hawaii who (i) has passed the Uniform CPA Examination and is otherwise qualified except that he or she has not fulfilled the experience and/or education requirements to receive a certified public accountant certificate as specified in the rules of the Hawaii State Board of Accountancy, [or] (ii) is employed by a CPA firm and has stated his or her intent to take the Uniform CPA Examination, or (iii) is eligible to be an associate member of the American Institute of Certified Public Accountants ("AICPA") under the applicable rules established by the AICPA.



U.S. Income Taxation of Noncitizens



June 17, 2016 (Friday)
11:30 a.m. to 2:00 p.m.

Plaza Club - 20th Floor
(Public parking at Harbor Court
or other municipal lots)

HSCPA Member
\$XX
Non-member
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Buffet Lunch
Included
2 CPE credits

Learn the basic guidelines and rules on how the tax laws are applied to noncitizens who work or live in the U.S. This session will cover basic immigration categories of immigrants (i.e., green card holders) and nonimmigrants (e.g., visitors, students, work visas). Discussion will also focus on how to determine resident status for U.S. income tax purposes, basic U.S. income tax rules for residents and nonresidents of the U.S. and special cases relating to income tax treaties and students.

Speaker:



Vaughn Cook practices law as a director in the firm's Hawaii Island office. A licensed Certified Public Accountant (not in public practice) as well as an attorney, his practice includes taxation law, general business/commercial law, immigration, and administrative licensing law statewide. Within the taxation area, Vaughn's areas of concentration are international taxation, corporate taxation and general business transactional planning for both profit and non-profit corporations.

✂ -----

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U.S. Income Taxation of Noncitizens ● June 17, 2016 ● Plaza Club - 20th Floor

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2016 TAX BOOK ORDER FORM

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2016 CCH U.S. Master Tax Guide – \$65.00 / \$75.00

The U.S. Master Tax Guide (2016) provides helpful and practical guidance on today's federal tax law. This 99th Edition reflects all pertinent federal taxation changes that affect 2015 returns and provides fast and reliable answers to tax questions affecting individuals and business income tax.



2016 RIA Federal Tax Handbook – \$50.00 / \$60.00

Designed to provide quick and easy access to critical tax questions, the RIA Federal Tax Handbook offers comprehensive, insightful guidance on federal tax law, including the latest regulations, rulings, and revenue procedures as well as precise explanations about changes that could impact your business or your clients..



2016 Taxes of Hawaii – \$26.00 / \$35.00

Hawaii's only comprehensive tax-season tool! Updated annual publication with all the new state tax laws and court decisions. An invaluable reference used by Island and mainland CPAs, tax preparers and bookkeepers, as well as attorneys, small businesses, individual taxpayers and students. Includes income tax rate tables, specimen tax forms and vital information on income. General Excise, use, estate, property, unemployment, transient accommodations and other taxes.

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_____ 2016 RIA Federal Tax Handbook	\$ 50.00	\$ 60.00	_____
_____ 2016 Taxes of Hawaii	\$ 26.00	\$ 35.00	_____
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_____ \$8.00 for 1st book	1 - \$8.00	1 - \$10.00	_____
_____ \$4.00/book for 2nd book & thereafter	2nd + - \$4.00	2nd + - \$6.00	_____
*Mainland/International - call for pricing			
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JUNE 24, 2016 • HAWAII PRINCE HOTEL WAIKIKI

HSCPA 56TH

THE FORCE AWAKENS

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It's an EPIC Adventure!



Like the Star Wars trilogy, the profession continues to face its own “attacks, battles and hand-to-hand combat” to rise to the moment. The challenges never end. We continue to evolve and change to remain relevant in today’s marketplace. So, take out your form of “light saber” and using “the force”, deflect incoming bolts and reflect them!

Let The Force Awake You! The HSCPA 56th Annual Conference on June 24th will do just that with great speakers that will educate, inspire and entertain you!

AICPA past chairman, **Bill Balhoff**, will provide an up-to-date overview of the many forces driving change in the CPA profession today and in the future, and also discuss initiatives focused on supporting members in an ever-changing profession.

Neil Rose, Chief Investment Officer at Cadinha & Company, will share what keeps them up at night. If you had a billion dollars, how would you invest it? It has been seven years since the financial crisis. Markets have risen, but so have global debts. Today, growth has become stagnant while uncertainty has increased. Interest rates are low and even negative in some parts of the world. And there’s a crazy election coming in the U.S. *What’s an investor to do?* He will also address the “China Question”, ideas of income generation and some of his favorite investments today. Come with questions – or send them to the HSCPA in advance!

Hawaii Pride! Congratulations to the UH Rainbow Wahine basketball team on their fantastic accomplishment capturing the Big West Conference tournament championship to earn a spot in the NCAA tournament. **Head Coach Laura Beeman** encouraged her team to “dream big” and they did just that making their first NCAA tournament appearance since 1998. Coach Beeman will join us at lunch to share her inspirational story on how passion, great relationships, strong leadership and teamwork are her foundation for coaching.

Back by popular demand will be **Jason Pa** who is a consultant with the Hawaii High Intensity Drug Trafficking Areas (HIDTA), a program created by Congress with the Anti-Drug Abuse Act of 1988. Jason captured our attention in 2014 while he was a Special Agent/Criminal Investigator with the Department of Homeland Security. Aside from drug and arms trafficking, he was heavily involved in money laundering, financial fraud and Internet gambling, to name a few. Jason returns to mesmerize you with his experiences in helping to keep Hawaii “clean”. Don’t miss Jason’s entertaining presentation!

As tradition goes . . . The Conference concludes with Happy Hour for networking with colleagues and friends. Join the fun!

Thank you to our Corporate Lunch Sponsor, American Savings Bank, for their support of the HSCPA Annual Conference over the past decade! We are pleased to welcome back Ceridian and Thomson Reuters as conference partners. Come and visit with them to learn more about their new and exciting products!

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Featured Speakers



As the Managing Director and CEO for Postlethwaite & Netterville, APAC (P&N), **Bill Balhoff** leads a top 100 U.S. accounting and consulting firm. He currently serves on the Board of Directors of the International Federation of Accountants (IFAC). In 2013-2014 he was Chairman of the AICPA Board of Directors. Bill has been named among the Top 100 Most Influential People in the accounting profession by both Accounting Today and CPA Magazine and served as a member of the Financial Accounting Standards Advisory Council. In 2014 he was named Baton Rouge business person of the year. Bill is active in the profession on a national level and has served on the Special Committee on State Regulation regarding the effects of the Sarbanes-Oxley Act. He has also testified before the U.S. Senate Banking Subcommittee. Bill also served as Chair of the AICPA's PCPS Executive Committee.



University of Hawaii Rainbow Wahine Basketball **Head Coach Laura Beeman** completed her fourth season at the helm of the 2015 Big West Conference regular season champions. She and her staff have revitalized the Hawai'i program leading Hawai'i to the NCAA Tournament for the first time since 1997-98 this past season. Previously the team has had three-straight appearances in the Women's National Invitational Tournament (WNIT). In her four short seasons here, she has compiled a 71-48 overall record and a 49-17 mark in the Big West. One of the passions of Coach Beeman, her staff and her players has been getting involved in multiple service opportunities to give back to the local communities. The coaches and players have conducted free basketball clinics to youth on the North Shore and have spent hours helping at Waikiki Health's Youth Outreach (YO!) program working with local at-risk and homeless youths. The team also sponsored a "YO!" Sneaker Drive at one of their games last season. The Rainbow Wahine have participated in the American Cancer Society's "Relay for Life", Special Olympics, and have participated in several elementary school reading programs.



Jason "Pa" recently retired as a Special Agent/Criminal Investigator with the Department of Homeland Security, United States Immigration and Customs Enforcement (referred to as "ICE") where he served since February 2003. He is currently a consultant doing specialized criminal enforcement work. While with ICE, Jason was assigned to the Organized Crime Drug Enforcement Task Force and the High Intensity Drug Trafficking Area Task Force. His ICE duties included enforcement of federal statutes relating to arms trafficking, alien smuggling, banking, bulk cash smuggling, child pornography, counterfeit goods, drug trafficking, finance, fraud, gambling, human trafficking, Internet gambling, money laundering, mortgage fraud, Ponzi schemes, sex trafficking, smuggling and wire fraud. Jason's past experiences include employment with the IRS Criminal Investigation Division for 19 years combatting crime relating to income taxation, money laundering, drug trafficking, banking and finance. Prior to this, Jason was an IRS Tax Examiner for 3 years. Jason graduated with Bachelor of Arts degree in Accounting from Chaminade University.



Neil Rose, CFA, Senior Vice President and Chief Investment Officer at Cadinha & Company since 2002. Today, as the firm's Chief Investment Officer, he develops strategy and selects specific investments. Neil is a cum laude graduate of Harvard University with a B.A. in economics where he was also quarterback and captain of the Harvard football team. Neil holds the Chartered Financial Analyst (CFA) designation, an international professional designation awarded to those who meet stringent professional and ethical standards and have passed a rigorous curriculum with exams.

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7:30 a.m. Registration / Check in / Breakfast Buffet

8:30 a.m. Annual Election / Membership Meeting

State of the Profession / Professional Issues Update

William Balhoff, CPA-CGMA – Past Chairman,
American Institute of CPAs

If I Had A Billion Dollars . . .

Neil Rose, CFA, Senior Vice President & Chief Investment
Officer – Cadinha & Co.

Lunch – Sponsored by American Savings Bank

Installation of Officers & Directors

Be A Game Changer

Laura Beeman, Head Coach – UH Rainbow Wahine Basketball

Detecting Investment & Financial Fraud in Hawaii

Jason Pa, Consultant – Hawaii High Intensity Drug Trafficking Areas

3:00 Happy Hour!

	Register online at www.hscpa.org	TOTAL
Conference Package includes materials, complete breakfast buffet, lunch and Happy Hour!	\$250.00 – Member \$350.00 – Non-member After June 10: \$300.00 – Member \$400.00 – Non-Member	\$ _____ \$ _____ \$ _____ \$ _____
		\$ _____
TOTAL AMOUNT PAID		\$ _____

Total \$ _____ ☐ Check # _____ ☐ VISA ☐ MasterCard Exp. Date _____ / _____

Card No. _____ CVV _____

Name on Card _____ Signature _____

Registrant Name _____

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