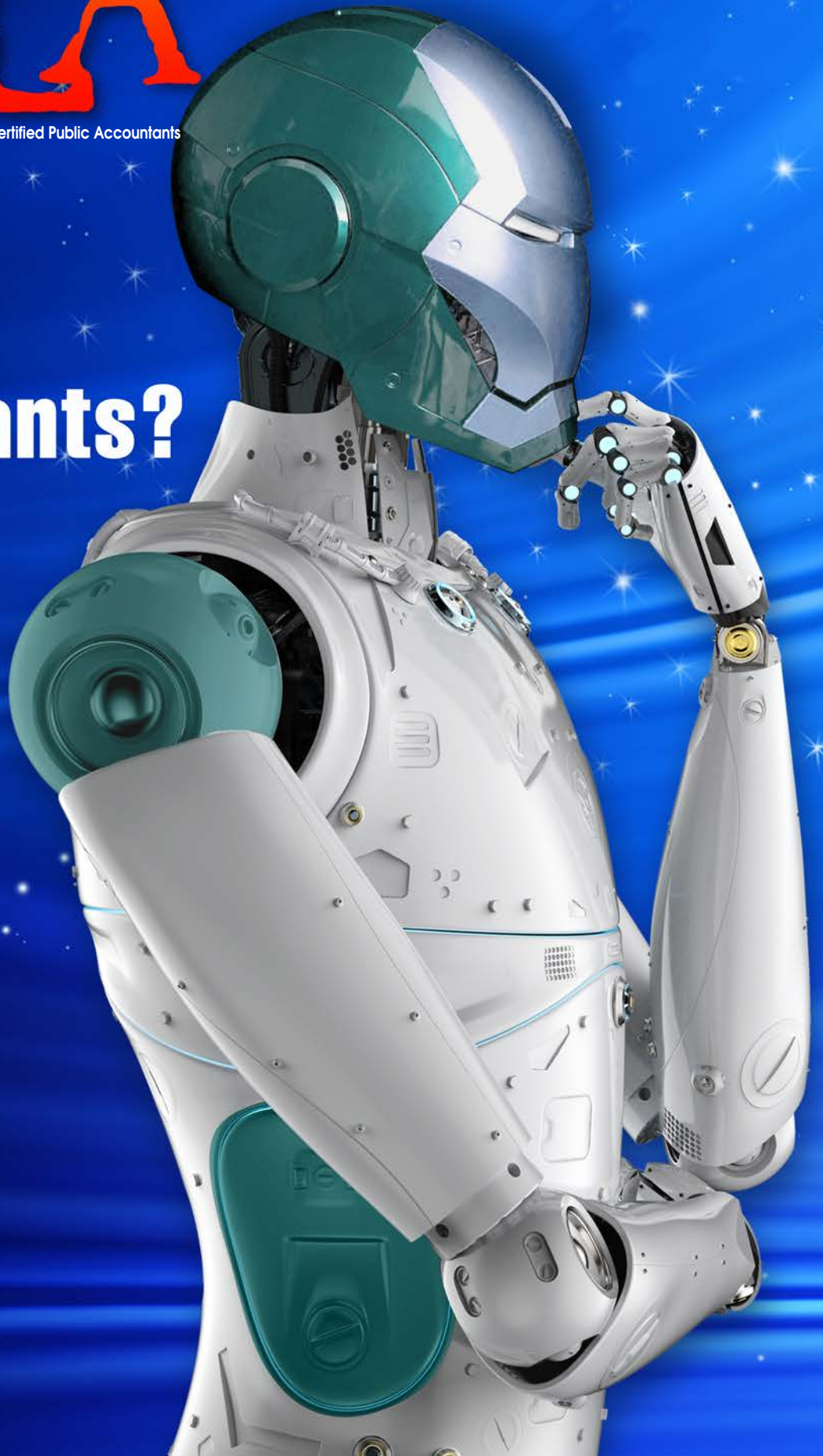


APRIL 2021

KĀLĀ

The Official Publication of the Hawaii Society of Certified Public Accountants

Can A.I. Replace Accountants?



“

We get our money
faster with
next-day funding.

”

Get your money faster. Give your customers best-in-class payments, technology and security while enjoying local service and support.*

Your business banker is here to help you get started with Merchant Services. Let's talk.
Visit us at asbhawaii.com/BusinessAnswers.



Member FDIC

Real Life, Real Answers



AMERICAN
Savings Bank

©2021 American Savings Bank

*Some restrictions may apply. Based on approved credit.



The Official Publication of the Hawaii
Society of Certified Public Accountants

Officers

President Edmund N. Nakano
President-elect Ryan K. Suekawa
Vice President Frank T. Kudo
Secretary/Treasurer Chad K. Funasaki

AICPA Council

Darryl K. Nitta (Designated)
Ryan K. Suekawa (Elected)

Executive Director

Kathy M. Castillo

Directors • 2020 – 2022

Steven Oberg (KAUAI)
Norman N. Okimoto
Valerie M. Peralto (BIG ISLAND)

Administrative Assistant

Debbie Cortes

Graphic Design

Underwood Graphics

Directors • 2019 – 2021

Ronald I. Heller
Adrian K. Hong
Nelson K. Lau
Trisha N. Nomura
Grayson Nose
Natalie M.H. Taniguchi
Gordon M. Tom

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

Immediate Past President

Darryl K. Nitta



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 Hawaii Society of Certified Public Accountants. Please direct all inquiries regarding editorial content to HSCPA, 900 Fort Street Mall, Suite 850, Honolulu, Hawaii 96813.

In This Issue

President's Message	5
<i>By Ed Nakano</i>	
Can AI Replace Accountants?.....	6
<i>By Bryan Kesler</i>	
There Will Never Be "More" Time.....	8
<i>By Matt Klein</i>	
Why Is Innovation So Difficult?	10
<i>By Marc Staut</i>	
Member Advisory.....	11
Return of the Frankenbill!.....	12
<i>By Tom Yamachika</i>	
Y-CPA Buzz.....	13
<i>By Jill Ishimitsu</i>	
Norman's Book Review.....	14
CPA Evolution Update.....	16
CPA Firm Microcomputer Technology... ..	18
<i>By Joy Takaesu</i>	
Book Orders.....	20



CPACHARGE®
AN AFFINIPAY SOLUTION

TAKE A TAX SEASON BREAK

\$100 PROCESSING CREDIT +
3 MONTHS NO MONTHLY FEE
ENDS APRIL 30

Offer **EXTENDED** through April 30

As the leading payment solution for thousands of accounting and CPA firms, we respect the hard work and dedication you put into keeping your clients happy during the hectic tax season. That's why we want you to have a little "tax break" of your own by extending our special tax season offer.

If you create a new CPACHarge account by April 30 you'll get a \$100 credit toward your processing fees + 3 months no monthly fee! See for yourself why we're the only payment solution offered as an HSCPA member benefit.

GET STARTED

VISA



DISCOVER



eCheck®

| 866-283-0402

| cpacharge.com/hscpa



President's Message

By Ed Nakano

New Business Leadership Realities in the Pandemic Era

The COVID-19 pandemic has changed our day-to-day lives forcing rapid adaptation. A transcript from a podcast hosted by Neil Amato of the AICPA with executive coach and consultant Gretchen Pisano is relevant and worthy of actions for Accountants. Pisano is the CEO and co-founder of pLink Leadership, a management consultancy firm that provides leadership development and executive coaching. A Financial Management article "Leading with Empathy During the Pandemic" written by Sara Nagen also adds credible value to this podcast content.

Ms Pisano talks about six main ways the research correlates with the COVID-19 realities leaders now face.

1. Super Focus Shifting. This process involves individual and collective development, learning something new that challenges our old beliefs and models, unlearn what we've been doing, then relearning. This concept is consistent with the AICPA mantra of "Lifelong Learning" with the adjustment to warp speed. This is also consistent with the concept of ELASTICITY, a learned ability to bounce back, covered in my October KALA President's message and advocated by Daymond John of Shark Tank in his AICPA Insights article, "A Shark's Advice for Building Resiliency". From my perspective, this is a "clean as you go" mindset.

2. Grappling with Emotion. Leaders are realizing that emotion is needed for innovation and creativity. We need to show empathy and greater emotional literacy. Emotion is the fuel to get the creativity that we want. Empathic leadership is

being recognized as emotionally intelligent leadership which will inspire followers.

3. Break the Mindset of Returning to Normal. The change we plan and implement if working, are permanent and we will not return to status quo. Nothing lasts forever. We must invest in employees. This is consistent with my belief that "we must change or become a victim of change" to the "new normal."

4. The Importance of Culture as a Strategic Investment. We as leaders should highlight the importance of culture as a strategic investment and invest in agile thinkers who adapt faster than others. We need to prepare our employees to participate in difficult conversations like racial equality in a skillful manner.

5. Diversity, Equity and Inclusion Conversations are a Core Component of Leadership. Nothing is off the table, anything is possible. We need to create an organization and norm around questioning the status quo and create an opportunity to reinvent.

6. Emphasizing that Adaption is the Key Skill. Recognize and reward it, support people who are adapting quickly. Examples are flexible schedules, sharing life experiences and how employees are adapting to changes. This process involves extending lots of generosity and grace while employees are adapting to the challenges of these changes.

Pisano also emphasizes the organization's focus should be on momentum and not achievement.

According to Sara Nagen, empathy is the practice of seeing things from someone else's perspective. It's a critical leadership skill that is required when dealing with these dynamic challenges. Having an empathic leader can go a long way in helping employees feel more secure and appreciated.

Ms. Nagen recommended the following to become a more emphatic leader:

1. Be Self Aware. There are three factors that affect empathy: the way we were raised, our religious beliefs and if we are "hardwired" as thinkers or feelers. Feelers value harmony and they sense who on the team will be upset or left out. Thinkers are less focused on individual responses and overall harmony and are focused of the team's goals. Leaders must self-assess themselves for a better understanding to be able to show empathy.

2. Really Listen. Leaders should pay attention to nonverbal clues, body language and aside time to speak to the employees if they sense concerns.

3. Put Yourself in Other People's Shoes. Leaders should consider how they would have handled challenges when they were regular employees. This is what Leadership Guru Glenn Furuya describes as the "Platinum Rule" – treat others as THEY want to be treated. This requires empathy.

4. Have a Deputy or Coach. Leaders should have a trusted employee to provide feedback. As

Continued on page 19

Can AI Replace Accountants?



By Bryan Kesler, CPA

Artificial Intelligence is a technological Midas touch, transforming everything into 24K gold. It has grown to affect various aspects of our personal as well as professional lives. From autonomous cars to customer service through chatbots - AI has single-handedly and successfully expedited the adoption of technology at a large scale.

But does this spell doom for traditional professions? More specifically, does AI endanger an accountants' position? Let's take a look!

Changes Brought About by Artificial Intelligence

It is no secret that AI, along with other technologies like IoT (Internet of Things), ML (Machine Learning), AR/VR (Augmented Reality/Virtual Reality), etc., is having far-reaching effects in every industry.

These technological innovations are powerful tools to eliminate redundancy, improve productivity, make efficient use of resources, and improve cost-effectiveness. Such advantages prop up workforce morale and improve work

culture. It essentially helps businesses grow at an accelerated rate without overburdening the employees.

In a nutshell, AI complements and augments your existing team's capabilities. So why is it perceived as a threat?

Well, because AI and automation will replace a small margin of labor-intensive work, especially in the unskilled sector. However, the more disruptive consequences

would be the changing faces of job profiles. It would result in a greater demand for skilled resources to operate the high-tech infrastructure, even if the business does not work in the IT sector.

[Gartner](#) was one of the firsts to dispel the notion that AI is out to take away our jobs by publishing a report on how it will act as a positive job motivator and incentivize working in any industry.



What Is the Impact of AI in Accounting?

Considering that AI brings with it the shockwaves of reskilling in every industry that it touches, how has it fared in the field of accounting?

For starters, the combination of AI and ML has introduced greater efficiency and accuracy, even in the most routine tasks. Secondly, it possesses the capability to handle multiple accounting functions, ranging from auditing to payroll management to tax preparation, and improved on this knowledge with each cycle.

Finally, it has left room for automation of rule and trigger-based actions, such as bank reconciliations, risk assessment, invoice payments, etc. Without a doubt, AI is highly capable of efficiently handling several standard accounting tasks.

AI Will Replace Accountants: Fact or Fiction?

Here's a short and quick answer to the burning question - AI will not replace accountants.

Here's why:

The Dual Function of Accountants

An accountant is indispensable to any organization as they also double as financial advisors working in the interest of the business. They undergo and pass an elaborate [exam](#) before earning the title of a CPA, which codifies the process and offers them a holistic journey. Even though an AI can also deliver pretty much similar results, the “human” angle of an accountant would impart greater insights into critical decisions.

The innate critical thinking, intuition, and financial acumen of an actual accountant will remain unparalleled, especially in contingencies like the [COVID-19 pandemic](#) and so on. As such, while AI may solve numerical problems, only an accountant can adopt a human approach to solve the “people” problem.

Accountants Offer Personalized Consultation

Speaking of an advisory role, an account may offer suggestions that appear counterintuitive or against general logic, but the risk will be proportionately rewarded! Such outputs are a result of personalization.

An accountant understands your financial and business goals and aligns them for maximum profitability. Resultantly, they will offer strategic and out-of-the-box solutions or advice while reviewing your books.

Similarly, they may make projections while factoring in anticipated industry responses, which may have propagated through the industry circuits via word of mouth. Artificial intelligence merely attempts to mimic this quality and can only obtain information from your company's financials.

Businesses Will Need Accountants for Analysis

As mentioned in the previous point, AI can procure detailed information from your financials. However, deriving financial reports is only half the battle won.

The real juice lies in understanding the findings, interpreting the ambiguities, and

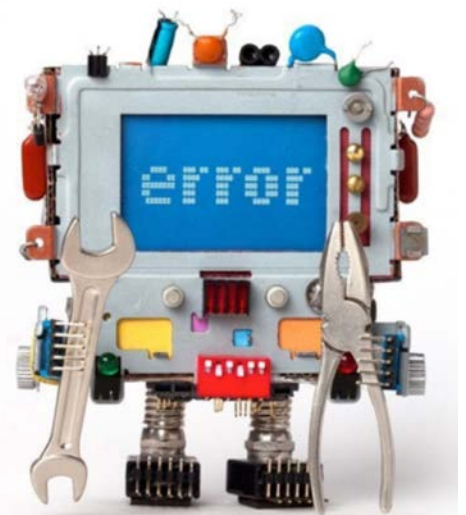
extracting actionable markers from these datasets. Hence, even the most powerful AI accounting platform would require an equally competent accountant to [make sense of the data](#). Plus, the human intervention at any crucial or unusual stage decides the further course of action.

Accountants Can Work With Incomplete Data

While data-driven models are well-known for being reliable, they are also susceptible to the pitfalls of incomplete or missing data. The algorithms governing the functioning of the AI-powered accounting tool can only work as intended if they have the requisite inputs.

Any kind of data gap may lead to catastrophic consequences, with the software turning biased, delivering incorrect results, or not functioning at all.

And while data hygiene is of utmost importance, by and large, you have to be extra vigilant while feeding data in AI-driven automated solutions. In contrast, manual processes may be less taxing in such situations.



Continued on page 19



There Will Never Be “More” Time

By Matt Klein, CPA

**I don't believe that you don't have time not to do things that will benefit you. You can't afford not to do it!*

Once we have figured out how to manage our time perfectly, the world will probably implode and cease to exist. It is a never-ending quest and this article was part 7 of my 1000-part quest to become better with my time and be a better employee, father, friend, and citizen of Utopia. It is easy to look back and see things I have done better at, things I still am not good at, and ideas that I thought were good then, but are flawed now. And that's how it applies to me. What's flawed for me isn't necessarily right for you and vice versa. Take a small piece, implement it, and do it all over again.

It was the appointment that wouldn't go away. The project was an interesting one, but would take a lot of time from several people and someone needed to champion it. We were two months away and already 10 months overdue for our new ERP system to go live. Everyone was working overtime and focused only on the implementation. There just wasn't enough time for other projects and there wouldn't be for maybe a year – or so I told myself.

The meeting approached and I canceled it and specifically said I couldn't commit to reschedule it in the near future. I received a reply with some joking comments about 'excuses, excuses but it's all good.' I had overloaded him with important sounding excuses to soften the blow of me telling him there wasn't enough time. It promised to be a great project and a great tool for the company – the kind of stuff that gets a geeky accountant like me out of bed. Was I using time as an excuse and robbing Peter to pay Paul? If I didn't make time now, would I ever make time?

Enough was enough. I can still see myself sitting at his desk promising that I won't

make excuses and I know there will never be a better time. I was fully committed to him. I don't remember if that was my first inkling of that thought, but it has stuck with me since that day.

My perspective is so different now when I have conversations with a banker, attorney, auditor, software consultant, or one of the other people around the world who vie for a portion of my time. Before, I often found myself saying something like, “This is definitely something I'm interested in and want to do but just don't have the time right now. When I have more time after 'X project' or 'Y deadline', then let's talk.” This seemed to work most of the time, and I squeaked by with meeting all my required obligations but not making time for much else. My response now has changed along with my perspective - I feel liberated.

At this point, let me warn you that I have not come up with a way to bend the space-time continuum, nor have I found a secret formula to make each day have 25 hours. What I did do was realize that I wasn't helping my job or my company to progress with my answer that did nothing more than put up a brick wall to block out change and innovation. I have read books and articles focusing on time management and made checklists until my pen ran out of ink. (I still do, checking things off feels good!) But until I took the advice of that sticky note on my monitor, “challenge the status quo,” I wasn't applying any of the advice.

What I'm proposing is that we prioritize our work lives such that we stop telling people that we will do it when we have more time. I realize that there will still be times when a deadline, vacation, or other occurrence will necessitate saying “not now.” However, instead of saying “later,”

what if we actually made “later” happen now by scheduling an appointment for right after the busy event is over? Once things are on the calendars of all parties involved, the meeting is much more likely to happen.

How many of you have been told “not now?” How many of you have said this? I'm not sure if I heard it more during my four years as an auditor or said it more during my four years as a controller. We all know how it feels to hear it, but that still doesn't make us more hesitant to say it. The road will not be easy and someone will still get told that I don't have time, but I am determined to change my initial response and try to make time to get involved in more things that interest me and will provide greater job satisfaction and growth for my company.

What happens when you tell people that you don't have time now or say “let's talk later?” How does it make the other person feel?

- They're not important.
- Their project is not important.
- You're more important than they are.
- You have no interest in their project.
- Others are more important.
- You lose credibility.
- You become the one who is really good at making up 'important-sounding' excuses.

From my mistakes are born your steps:

- Find time to make time.
- Don't make excuses as a cover-up.
- Commit to the project like it's your own (if you can't, don't do it at all – you can't say “yes” to everything).
- Communicate - everyone will appreciate the honesty.

The last step is the key. If your boss prioritizes your time differently for a few weeks, inform the team. If you're not passionate about it, help find someone who is. If there are too many meetings, suggest meeting agendas for more concise time usage. Be honest.

Fast forward a few years and the project that started this article was never completed. I'm not sure I remember what it was, but I can still remember younger me trying to appear busy to appear important when what I really needed to do was manage my time better to be more efficient, more productive, and thus, more free. I am more honest, I try to plan my day, I use my calendar to schedule appointments to make sure they happen, I still get distracted by stock prices or football talk, and I still say "no" to things I don't want to do. Am I better than before? Absolutely! Could I be much better than I am now? Without a doubt!

There will never be more time but we can take control of how we use our time. Endless opinions exist about how to schedule your day, whether or not to use a task list, when to read your emails, or how to be more productive. You have been living 24 hours a day and working 8 or more hours per day for a long time. You know what works for you. You have had good workdays and bad workdays. When forced to be good with time, you magically get everything done. Simply force yourself to be good with time all the time.

Of course, you'll need some help along the way, but you can't eat the whole elephant in one sitting. Find some tools that work for you, apply them, and then find another tool, apply it, and the cycle continues. Don't worry about what other people say about how often you should stand up every day or how many rows you should have on your spreadsheet.

A few tips that have recently worked for

me and might give you a good starting place:

- I have a morning routine, mid-day check-in, and shut down routine. I plan tomorrow out before I leave the office today and make sure that I've addressed any important emails or tasks. It gives me a chance to wind the day down and make sure I get out on time while also getting done what I need to.
- I still use a task list, but I use it to draw ideas for tomorrow from, not to dictate what I do today. I use a box schedule (sometimes called a block schedule) to plan my day. I know what I should be working on during my whole day so there is never a question of what I should do or time to get lost in my email and never get important things done. Hint: It does not always work.
- I removed distractions from my phone and email. I turned off all notifications on my computer when an email comes in – sometimes my email is not even open (gasp!). Your inbox is a place for other people to organize their agenda for your time. It's your time, not theirs. I turned off most notifications on my phone. I get most of my news from reading the alerts on my phone, but I can read those once or twice a day like the morning newspaper and not lose my train of thought every 5 minutes when my phone buzzes (check out *Indistractable* by Nir Eyal).

I actually work on what I want to, what I meant to, and what I decided yesterday was important for today, not what someone else decided was important for me. (Disclaimer for my boss: I will always work on what is important for you.) If I say I don't have time now, it's probably because I don't want to work on the project. I know I have said that a few times since I wrote this article the first time.

I have switched a little bit of my focus to reclaiming my day, my time, and asking myself what is the most important thing I can do right now? For my employer, my family, my friends, or whatever I am doing with my time at that moment. I recently heard that when someone gives you time it means much more than someone who gives you money. You can make more money but you cannot make more time.

Be present. Multi-tasking is a fancy way of saying "I am distracted in everything I'm working on." Technology allows us to do many more things than before, but we need to be careful to be present in our meetings and with our families. Every morning I ask myself, "what is the most important thing I can do for my employer?" When I go home, I am going to start asking myself, "what is the most important thing I can do for my family?" I guess that means tonight I am starting on that barn door I've been promising my wife for two years.

Never saying no has been one of the biggest contributors to my professional success and I can't believe it took me this long to realize that by saying 'later' I had really been saying 'no' all along. But remember, if you say "yes" to this, what are you saying "no" to? There are still only 24 hours in the day. You get to choose what to do with those hours. I have reclaimed time from my day – I get more done in less time. **What will you do with your time?**

Matthew W. Klein, CPA, CGMA is the finance director at Lifetime Products. He graduated from the University of Utah with a bachelor's and master's in accounting and began his career at Deloitte & Touche. Klein has been active in the UACPA and has served as past president and on other committees. Printed with permission from the Utah Association of CPAs.



Why Is Innovation So Difficult?

By Marc Staut of Boomer Consulting, Inc.

Innovation is a priority in most CPA firms today, but it's also a challenge. According to McKinsey, 84% of executives recognize that innovation is important to their business's growth strategy, but only 6% are satisfied with their innovation performance.

Why is innovation so difficult?

Innovation is a question of mindset. If your firm's leaders don't have the right mindset, transformative change and innovation are nearly impossible.

The problem is many firm leaders are happy with the status quo. The firm is profitable, there is plenty of work to go around, and they're comfortable delivering the same services and using the same technologies. Why change?

To get out of the rut, you need the following.

1. An abundance mindset

Innovative firms aren't happy with the status quo. They're looking for the next thing — the next service offering, the next technology, the next challenge. They have an abundance mindset.

An abundance mindset focuses on new opportunities and options, which leads to bigger thinking. Instead of questioning whether the firm has enough resources to innovate, they look for opportunities, knowing there will be enough resources and success to share with others.

2. A longer view

You can't be innovative if you're worried about today's problems. You can't be in innovation and have a tactical mindset at the same time.

Many firm leaders are so focused on today's client problems, personnel issues and deadlines to be innovative. Solving the problems on your desk right now isn't innovation — it's operations. Innovation

demands a longer view.

Make time to think about five years from now. What clients do you want to work with? What services will you need to offer them? Which technologies and processes will you need to deliver those services effectively and efficiently? Start solving the problems of five years from now, and you'll start to innovate.

3. Momentum

It takes a massive amount of energy to launch a space shuttle. The rockets have to provide enough power to propel the craft at seven miles per second, or 25,000 per hour. Without enough momentum, the spacecraft will end up trapped in Earth's orbit.

Innovation is also affected by a different kind of gravity. The gravity that keeps your firm from gathering enough momentum is your people's habits and routines, the comfort you feel now, the lengths people will go to to avoid discomfort and the amount of energy it takes to create a better result.

Many firms put together "innovation teams" that fail to achieve liftoff because they don't have the momentum to escape the gravitational pull of those habits and routines. Growth and innovation come from doing things that are uncomfortable, trying and failing and trying again. Innovation is never a clean process. It's messy.

Traits of an innovative organization

Having an innovation team or putting the word innovation in your firm's mission statement or website isn't enough to make it a reality. Consider the following traits of an innovative organization from the growth strategy consulting firm InnoSight. How well does your firm stack up?

- Always assume there's a better way to do things

- Focus on deeply understanding clients' stated and unstated needs and desires
- Collaborate across and beyond the organization, actively cross-pollinating
- Recognize that success requires experimentation, rapid iteration and frequent failure
- Empower people to take considered risks, voice dissenting opinions and seek needed resources

There's a lot of risk involved in being an innovative firm. Highly creative and disruptive ideas often sound crazy or impossible at first. If people fear they'll be ridiculed or shut down when they share big ideas, they simply won't share them.

Likewise, if people face consequences for participating in unsuccessful projects, they won't participate. Ensure your team knows they can share outrageous ideas and take reasonable risks without putting their reputations or careers on the line. That's an environment in which innovation can thrive.

Becoming an innovative firm takes a lot more than a whiteboard and a brainstorming session. It requires a willingness to get uncomfortable, shake up the status quo and a lot of trial and error. Innovation will always be difficult, but with the right mindset and momentum, you can begin to drive innovative performance in your firm.

Marc Staut, Shareholder and Chief Innovation & Information Officer at Boomer Consulting, Inc., helps meet the growing needs of CPA firms by leveraging his experience to provide strategic technology assessments, planning, visioning and coaching. He feels that "technology should be an enabler — something that's approachable, aligned with and integral to the success of each firm." Marc is a regular speaker, author and panelist on technology in the accounting profession, cloud computing, mobile technology, leadership and vision.

*** MEMBER ADVISORY ***

AVOID A RICO* INVESTIGATION...KNOW THE LAW!

CPAs are known for “doing the right thing” and the following information is provided to HSCPA members whose core values are to uphold the legacy and integrity of the accounting profession.

ETHICS CPE

Do Hawaii CPAs need Ethics CPE for license and Permit to Practice (PTP) renewals?

Yes. Even if you are renewing your license only, you will need four (4) hours of Ethics CPE. For those renewing both license and PTP, the four (4) hours of Ethics CPE can be part of the 80 hours required for CPE. Be prepared and register for an Ethics course at [HYPERLINK “https://www.hscpa.org/professional-development”](https://www.hscpa.org/professional-development) Professional Development – HSCPA. **Next reporting year: License and PTP renewals by December 31, 2021. Firm PTP renewals will require peer review reporting, if applicable.**

USING THE “CPA” DESIGNATION

Can one use “CPA” after his/her name with a license but without a PTP?

The law in Hawaii says that it is a prohibited act to use the title Certified Public Accountant or the abbreviation “CPA” **unless** you hold **both** a CPA license **and** a current Permit to Practice, subject to certain exceptions.

If you have a CPA license but not a current PTP, you may call yourself a “CPA”, but you must make it clear that you are NOT actively engaged in the practice of public accounting (e.g., by adding the words “not in public practice”).

People in different positions use the title “Certified Public Accountant.” Some of them prepare tax returns, some of them do audits of financial statements, some of them do financial planning, some of them do business consulting, and some of them hold management positions in industry. There are CPAs in government, CPAs who teach, and CPAs who do other things that may not even be related to accounting. Nothing in the law says that you must be actively engaged in the public practice of accounting to call yourself a CPA.

The way to indicate that you are not holding yourself out to be in the practice of public accountancy, according to Administrative Rule 16-71-9, is to add the words “not in public practice” following the title CPA. Thus, assuming that you do have a current, valid CPA license, you may use the title Certified Public Accountant or the designation CPA if you follow it with the words “not in public practice”.

If your CPA license has lapsed, then it is clearly a prohibited act to use the CPA title, even with the words “not in public practice” added. To fit within the exception, you must have a current CPA license.

It is not a violation to make a statement that is clearly historical rather than current, such as “I was a CPA for 30 years before I retired.”

That type of statement is not a violation because it does not imply that you are a CPA now. However, if you do not have a current PTP, any statement that suggests or implies that you are a CPA now should clearly indicate that you are not in public practice.

Of course, the other alternative is to maintain a current Permit to Practice. If you have both a CPA license and a current permit to practice, then no disclaimer is required.

To initially obtain your CPA license, you had to satisfy the applicable standards regarding Education and Experience, and pass an Examination. You have good reasons to be proud of that achievement, and if you follow the rules, it's appropriate to let people know about it. You are a CPA – the fact that you left public practice doesn't change that.

Having CPAs in important positions in government, industry, and academia is good for the profession and good for society. If your CPA background helps you do your job, that proves the value of the CPA profession. Identifying yourself as a CPA and showing pride in the profession is a plus for all of us.

Don't become a victim of a RICO investigation! Know the law and comply. If you have any questions, feel free to contact the Hawaii Board of Public Accountancy at (808) 586-2696, e-mail: accountancy@dcca.hawaii.gov.

This advisory is intended as general information, and not legal advice for any specific individual situation. If you need or want legal advice, you should consult an attorney.

**The Regulated Industries Complaints Office (RICO) is a statewide agency of the Department of Commerce and Consumer Affairs. RICO enforces the regulatory standards of over forty professions, occupations, and programs by receiving, investigating, and prosecuting complaints.*

Hawaii Practices For Sale

Gross revenues shown: Kauai Island PCA \$100K - tax (72%), bkkpng (28%); Kailua Kona CPA \$485K - acctng/payroll 82%, tax 18%; Kauai/Maui/Honolulu CPA \$530K - tax (77%), acctng (23%). Also available after 4/15/21 - Honolulu CPATax \$266K. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.APS.net.

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@APS.net.





TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

Return of the Frankenbill!



Most of us have heard of “Frankenstein,” a novel written in 1818 by Mary Wollstonecraft Shelley. The story’s protagonist, Dr.

Victor Frankenstein, created a creature by assembling bits and pieces from cadavers and then bringing it to life using some unexplained method. (Mad scientists have to have their trade secrets!)

A “Frankenbill” or “Frankenstein bill” is one that is made by cobbling together bits and pieces of other bills, especially bills that have already died in our legislative process. By engrafting those bits and pieces into a bill that is still alive in the process, those pieces are effectively given new life.

In our Legislature, the Senate passed an omnibus tax increase bill, Senate Bill 56, which we [in this column have called the “Enola Gay” bill](#). It contained massive increases in income tax, both individual and corporate; wholesale 2-year suspensions of exemptions in the general excise tax; and a hefty increase in the conveyance tax.

After a public uproar over the Enola Gay bill, leaders in the House of Representatives [moved swiftly to stomp on the bill](#). The House Speaker’s office gave the bill a quadruple referral, meaning it had to clear four different House committees in a relatively short time if it were to survive. That made the bill as good as dead, according to House Majority Leader Belatti. As of the Second Lateral deadline of March 25, none of the four House committees to which the

bill was assigned had bothered to hear it. That bill is now officially dead.

[But, in a hearing notice](#) released on March 25, the Senate Ways and Means Committee declared its intention to stuff some of the major pieces of Senate Bill 56 into House Bill 58, a bill that at the time of crossing over to the Senate only provided for the temporary reallocation of conveyance tax revenues to pay debt service that the State owes on its general obligation bonds. The Proposed Senate Draft 1 of this bill contains new parts temporarily repealing the general excise tax exemptions and juicing up the conveyance tax for properties over \$4 million.

Another proposed new part would reduce the Hawaii estate tax threshold. The estate tax threshold is the size of a decedent’s estate below which no estate tax is owed. Once the threshold is passed, the estate tax ramps up very quickly. In 2020, the Hawaii estate tax threshold is \$5.49 million while the federal estate tax threshold is \$11.58 million. The bill would reduce the Hawaii threshold to \$3.5 million.

According to the website of the good government organization [Common Cause Hawaii](#):

[O]ur Legislature is not supposed to pass a bill which addresses 2 or more unrelated subjects, and is not supposed to pass a bill whose subject has not had 3 separate readings in the State House and 3 separate readings in the State

Senate. The purpose is to ensure a fair process, where the public and legislators have time to review and comment on proposed legislation.

Unfortunately, legislators use deceptive practices such as “gut and replace”, when a bill is stripped of its original content and replaced with an unrelated bill’s contents, and “Frankenstein bills” which is when bills encompassing various subjects are cobbled together into one bill.

This new Frankenbill is scheduled to receive a hearing in the Ways and Means Committee on March 31st. The hearing would have been held just before the publication date of this column. What did our lawmakers do? Did they create the Frankenbill, perhaps to be used as a bargaining chip in the waning days of this legislative session? Did they stuff this bill or other bills with the stratospheric income tax increases that have brought us [national and international attention](#), and not the good kind?

Be informed!

Tom Yamachika is President of the Tax Foundation of Hawaii - the ‘watchdog’ that keeps an eye on Hawaii’s taxes. Tom is also the owner of Aloha State Tax, a small law firm with emphasis on State taxes. Prior to going solo and the TFH, Tom was a principal with Accuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.



Can you believe we've been dealing with this pandemic for over a year?

By Jill Ishimitsu

Can you believe we've been dealing with this pandemic for over a year? It has brought us lots of stress figuring out how to keep our kids, parents, and grandparents active, healthy, and safe while still taking care of our clients and getting our work done. For many of us, this includes taking care of our kids, parents, and grandparents whom all have their own idea of what is best for them. Distance learning, stocking up on food and supplies, checking on the mental health of our loved ones, finding medical supplies, family meetings to ensure everyone is okay, explaining to your kids why they can't visit grandma and grandpa.

Add to that the stress from work. Learning to work remotely, ensuring staff have the resources they need to work remotely, managing and training staff, staying up to date with the COVID-19 relief programs, advising clients and assisting with their PPP loans, ensuring the office is safe for staff to return, tax planning. And just think of the additional stress and worry if you or someone you are close with got sick.

This pandemic has caused us so much grief and stress. Yet, it has also

provided us the opportunity to pause and rethink how we do things, pivot, as we have all become accustomed to hearing. It gave us time to reflect and focus on what is important to us. For some, this pandemic brought us closer as a family; allowed (or forced) us to do more things together. It gave us time to learn a hobby. It forced us to do things differently and learn new skills. I was interested in learning what positive impact the pandemic had on us. Here are some of the responses I received from fellow accountants:

- Darryl – Learned to reconnect with my youth and take up fishing since at one point in time during the pandemic it was one of the only outdoor activities allowed. In order to effectively work from home, you can't have an office set up in a room with a TV!
- Yumi – No new skills – just a lot more stress.
- Todd – Zooming.
- Ann – I learned to be more creative with my time, for example, finding new ways to work out since I couldn't go to my Muay Thai gym.

- Darryl – I learned to cut my own hair and groom my dog.
- Cindy – I learned how to make masks.
- Matt – Plumbing, changing a car battery, cooking, gardening, and video conferencing.
- Iris – I learned a lot about myself and how much we, as working mothers, can be stretched. I also learned how resilient our children are.
- Selena – Cooking, but I had no one to cook for so I stopped.
- Me - I observed inventory remotely and learned to cut hair. My drawing skills have improved thanks to my daughter's Kindergarten class and You Tube. Now when I draw an elephant, it actually looks like an elephant and not a blob with a tail on its head.

We have a lot of creative and resourceful accountants! We are learning new skills and adapting to the situation we are in. The future of our industry is in great hands. If not, at least we'll have good hair cuts!



Norman's Book Review

"When I Grow Up, I Want To Be ... An Accountant"

by Dr. Adrian Mayse, CPA

Boy, I wish this book was available when my three kids were in elementary school. As an unabashed fan of all things accounting, I tried my best to convince all of my kids to go into accounting. My batting average ... 0.000!!! I tried to be positive about accounting, have them visit me at my workplace, and had them take at least one accounting class in college to see if they liked it. The result ... my eldest daughter became a nurse, my middle son became a mechanical engineer, and my youngest daughter is studying Computer Engineering. They told me they weren't "feeling it" with accounting. After reading Dr. Mayse's book, I wonder if I read them his book when they were young, maybe they would have gone into accounting. Oh well, c'est la vie, the main thing is they found something they are passionate about.

The accounting profession is continually looking for ways to get more children, high school kids and college students, especially minority students, interested in accounting.



This book is one way to get children interested in accounting. It is a very simple and powerful children's book with colorful illustrations. The essential message is accountants are cool, smart and work in many disciplines; they are of many races, are good in math, make a difference in the world, "and YOU can be an accountant too." The best page in the book is where you can personalize it with a picture when it says, "They look like YOU."

Many thanks to Ralph Thomas, CEO and Executive Director of the New Jersey Society of CPAs, for recommending this book to Kathy Castillo, our fearless HSCPA Director. The author is a tenured Associate Professor and Department Chair of Accounting at

Howard University. He earned his B.B.A. in Finance from the University of Mississippi, and his M.P.A. (Master of Professional Accountancy) and Ph.D. in Accounting from Jackson State University. He is a member of the American Accounting Association, AICPA, the PhD Project and the National Association of Black Accountants.

I'm thankful I was exposed to this book and I hope other CPAs will follow in the footsteps of Dr. Mayse and write more books to inspire our future generation to go into accounting. I know which book will be daily reading if I am fortunate to have grandchildren. For those of you with young kids or grandchildren and you want them exposed to being an accountant, get this book and start reading it to them!



The following is a synopsis of some of the Amazon.com reviews about the book.

Great children's book.

Will get children to think about a future in accounting.

Fun book to read.

Great intro to talk with your child about different careers.

Celebrates diversity in being an accountant.

Breaks stereotypes.

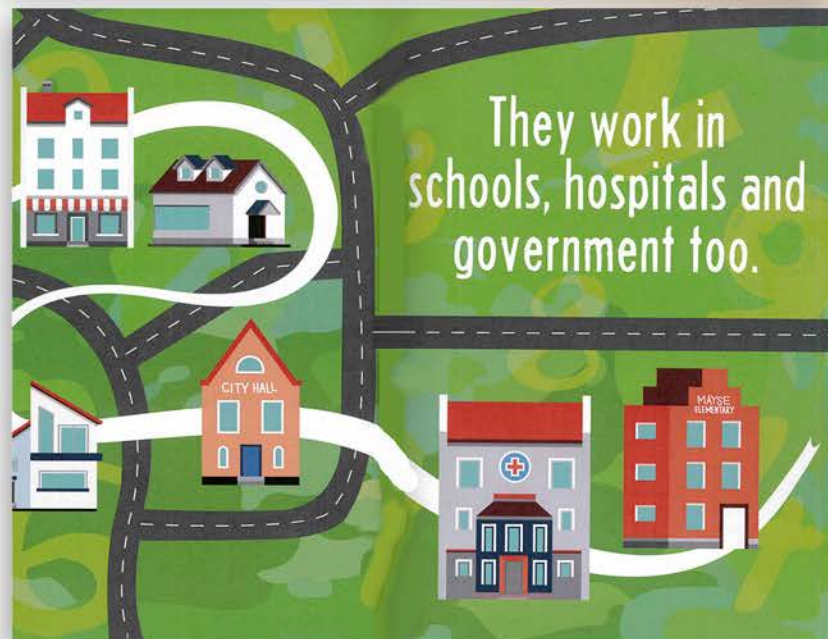
*Great intro into the STEM field.
Very relatable.*

Will be buying book to give out as gifts to friends and family with children.

My little nephew loved the pictures and colors.

The book is a MUST have for every child!

Truly inspirational!



CPA EVOLUTION



CPA Evolution Update

[CPA Evolution](#) is a joint initiative of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA). The initiative is transforming the CPA licensure model to reflect the rapidly changing skills and competencies the accounting profession requires today and will require in the future. It will put in place a flexible and adaptable licensure approach that will serve as the foundation for future-proofing the CPA profession.

Over three years, NASBA and the AICPA gathered input from more than 3,000 stakeholders from across the profession on how to transform CPA licensure and meet the needs of the marketplace. During these conversations, several key themes became clear:

- The profession supports the need to change the CPA licensure model
- Newly licensed CPAs should all demonstrate strong common core competencies

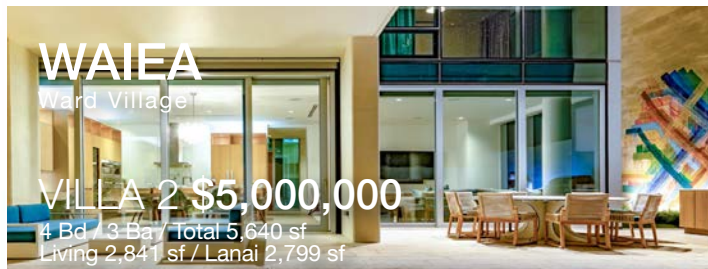


- The new CPA licensure model should position the CPA for the future
- The new CPA licensure model should continue to protect the public interest

Based on this feedback and lessons learned from studying other international and domestic licensure models, NASBA and the AICPA developed a new approach to CPA licensure. In 2020, both the AICPA Governing Council and the NASBA Board of Directors voted to support advancement of the CPA Evolution initiative. The AICPA and NASBA are now moving forward with implementing the new model.

What is the new licensure model?

The new CPA licensure model takes a core + discipline approach, starting with a deep and strong core in accounting, auditing, tax and technology that all candidates will be required to complete. Each candidate will also choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of chosen discipline, this model leads



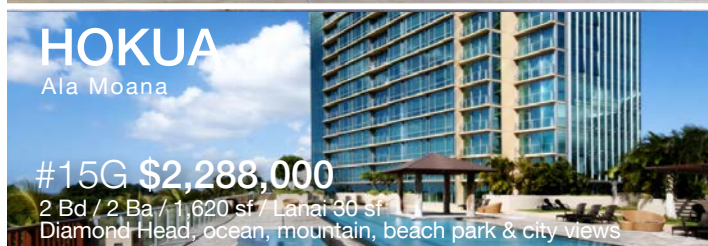
WAIIEA
Ward Village

VILLA 2 \$5,000,000
4 Bd / 3 Ba / Total 5,640 sf
Living 2,841 sf / Lanai 2,799 sf



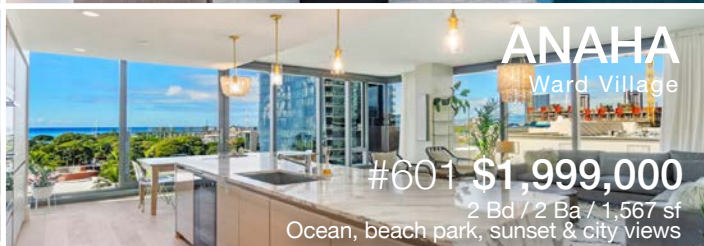
ANAHA
Ward Village

#1201 \$2,689,000
3 Bd / 3 Ba / 1,939 sf / Ocean, beach park, sunset, marina, coastline, city & mountain views



HOKUA
Ala Moana

#15G \$2,288,000
2 Bd / 2 Ba / 1,620 sf / Lanai 60 sf
Diamond Head, ocean, mountain, beach park & city views



ANAHA
Ward Village

#601 \$1,999,000
2 Bd / 2 Ba / 1,567 sf
Ocean, beach park, sunset & city views

2021 SOLD: Hawaiiki Tower 3707, 1005 and 4583 Waikui Street.

We specialize in Ward Village and luxury condo sales and have sold \$600 million in the past 14 years
Please call Jack or May: **808 532 3330**



John "Jack" Tyrrell

President
Principal Broker, CRS, CRB
CPA (not in public practice) E: Jack@jtchawaii.com
Lic. # RB-19880 C: 808.306.6933

www.jtchawaii.com Ala Moana Hotel - Lobby, 410 Atkinson Drive, Suite 1F6 Honolulu, HI 96814



JACK TYRRELL
& COMPANY
A Real Estate Brokerage Corporation

* The information presented herein is provided as is, without warranty expressed or implied of any kind. Information herein deemed reliable but not guaranteed.



to full CPA licensure, with rights and privileges consistent with any other CPA. A discipline selected for testing will not mean the CPA is limited to that practice area.

This model:

- Enhances public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public.
- Is responsive to feedback, as it builds accounting, auditing, tax and technology knowledge requirements into a robust common core.
- Reflects the realities of practice, requiring deeper proven knowledge in one of three disciplines that are pillars of the profession.
- Is adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve.
- Results in one CPA license.

What does this mean for the Uniform CPA Examination?

The specific content of the core and the disciplines will be determined by a CPA Exam practice analysis, which is currently underway.

Practice analyses — gathering information about the current and future state of the profession and the work of newly licensed CPAs — are conducted periodically as part of the AICPA's ongoing efforts to make sure the Exam is current and to maintain its the validity and reliability. The current practice analysis will likely wrap up in 2022, and an Exam Blueprint will be exposed for public comment in mid-2022.

The AICPA and NASBA expect the new Exam will launch in January 2024.

What's next for students and CPA candidates?

Aspiring CPAs who are college freshmen now will be among the first to take the overhauled version of the CPA Exam when it launches in 2024. Current CPA candidates will be able to sit for the current CPA Exam until the launch of the new Exam, and a transition plan is being developed for candidates who have started but not completed the CPA Exam process as of January 2024. Under the new model, the AICPA and NASBA expect to attract students that today wouldn't necessarily choose the CPA route, but who are becoming more critical to the success of the CPA profession.

How are the AICPA and NASBA supporting accounting academic programs and educators?

Accounting educators will play a vital role in preparing students to pursue the CPA under this new licensure model. The AICPA and NASBA are committed to helping educators every step of the way.

The AICPA and NASBA have engaged with faculty and practitioner volunteers to build a model curriculum that aligns with the core + discipline licensure model. The model curriculum will launch this June, and updates will be posted on [EvolutionofCPA.org](https://www.evolutionofcpa.org).

Faculty can also access the [Academic Resource Hub](https://www.evolutionofcpa.org/academic-resource-hub), a free database of content from the AICPA, accounting firms, academics and AICPA teaching-award winners that will help faculty prepare students for the rapidly evolving demands of the profession. The hub contains over 200 resources for a range of class levels on topics like data analytics and cybersecurity to use in classroom instruction.

Throughout 2021, the AICPA will be holding [a series of faculty webinars](https://www.evolutionofcpa.org/faculty-webinars) including regular updates on CPA Evolution and deep dives into emerging topics to include in accounting courses.

As CPA Evolution continues to progress, please check back for updates at [EvolutionofCPA.org](https://www.evolutionofcpa.org). If you have any questions, please reach out to Feedback@EvolutionofCPA.org.

CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



In early March, Microsoft urgently warned all on-premise Exchange Server customers to immediately update due to multiple critical security vulnerabilities known as ProxyLogon. Exchange Online was not affected. By the time the emergency patches were available, the vulnerabilities were already actively being exploited, potentially allowing attackers full access to compromised systems. Even after applying the patches, Microsoft urges customers to check for indications of compromise.

Microsoft recently released a one-click mitigation tool meant to help those who have not yet been able to apply the security updates on their Exchange servers. For more details, please see Microsoft's blogs "One-Click Microsoft Exchange On-Premises Mitigation Tool" and "Pro-

tecting on-premises Exchange Servers against recent attacks."

As multi-factor authentication becomes increasingly crucial to protecting accounts, more attention is being called to the security issues with using SMS as a verification method. Vice reporter Joseph Cox, in his article "A Hacker Got All My Texts for \$16," arranged with hacker



"Lucky225" to demonstrate a vulnerability where anyone could potentially redirect someone's texts to their own number, without the victim's knowledge or permission. There are legitimate services that work by redirecting SMS, but due to the lax verification process, the hacker was able to add Cox's phone

number just by signing a falsified letter claiming they had authorization.

Security experts still recommend multi-factor authentication, even if SMS is required. But when given the option, instead of using SMS, choose an authentication app (e.g., Authy, Duo, Microsoft Authenticator) or hardware-based authentication (e.g., YubiKey).

The IRS updated its Tax Scams/Consumer Alerts website with common scams that taxpayers and professionals should be aware of, including new variations on older scams. For example, scammers may file a fraudulent return using a victim's information, then contact the victim pretending to be the IRS and demand the refund, or they may threaten to suspend or cancel the victim's Social Security Number unless they send payment. Scammers may use personal information gained from past breaches to try to convince victims that their claims are legitimate, including the victim's full or partial SSN.

Scammers are also attempting to reach victims through text or social media, using the IRS name and logo to craft deceptively realistic-looking messages. The IRS emphasizes that it "doesn't initiate contact with taxpayers by email, text messages or social media channels to request personal or financial information."

If you have any questions or comments, please call me at (808) 837-2517, or send e-mail to jtakaesu@thecpacollective.com.

Get noticed and expand your business!

Join the HSCPA Find A CPA directory for only \$25 a year

One of the most viewed sections of the HSCPA website, Find A CPA will get you noticed as potential clients search for suitable CPAs for their individual and/or business needs.



Join Now at: www.hscpa.org/find-a-cpa

Continued from page 5

John Blanchard of the One Minute Manager preached, “feedback is the breakfast of champions.”

5. Create a Culture that Values Empathy. Employees should be consulted on changes and issues so they feel they have a voice in it. Creating a culture comes down to valuing employees.

These leadership skills have changed dramatically since I started my career in the late 60’s beginning with the military, followed by public accounting, and now in private industry. From

the 60s to 80s, the prevalent leadership style was “command and control”, “wear the badge”, and subsequently evolved to collaboration with empathy . . . a radical change. I learned and am still learning to adjust to this style of leadership from various leadership training and reading these valuable articles.

Let’s all learn and adapt to achieve needed skills to improve our leadership effectiveness during these very challenging times.

Take care and be safe.

Continued from page 7

Accountants Ensure Greater Compliance

Artificial intelligence purely relies on data and its extraction to draw conclusions or find results. The action or process is entirely robotic. As a result, it only accounts for what is clearly black and white, without any consideration for subtext.

Let’s circle back to the COVID-19 situation to understand compliance better. Since the pandemic, businesses have had to adapt to changing unemployment laws and revenue losses while also seeking government aid.

In such a setting, a CPA will be better equipped to make holistic decisions such as recruitment/lay-offs per the prevailing local rules, laws, and regulations. The same applies even to tax compliance, thereby reinforcing the fact that human accountants improve compliance.

Closing Thoughts

Eventually, any technology, no matter how advanced, may require drivers, operators, or supervisors. As such, you will still have people working behind the curtains.

In such a case, it is always best to involve a well-qualified [CPA](#) to meet your business and personal financial requirements. Investing in any AI-based

technology could be the icing on the cake that makes your accountant’s task easier.

The former can take care of the dynamic changes and practical needs, while the latter maintains discipline and conformance of theoretical principles. When working together, the two can deliver an overall experience that

no other human or technology can individually match or replace.

Bryan Kesler is a renowned CPA exam mentor and also the founder of CPA Tutor Boost. He aims to provide affordable tutoring solutions to smart accountants struggling to pass the CPA exam. Find his resources and connect with him at cpatutorboost.com.

Save the Date!
**FULFILL THE
ETHICS
REQUIREMENT FOR LICENSE RENEWAL**
Get the Latest Developments in the Accounting Profession

AC-21 ETHICS
AC-21
AC-21
JOKER

AC-21 ETHICS
Don't Gamble with Integrity!
HSCPA

**VIRTUAL
ANNUAL CONFERENCE**
NOVEMBER 19, 2021



2021 TAX BOOK ORDER FORM



ALL SALES FINAL



2021 CCH U.S. Master Tax Guide – \$85.00 / \$105.00

The nation's top federal tax resource, the U.S. Master Tax Guide® (2021), has been updated to provide complete and reliable guidance on the Coronavirus (COVID-19) Relief Acts, as well as pertinent federal taxation changes that affect 2020 returns. By having access to the most sought-after resource on the market, you will gain a complete understanding of updated tax law, including regulations and administrative guidance.

SOLD OUT



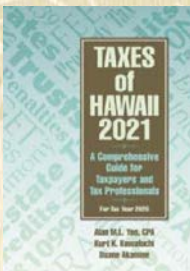
2021 RIA Federal Tax Handbook – \$75.00 / \$90.00

(eBook Format Only)

You'll get specific guidance on key tax topics, including individual, trust, partnership and corporate taxation, deductions, credits, capital gains, IRAs, SIMPLE and pension plans, education incentives, passive activity losses, the Code Sec. 199A "pass-through" deduction for qualified business income, employee benefits, estate and gift taxes, and more.



e-BOOK ONLY



2021 Taxes of Hawaii – \$27.00 / \$36.00

Every year since 1964, this annual publication is updated with all new state taxation laws and judicial rulings. Taxes of Hawaii is an invaluable tax-season tool 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.

LIMITED SUPPLY

ALL SALES FINAL

Quantity		Member	Non-member	Total
	2021 CCH U.S. Master Tax Guide	SOLD OUT		
	2021 RIA Federal Tax Handbook (eBook)	\$75.00	\$90.00	
	2021 Taxes of Hawaii	\$27.00	\$36.00	
Mailing: Postage & Handling *				
	\$9.00 for 1st book (HAWAII ONLY)	1 - \$9.00	1 - \$11.00	
	\$4.00/book - 2nd book & thereafter	2+ - \$4.00	2+ - \$6.00	
*Mainland/International - contact for pricing				
TOTAL AMOUNT DUE				

Payment must be received to confirm order - while supplies last.

☐ No mailing necessary – will pick up at the HSCPA office on _____ (call before pick-up)

☐ Check # _____ ☐ ☐ Card No _____ Exp. Date ____ / ____ CVV _____

Signature _____ Print name on card _____

Name _____ Firm _____

Address _____ Tel _____ E-mail _____

Please remit completed form with payment to:

HSCPA • P.O. Box 1754 • Honolulu, Hawaii 96806 • T - (808) 537-9475 • F - (808) 537-3520 • E-mail: info@hscpa.org