

KAKIMOTO AND CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 1997

To All of Our Valued Clients and Friends:

We are pleased to be able to send you our June 1997 newsletter. Our topics for this newsletter are as follows:

- Nontraditional Accounting Engagements
- Purchasing a Computer
- Employee Benefit Plan Reporting
- Electronic Federal Tax Payment System (EFTPS)

Our Services

- In addition to many of the traditional accounting services we offer, ranging from general bookkeeping assistance to compilations, reviews and audits of financial statements, we also offer employee benefit plan audits and internal control structure evaluations. For more information regarding these types of engagements, see our article entitled "Nontraditional Accounting Engagements."
- Thinking about computerizing your accounting system or upgrading your current system? A CPA trained in computer consulting can help take some of the mystery and headache out of determining the most appropriate system to purchase. Additionally, she can provide easy to understand hands-on guidance. We offer free demonstrations of some of the leading accounting software including ACCPAC, SBT and Peachtree. For more information regarding computers, see our article entitled "Purchasing a Computer."

If you are interested or have any questions, please call Gerald W. Kakimoto or Edward Y. Valparaiso at (310) 715-9100 or fax your requests to (310) 715-9830.

Please feel free to call us for the Japanese version of this newsletter.

All of your support is greatly appreciated.
Kakimoto and Co., LLP

NONTRADITIONAL ACCOUNTING ENGAGEMENTS

Employee Benefit Plan Audits

Under the article entitled, "Employee Benefit Plan Reporting" (discussed later), ERISA requires annual reporting of information regarding various employee benefit plans utilizing the IRS Form 5500 series. However, if the annual filing is incomplete, exorbitant penalties could be assessed. For retirement or benefit plans with 100 or more participants, there is generally an additional reporting requirement which includes attaching audited financial statements and certain supplemental schedules regarding the plan.

The audited financial statements are not of the entity, but of the retirement or benefit plan itself and includes a comparative statement of plan assets and liabilities, and a statement of plan income, expenses, changes in net plan assets, and related footnote disclosures, such as accounting principles, a plan description, etc. The required supplemental schedules include a host of information including assets held for investment purposes and reportable transactions. Schedule G of Form 5500 can be used in lieu of attaching the supplemental schedules.

Internal Control Structure Evaluation

An internal control system is an important element of a company's operation. An effective system of controls will help maintain compliance with policies and procedures established by management. Among the basic objectives, these include safeguarding company assets, examination and approval of documentation, accuracy and timing, completeness, and supervision and segregation of duties.

There are various ways a company's internal control structure can be evaluated. The nature of the engagement will dictate the level of responsibility the accountant accepts and will determine the related professional requirements.

At the highest level, an accountant may be requested to perform an examination and render an opinion. The accountant must be independent, plans the examination, obtains an understanding of the structure, evaluates the design of internal control policies and procedures, tests the effectiveness of the operation of the internal control structure, and issues a report specifying his opinion regarding the effectiveness of the internal control structure.

A company may not need an examination, as described above, but desires an alternative that is less extensive. Several options are available. One alternative includes engaging an accountant to perform agreed-upon procedures which entail performing specific procedures as requested by the company. Once the procedures are performed, it is the accountant's responsibility to communicate the findings or results of performing such procedures in his report.

Alternatively an accountant may be engaged to evaluate the internal control structure under a specific consulting engagement in which the reporting requirements are less structured, but would still include outlining the nature of the engagement (as agreed upon by the parties), significant findings or events, and significant reservations concerning the scope or benefits of the engagement.

Our Services

Kakimoto and Co., LLP offers a wide variety of financial accounting services which include employee benefit plan audits and internal control structure evaluations. For employee benefit plans, we can assist you with determining the various compliance requirements, which may include attaching audited financial statements to Form 5500. And, whether your plan is already being audited or it is determined that your plan requires an audit, we have the necessary and available resources to provide you with a timely audit at reasonable fees.

For an evaluation of your internal control structure, the extent of which will depend on your needs, we can perform an evaluation of your internal control structure (examination, agreed-upon procedures or consultation) on an overall company basis or on a segmented basis, such as for a single branch or division, or for a specific account (such as accounts receivable) for reasonable fees as well.

If you would like for us to evaluate your current situation with regards to employee benefit plan filing requirements (including performing an audit, if required) or would desire for us to evaluate your current internal control structure, please call us to set up a convenient appointment.

PURCHASING A COMPUTER

Computer technology is changing at a rapid pace. What is the latest equipment today, may become obsolete within a year. When faced with these difficult circumstances how does one go about purchasing a computer to meet their needs today as well as tomorrow? It is never easy, but we can help simplify the decision making process by recommending a system that will accommodate your current business needs while providing you with the room to grow your business without outgrowing your system.

Purchasing a computer is an investment that should provide you with a good rate of return over a long period of time. Frequently the emphasis is placed on price rather than on the future needs of the company. Although it may be time consuming, you should consider your future business needs, which will help determine your hardware and software requirements. In analyzing your hardware requirements, you should consider expansion capabilities which give you the flexibility to upgrade your system (e.g. adding a fax modem).

It is also important to recognize that purchasing the right equipment is only part of the investment. Sufficient training of company personnel is just as essential. A good system without well trained or knowledgeable personnel is practically worthless. Thus, the importance of implementing the proper training cannot be overemphasized.

With a personalized and practical approach to our work, we are able to service your business needs. In assisting you with making a computer system purchase, we will evaluate the nature and size of your company then prepare a needs analysis, a budget, an outline of your hardware and software requirements, and provide our recommendation. In regards to training your personnel, our approach includes one on one interaction and "hands-on" training. We have considerable experience in training our clients with many standard accounting software packages including Peachtree, ACCPAC, MYOB, SBT, DacEasy, RealWorld, and Macola.

As discussed above, there are many issues to consider when deciding to purchase a computer system. Still further, once the system is set up it should be utilized as intended, which requires that personnel be properly trained. So, if you would like to eliminate much of the guesswork and maximize your "return on investment," Kakimoto and Co., LLP has the knowledge and experience to help you.

EMPLOYEE BENEFIT PLAN REPORTING

Any administrator or sponsor of an employee benefit plan subject to ERISA must file information about each plan every year. Employee benefit plans include pension benefit plans and welfare benefit plans. Pension benefit plans include both defined benefit plans and defined contribution plans (profit-sharing, stock bonus, money purchase plans, etc.) Fringe benefit plans such as cafeteria plans are also required to file. Welfare benefit plans include benefits such as medical, dental, life insurance, disability, etc.

All required forms and schedules must be filed by the last day of the 7th month after the plan year ends. An extension for an additional 2 1/2 months is available.

The following schedule outlines the various filing requirements:

Pension plan - one participant	Form 5500-EZ
Pension plan - less than 100 participants	Form 5500-C/R
Pension plan - 100 or more participants	Form 5500
Annuity plan under IRC §403(b)(1) or 408(c)	Form 5500 or 5500-C/R
Custodial account under IRC §403(b)(7)	Form 5500 or 5500-C/R
Welfare benefit plan - less than 100 participants	Form 5500-C/R
Welfare benefit plan - 100 or more participants	Form 5500
Pension or welfare benefit plan with benefits provided by an insurance company	Sch. A (Form 5500)
Pension plan that requires actuarial information	Sch. B (Form 5500)
Pension or welfare benefit plan - 100 or more participants	Sch. C (Form 5500)
Pension plan with ESOP benefits	Sch. E (Form 5500)
Fringe benefit plan under IRC §6039D	Sch. F (Form 5500)

Listed below are various penalties for not meeting Form 5500 series filing requirements. One or more of the following penalties may be assessed or imposed in the event of incomplete filing or filings received after the due date unless it is determined that your explanation for failure to file properly is for reasonable cause:

1. A penalty of up to \$1,000 a day for each day a plan administrator fails or refuses to file a complete return/report.
2. A penalty of up to \$25 a day (up to \$15,000) for not filing returns for certain plans of deferred compensation, certain trusts and annuities, and bond purchase plans by the due date.
3. A penalty of \$1 a day (up to \$5,000) for each participant for whom a registered statement (Sch. SSA (Form 5500)) is required but not filed.
4. A penalty of \$1 a day (up to \$1,000) for not filing a notification of change of status of a plan.
5. A penalty of \$1,000 for not filing an actuarial statement

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)

As a result of complaints by congressmen and small business advocates, the Internal Revenue Service announced on June 2, 1997 that it would not assess penalties for the failure of taxpayers to use EFTPS through December 31, 1997.

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