

KAKIMOTO AND CO., LLP

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December 1997

To All of Our Valued Clients and Friends:

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

- OUR SERVICES
- ELECTRONIC FEDERAL TAX PAYMENT SYSTEM
- SELECTING ACCOUNTING SOFTWARE

Our Services

- **Tax Returns** - The 1997 individual tax return season is fast approaching! Kakimoto and Co., LLP can assist you in making the tax return filings smoother.
 - We assist companies with 1 to 250 Japanese Nationals
 - We can prepare tax returns in-house for any state
 - Our fees are generally 40% less than the large accounting firms
 - We deliver on the promised dates
- **Information Technology** - Technology continues to be an important factor in making our businesses more efficient. Are you utilizing your computer system to its fullest? Are you experiencing computer problems and not getting the proper support? Most commonly, improper support results from insufficient accounting knowledge. As CPAs, we can combine our knowledge of accounting and information systems to provide you with the following services *better*:
 - Computer networking for small to medium sized companies
 - Accounting software selection, installation, training, and support
 - General computer usage consultations and training
 - Internet consultations

For any of our services, please call us for a free consultation and fee quotes.

If you are interested or have any questions, please call Gerald W. Kakimoto or Edward Y. Valparaiso at (310) 715-9100. For more information about our firm, please visit our website at <http://www.kakimoto.com>.

And lastly, the Japanese version of this newsletter is available by request or through our website.

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OUR SERVICES

Kakimoto and Co., LLP provides excellent accounting, tax and management consulting services. Our professional staff possess the technical experience, knowledge and resources to tackle complex international tax issues and difficult accounting areas, in addition to providing a wide range of other diversified services. Our commitment to quality and personal approach to services has resulted in the growth of our client base to include small companies as well as multinational corporations in a broad range of industries.

The season for individual tax returns is drawing near. For the individual and corporate tax compliance requirements, our entire staff, consisting of approximately 20 professionals, participates in the preparation of the tax returns. We have the capability of preparing tax returns for any state; tax returns are processed in our office using the same advanced software used by many of the Big 4 accounting firms.

We specialize in the preparation of individual income tax returns for Japanese foreign nationals who are assigned to U.S. offices for short- or long-term durations. We are also available to consult with you as to your tax requirements and planning; each return is prepared on an individual basis with consideration given to any tax benefits from the U.S.- Japan tax treaty, as well as U.S. income tax laws and regulations. Of our current clients, several are former Big 4 clients who are taking advantage of our competitive fees which are generally 30 to 40% less than those charged by most Big 4 accounting firms .

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM

We would like to remind all the required taxpayers that the Electronic Federal Tax Payment System (EFTPS) will be implemented by the Internal Revenue Service (IRS) during 1998. We hope that all the required taxpayers have already registered for the EFTPS and obtained Personal Identification Number (PIN). Effective January 1, 1998, employers with total deposits of social security, Medicare, and withheld income taxes more than \$50,000 in 1995 must make electronic deposits for all Federal tax payments. Required taxpayers can no longer use Form 8109, Federal Tax Deposit Coupon, to make Federal tax deposits.

If a required taxpayer has not registered for EFTPS, he can continue to make deposits using Form 8109. However, these deposits will be continuously assessed a 10% penalty by the IRS on the deposit amount until the taxpayer is properly registered and deposited through EFTPS.

EFTPS Payment Methods

There are three methods for making tax payments via EFTPS.

ACH Debit

Most taxpayers will use this method. The taxpayer initiates an ACH Debit using his taxpayer identification number (TIN) and a four-digit PIN. Upon completing the transfer, the taxpayer will receive an eight-digit acknowledgment number.

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (Continued)

ACH Debit (Continued)

ACH Debit payments will be timely if initiated before 5:00 P.M. Pacific Standard Time one business day prior to the tax payment due date. The ACH Debit system can be accessed 24 hours a day. ACH Debits may be authorized up to 30 days prior to the due date. Funds will not be transferred from an account until the tax due date specified. Using the acknowledgment number, an ACH Debit authorization can be canceled up to two business days prior to the transfer date.

Do not change banks prior to acquiring a PIN for a new bank account, or there will be no available method to make ACH Debits. Allow at least 45 days to re-enroll with Form 9779 for a new bank account. PINs can be changed with a call to Customer Service (allow at least 10 days), but new or additional accounts must be authorized for EFTPS through a new Form 9779 application.

ACH Credit

With this method, the taxpayer instructs his bank to send the tax payment directly to the Treasury. ACH Credits are not common and many banks will not process them. The banks that do process ACH Credits will most likely charge fees for them. The deadline for initiating payments may be much earlier than that for ACH Debits, depending on the bank. A taxpayer may call EFTPS Customer Service to receive an acknowledgment number for an ACH Credit.

Same-Day Payment

A taxpayer may make tax payments on the due date using his bank's access to the FEDWIRE, Fedline, or non-Fedwire system. Bank arrangements must be initiated well in advance for the first time this method is used. A bank may charge a fee of \$50 or more. A taxpayer who misses the one day prior deadline for ACH Debit or Credit should weigh the potential late deposit penalty against the bank charges. An EFTPS deposit can be up to 5 days late for the same 2% penalty.

Internal Control Alert

An EFTPS PIN should be carefully guarded. Courts have ruled that the taxpayer is responsible for problems with tax deposits. Taxpayers should consider the following matters:

- A PIN will be needed for every bank account to be accessed under EFTPS. Also, if you have multiple employees making tax payment reports, you may request that a PIN be assigned to each employee. By assigning a PIN to each employee, you can cancel an employee's PIN if it is compromised or their employment is terminated. Multiple PINs should hinder a disgruntled employee from transferring funds in a manner that would be difficult to trace and refund, or from making unauthorized changes through EFTPS Customer Service.
- An entity's TIN is widely known. It appears on many databases, on every W-2 and Form 1099 issued by the entity, and on every IRS label mailed out. If the ACH Debit method is used, anyone having the entity's TIN can hack at the PIN, and, if successful, mischievously transfer funds on its behalf.
- An entity should ask the bank to place an ACH Debit blocker on all accounts not to be ACH-debited. A separate bank account, preferably one without checking privileges, should be considered for making ACH Debits, so that few people will have access to the account number information.

SELECTING ACCOUNTING SOFTWARE

There are many types of accounting software that are on the market today, so how do you choose the right one for your Company? The majority of low to high end accounting software will do the basic accounting functions such as writing checks, creating sales invoices and posting to the general ledger. Low end accounting software, such as Peachtree or Quickbooks are adequate for smaller businesses, but if you are looking for a medium to high end software, what you need to focus on is flexibility. The software should allow for customizations, have custom report generators, and an easy way to import and export data into other programs.

Today, most software companies realize the need for user modification and therefore, have designed software to meet your specific needs by allowing customization by providing source codes and tools to easily create custom screens. However, there are still accounting programs that do not allow customization. This limitation may force you to compromise your particular needs. And worse, you may need to replace the software entirely or hope for an upgrade, which in either case is an additional unexpected cost. Ideally, the software you select should give you the ability to tailor the program to meet your specific needs currently, as well as to meet your specific needs while your Company grows and/or changes.

The predefined reports that come with the software are standard accounting reports and financial statements. Since every company is somewhat different, you may need to make some modifications to the reports to get the information that is important to you. You should consider a program that contains a report generator that will allow you to produce most of the reports you will need without too much difficulty.

The most flexibility will come from the ability to import and export the data into a spreadsheet program. If the accounting data is imported into a spreadsheet program, such as Excel or Lotus, the data can be presented in any order, font, and style that is desired. Also, charts and graphs are easily created for analysis purposes. Since most of us already use spreadsheet programs daily, utilizing this feature will not require additional time in learning and implementing a new program. If your program allows you to import and export data, you will be able to create reports and charts with little effort.

A computerized accounting system is much more than just record keeping. It can provide you with real time information that you will need to manage and control your business. At Kakimoto and Co., LLP, we can help you select, install and implement an accounting software that is best fitted for your Company. We are familiar with many businesses as well as many different accounting software, such as ACCPAC, Macola, Real World Accounting, SBT, Solomon, Peachtree, MYOB, and Quickbooks. We offer a personalized approach with very reasonable fees. Whether it is to discuss new software selection and implementation, or evaluations of your current system, we welcome you to give us a call.

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