KAKIMOTO AND CO.
CERTIFIED PUBLIC ACCOUNTANTS

NEWSLETTER

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Inside this issue:

Finding New Ways to Improve

As we continually search for new ways to improve the value our newsletter brings to you each quarter, it is important to know your thoughts as well.

We would like to know your thoughts on our new format as well as any topic ideas or suggestions you might have. Send an email to the editor, at kaco@kakimoto.com or give us a call. We appreciate any comments you may have and thank you in advance for taking time in sharing them with us.

Summary of Articles

Cash Flow Forecasting – An Important Tool for Your Business

As part of a company's overall cash management policy, cash flow forecasting can offset the uncertainties of cash flows. Forecasting involves planning and foresight using quantitative, as well as qualitative, information regarding your company's finances and operations. We have noted several general points for your consideration while you prepare a cash flow forecast. We would be happy to provide you with specific suggestions, tailored to your company's situation, to assist in the preparation of forecasting your company's cash requirements and to improve upon overall cash flow. The effectiveness of your company's cash management policies will assist in developing new business strategies - conducting business in today's marketplace and staying ahead of your competition makes establishing solid cash management policies imperative.

Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA):

For the third time in three years, Congress has passed a major tax cut package, which includes $330 billion in tax cuts for individuals and businesses. The Act introduces a host of new rules, accelerates benefits, and creates a web of retroactive, temporary and phased-in/phased-out effective dates. President Bush officially signed the bill into law on May 28, 2003. Since many of the provisions may affect you and your business, we have briefly summarized the new legislation. Please contact us if you have questions or need more information.

Online Banking

As the use of the Internet and computers continue to grow, technology continues to advance. In the past banking was done in a "traditional" way by visiting a branch or ATM, and by paying bills by check. Today online banking is available utilizing the Internet, which is a more innovative way of doing banking. Recently, the popularity of online banking has increased. Users are discovering a quicker more convenient way to do both their business and personal banking transactions.

Cash Management—Focusing in on your Company's Cash Flow Forecasting

It is a well-known fact that in order for one's business to survive and grow, it must have solid cash management. As part of a good cash management plan, cash flow is vital to a Company's existence and will make the difference between you and your competition. Companies often fail due to flawed cash management policies regardless of how profitable the business actually is. Cash flow generally presents a more transparent picture of a company's actual performance.

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Cash Flow Management—Focusing in on Your Company's Cash Flow Forecasting

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Cash flow forecasting is an important tool that should be incorporated by companies in their overall cash management planning. It is based on solid common sense and logic combined with an expert knowledge of your business's finances, operations and financial statements. A cash flow forecast is a forecast of net cash inflows and outflows within a given time frame. Short-term (one week to six months) forecasts are necessary to ascertain the immediate requirements of supplier and payroll disbursements versus the availability of cash from collections of accounts receivable and borrowings on working capital lines of credit. Long-term forecasts (one year and longer) primarily focus on long-term goals, commitments and future actions of the company.

"A cashflow forecast is a forecast of net cash inflows and outflows within a given time frame."

The following are a few considerations in preparing cash flow forecasts:

- Assumptions regarding projected cash inflows and outflows need to be developed and documented. A thorough understanding of your company's inflows (e.g. collections from accounts receivables, bank loans and common stock issuance) and cash outflows (e.g. payments to vendors and employees, debt reductions (including interest costs), taxes and capital expenditures) must be attained. Quality of your forecasts will be dependent on the accuracy and reliability of the underlying assumptions.

- Develop best and worst case scenarios forecasts – actual cash flow results usually fall in between.

- Document the cash flow forecast; a cash flow forecast in an organized and written format will help you to edit and make corrections. Use of spreadsheet and packaged programs in a rolling format can facilitate updating and can improve the accuracy of your forecasts.

- Compare the accuracy of your cash flow forecast with actual results. If assumptions do not reflect reality, make adjustments accordingly. An incorrect assumption could be an indication of a situation that may need immediate corrective action to prevent future problems.

"Develop best and worst case scenarios forecasts—actual cash flow results usually fall in between."

Ensure your company's survival and viability in the marketplace by making your cash work for you. The regular use of cash forecasting techniques will assist in:

- Anticipating short-term/ long-term financing needs or planning debt reductions.
- Financing for seasonal business fluctuations.
- Planning capital expenditures.
- Planning inventory purchases; taking advantage of cash discounts.
- Evaluating and designing credit policies.
- Increasing investment income.

If you are considering preparing or in the process of fine-tuning a cash flow forecast, we have several specific suggestions and insights that we will be happy to provide you. An accurate cash flow forecast will contribute to and result in better overall cash management policies. ♦

Jobs and Growth Tax Relief Reconciliation Act of 2003
A brief overview

Individual Provisions
Individual tax rates above the 15% bracket generally decrease about 2%. The highest rate, which was 38.6%, falls to 35%. All rate cuts are retroactive to January 1, 2003.

Comment: With corporate rates now generally higher than individual rates, operating a business as a pass-through entity or as a sole proprietor may reduce your overall tax liability.

Qualifying dividends received by an individual will be taxed at a maximum 15% rate. Since only "qualifying" dividends are eligible for the 15% rate, not all dividends will be taxed at the preferential rate.

Comment: Be aware that dividends paid into your 401 (k) plan or IRA will not be eligible for the reduced tax rate. These dividends will be taxed at your marginal tax rate in the year of distribution to you.

The maximum capital gains tax falls from 20% to 15% for transactions after May 5, 2003.

Comment: The spread between the highest tax bracket rate and the capital gains rate has increased from 18.6% to 20% (i.e. 35% less 15%). This gives taxpayers in the highest bracket more of an incentive to convert short-term capital gain income into long-term capital gain income.

The child tax credit increases from $600 to $1,000 for 2003 and 2004 for each child under the age of 17. The change is effective in July 2003 when a $400 per child advance payment check for the increase was mailed to taxpayers based on their 2002 income tax return.

Business Provisions
Expensing of Business Property – prior law allowed businesses to expense, rather than depreciate, the cost of equipment purchased in a year up to $25,000. Businesses may now expense up to $100,000. This expensing provision applies to the first $400,000 of new investment in business property, and is phased out for purchases over that amount. The new law also permits off-the-shelf software to be expensed.

Comment: It is generally more beneficial to allocate the expense allowance to property with the longest recovery period.

Bonus depreciation – for property acquired after May 5, 2003, 50% bonus depreciation may be claimed on new qualifying property. Used property will not qualify for bonus depreciation.

Comment: The expensing write-off can be combined with the 50% bonus depreciation in the first year of service. However, since not all property qualifies for both, the combination of what assets should be expensed and what assets should be subject to 50% bonus depreciation should be analyzed.

Luxury automobile depreciation limitations increase from $7,660 to $10,710 in the first year of service, assuming that 50% bonus depreciation is taken on the automobile.

Comment: Without bonus depreciation, the depreciation deduction for luxury automobiles currently is $3,060.

Since this information is only a brief description of some the major provisions of the new legislation, we would be happy to discuss with you in detail how you might benefit from the new rules. ♦

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ONLINE BANKING

If you're like most people, you've heard a lot about online banking but probably haven't tried it yourself. You still pay your bills by mail and deposit checks at your bank branch, and not much has changed over the last ten years.

Unfortunately, banking is a “necessary evil” that takes time from our busy schedules. Visiting a branch or ATM, paying bills by paper check can be very time consuming. Online banking uses today's computer technology to give you the option of bypassing the time-consuming, paper-based aspects of traditional banking in order to manage your finances more quickly and efficiently.

“”For some computer users, paying bills online is easy as using e-mail instead of writing a letter: it is quicker, easier and in most cases free.”

Today, most banks and credit unions offer some form of online banking, variously known as PC banking, home banking, electronic banking or Internet banking. The term "virtual" banks are banks, without a physical presence of a branch or office.

Examples of some online banking services include:

· View account balances, including checking, savings, IRAs and securities

· Transfer funds between accounts

· Schedule future transfers

· Pay bills electronically

· Schedule automatic recurring bill payment

· Access account history

For some computer users, paying bills online is easy as using e-mail instead of writing a letter: it is quicker, easier and in most cases free. For others, online bill paying is still a difficult process to trust. Can I rely on a computer program to pay my bills on time? Is it secure? Most financial institutions' online banking sites have gone to great lengths to ensure confidentiality and security. Several security methods including encryption and firewalls are used to ensure financial information is private and confidential.

If you are ready to cross the border into online bill payment, the process is very easy.

1. Select the checking account to pay from

2. Select the payee/vendor you wish to make a payment to

3. Enter the amount and date to pay

You may also have the option to schedule recurring payments, and make multiple payments at once. Your creditors receive your online payment in one of two ways: electronic payment or check. If the payee is set up to accept electronic payments, your payment is automatically debited from the account you select and deposited electronically into their account, just as if you had written a check. If the payee cannot accept electronic payments, and most businesses cannot, they will be issued a check based on your online payment instructions.

With the growth of e-commerce throughout the world, online banking offers a quick and convenient banking solution for your business and personal needs. ♦