



Kakimoto & Nagashima LLP
Certified Public Accountants
Consultants

NEWSLETTER

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Inside this issue:

| | |
|---|----------|
| Summary of Articles | 1 |
| Recent Market Events and Financial Reporting: Cause and Effect - Accounting and Reporting Issues | 2 |
| Highlights of 2008 / 2009 Tax Law Changes | 3 |
| Can a Dual Monitor Setup Increase Your Work Productivity? | 4 |



Any Questions?

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Summary of Articles

The Current Economic Environment: Impact on Accounting and Financial Reporting Issues

In conjunction with the ever-present need to provide investors and users with more relevant and transparent financial information, management will seriously need to consider the potential impact that current market conditions may have on financial reporting results. Summarized in this article are selected accounting areas and related issues that may require further attention in preparing current period financial statements.

Highlights of 2008 / 2009 Tax Law Changes

As the U.S. economy continues on a downward slide, the Federal and California state governments have responded by enacting changes to their respective tax laws. It is important to note that the approach used by each to respond to the economic crises is completely different. These differences make it critically important for taxpayers to consult with their tax advisor to understand the changes and how they will affect 2008 tax preparation and 2009 tax planning.

Can a Dual Monitor Setup Increase Your Work Productivity?

Do you find that there's just not enough time in the day to get your work completed? Ever wonder how you can increase your productivity up to 30%? Running a dual monitor setup on your pc or laptop can indeed increase your productivity. Please turn to the back page to find out how.

2009 Standard Mileage Rate

The Internal Revenue Service issued the 2009 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2009, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The mileage rates for 2009 reflect generally higher transportation costs compared to a year ago, but the rates also factor in the recent reversal of rising gasoline prices. While gasoline is a significant factor in the mileage rate, other fixed and variable costs, such as depreciation, enter the calculation.

Recent Market Events and Financial Reporting: Cause and Effect - Accounting and Reporting Issues

Fueled by the events of the past two years and the current financial market crisis, our economic future seems rather bleak with no recovery on the near horizon. Certain economists state that the downturn will last for one more year with others saying that recovery could take longer. With the financial services sector being severely impacted, effects are now being felt in all sectors and threatening economies on a global basis. As a result, more employee layoffs, consequential decreases in consumer demand and further tightening of credit availability are expected. In light of current market conditions, certain accounting and reporting issues become more challenging and may warrant additional attention. Summarized below are selected accounting areas and related issues which could have a financial reporting impact on current period financial statements.

| Area | Issue | Accounting Pronouncement Reference |
|---|--|---|
| Inventory/Accounts Receivable | Excess or obsolete inventory; allowance for doubtful accounts. | Accounting Research Bulletin No. 43 "Restatement and Revision of Accounting Research Bulletins"; Statement of Position ("SOP") 01-6 "Accounting by Certain Entities (Including Entities with Trade Receivables) That Lend to or Finance the Activities of Others" |
| Debt and Equity Securities (generally marketable securities) | Other-than-temporary impairment. | Statement of Financial Accounting Standards ("SFAS") No. 115: "Accounting for Certain Investments in Debt and Equity Securities"; FSP FAS 115-1 and FAS 124-1 "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" |
| Investments | Trading of certain instruments may have declined significantly making it difficult to value. | SFAS No. 157 "Fair Value Measurements"; recent issuance of FSP FAS 157-3 "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" |
| Long-lived Assets to be Held and Used (generally property, plant and equipment) | Impairment of long-lived assets. | SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" |
| Goodwill and Indefinite lived Intangible Assets | Impairment of goodwill/intangible assets. | SFAS No. 142 "Goodwill and Other Intangible Assets" |
| Deferred Income Tax Assets | Valuation allowance could be required. | SFAS No. 109 "Accounting for Income Taxes" |
| Revenue Recognition | Increased pressure to meet company targets; increased external auditor scrutiny. | SFAS No. 48 "Revenue Recognition When Right of Return Exists" |
| Costs Associated with Exit or Disposal Activities | Expected employee layoffs; downsizing. | SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" |
| Ability to Continue as a Going Concern | Substantial business downturn, severe liquidity problems may lead to substantial doubt in a company's ability to continue as a going concern. | Statement on Auditing Standards No. 59 "The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern" |
| Risks and Uncertainties | Disclosures regarding risks/ uncertainties related to: nature of operations, use of financial statement estimates, certain significant estimates and certain concentrations. | SOP 94-6 "Disclosure of Certain Significant Risks and Uncertainties" |
| Concentrations of Risk | Disclosures regarding concentrations of credit risk in: business operation factors (activity, region, etc.), credit risk, collateral/security. | SFAS No. 107 "Disclosures about Fair Value of Financial Instruments" |

In addition, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") have formed the Financial Crisis Advisory Group ("FCAG") to consider financial reporting issues arising from the global financial crisis. On December 30, 2008, members of the FCAG were announced; members are senior leaders with a broad experience of international financial markets and have an interest in the transparency of financial reporting information. The FCAG's first meeting is scheduled to be in January, 2009. The FCAG will advise the FASB and IASB in standard-setting regarding the global financial crisis and potential changes in the global regulatory environment.

Kakimoto & Nagashima LLP is dedicated to our clients and their continued success. We know and understand your business and the challenges you face and can assist you in your management through these troubled times. If you should have any questions or concerns, please do not hesitate to contact us. ♦

Highlights of 2008 / 2009 Tax Law Changes

The Federal government is offering two tax incentives to encourage business investment and an income exclusion to provide some assistance to individual taxpayers impacted by the housing crisis.

Federal Tax Law Changes for Business Taxpayers

Section 179 – Tax planning idea

In our July 2008 newsletter, we reviewed the IRS enhancements to the section 179 depreciation dollar limitation. To recap, companies with tax years beginning in 2008 may elect to take the maximum \$250,000 deduction based on total assets purchased up to \$800,000.

One tax planning strategy to consider is electing the section 179 deduction in the year of a net operating loss. Section 179 expense is disallowed as a deduction if there is a net operating loss in trade or business income in the current year, but can be carried forward and deducted in subsequent years.

15 Year Depreciation for Restaurant Property and Leasehold Improvements Extended Through 2009.

The Federal government has extended the 15 year depreciation on qualifying restaurant property and leasehold improvement property placed in service before January 1, 2010. Qualified property means an improvement to a building if the building was at least three years old at the time the improvement was made. Qualified leasehold improvements property is a structural component (does not benefit a common area) of an interior portion of a building improvement that is nonresidential real property that is incurred by either a lessor or lessee. The enlargement of the building, elevators and escalators are not qualified leasehold improvements.

Federal Tax Law Change for Individual Taxpayers

Debt Cancellation Income (COD) Exclusion

The mortgage crisis reached a critical stage during 2008 and the Federal government acted by extending the exclusion of discharge of debt income on a principal residence. Taxpayers may now exclude from income up to \$2 million of qualified principal residence indebtedness for discharges occurring on or after January 1, 2007 and before January 1, 2013.

To qualify for this exclusion, the home must be a principal residence. The mortgage debt must be original or refinanced debt and may include additional debt for improvements. When the taxpayer has more than one property that he or she uses as a residence, the property that the taxpayer used the majority of the time during the year will be treated as the taxpayer's principal residence for that year.

California Tax Law Change for Business Taxpayers

In contrast to the Federal government's approach of providing taxpayer incentives to boost the economy, California is trying to balance its budget and found two creative ways to raise their tax revenue.

Suspension of Net Operating Loss Deductions

As a general rule, a California net operating loss (NOL) incurred on or after 2001 can be carried forward to offset net income for a 10 year period. In 2008, the legislature suspended the NOL deduction for businesses with net business income greater than \$500,000. For NOL deductions that are disallowed in 2008 and 2009, the carryover periods are extended as follows:

NOL's incurred in the 2008 tax year - the carryover period is extended by one year.

NOL's incurred in tax years beginning before January 1, 2008 - the carryover period is extended by two years.

California Tax Law Change for Individual Taxpayers

Cancellation Of Debt Income (COD) Exclusion

For California purposes, the maximum amount of debt that may be treated as qualified principal residence indebtedness is \$800,000, and individuals may only exclude up to \$250,000 of COD income for 2007 and 2008.

California Tax Law Change for Individual and Business Taxpayers

New Estimated Tax Requirements

California has accelerated estimated tax payments due for both individual and corporate taxpayers. For taxable years beginning on or after January 1, 2009, the legislature accelerated estimated tax payments by requiring the first two payments to be 30% and the second two payments to be 20%. For corporations, the first payment must be a minimum of \$800 (this remains unchanged).

Our discussion above has emphasized several significant, but not all, of the tax law changes enacted during 2008. These changes emphasize the importance of consulting with the appropriate tax professional to help the taxpayer utilize the tax incentives available and to carefully create a specific tax plan to meet the taxpayer's needs. ♦

Can a Dual Monitor Setup Increase Your Work Productivity?

All business owners have a desire for their employees to work more productively and efficiently. The faster that work can be pushed out the door can equate to increased profits for the company. But what is a simple way to accomplish this?

Imagine doubling your computer workspace and having the ability to keep multiple windows maximized and in view. Many business and personal computer users have been switching to a dual monitor setup to increase productivity and gain the most possible amount of screen space. Using two monitors, the available screen area for running applications is effectively doubled which creates many benefits for the user.

As stated in a New York Times article, "Survey after survey shows that whether you measure your productivity in facts researched, alien spaceships vaporized, or articles written, adding an extra monitor will give your output a considerable boost — 20 percent to 30 percent, according to a survey by Jon Peddie Research."

With the lower cost of LCD monitors and the better support of newer operating systems, adding one, two, or even three additional monitors to your computer has become a trend. Whether you are a business owner, business professional, or support staff, the benefits and cost of dual monitors far outweigh the cost of a new higher priced large LCD monitor.

Here are a few usage scenarios:

- Work on one monitor and keep your e-mail and instant messaging clients open on the other so you do not have to switch between windows when a new message arrives.
- Rather than printing large amounts of information for research, you have the ability to open a web browser in one monitor, and take notes in Microsoft Word on the second monitor.
- Designers can drag all of their toolbars to the second monitor and use the entire surface of the first monitor as an uninterrupted workspace.
- If you use an application that has to be constantly monitored, the application can be maximized on one monitor while you continue to work on the primary monitor.
- Dual monitors allow you to have one monitor facing the customer and the other monitor facing yourself. You can add only the information or applications you want the customer to view through the second monitor, concealing confidential information being viewed on the monitor facing you.
- With Microsoft Power Point you are able to display a slide show on the second monitor while using the primary monitor for things including reading presentation notes, calculating prices, referring to online help or anything to help enhance your presentation.
- Windows Media Player automatically detects a double display configuration. When you play a media clip Windows Media Player automatically plays it in full screen mode on the second monitor. On the primary monitor the full version of Windows Media Player is available to adjust volume, settings and properties while the full screen version is being displayed on the second monitor.

What do you need to set up dual monitors?

Connecting a second monitor can vary depending on what type of computer you use and the hardware available in your computer. You can connect a second monitor to a desktop computer, laptop or Tab-

let PC. Technical support may be needed to make it possible. Below are the essentials of adding a dual monitor setup:

- Two Monitors
The two monitors can be the same or completely different; two LCD's, two CRT monitors, or one of each. The monitors can also be different sizes and different resolutions.
- Microsoft Windows XP or Vista
To easily setup dual monitors you can use Windows XP or Vista.
- A Second Video Adaptor Card
Your video adapter card must support dual monitor mode and the appropriate drivers should be loaded. Some PCs come with dual monitor support built-in, check to see if an additional video adapter card is needed.
- Optional Dual LCD Monitor Stand
If you have two LCD monitors with standard VESA compatible mounts, a dual monitor stand is a great way to save space while keeping both monitors at the same level.

Dual monitors mean more productivity.

The first major finding was in a study conducted in 2003 by NEC-Mitsubishi, ATI, and the University of Utah called "Productivity and Multi-Screen Displays." The results stated: "Participants in the study considered multi-screen configurations significantly more useful than single screens and preferred multiple monitor setups on every measure of usability. They found them 29% more effective for tasks, 24% more comfortable to use in tasks, and found it 39% easier to move around sources of information." The use of dual monitors has proven to increase productivity, provide a much larger screen workspace, and eliminate annoyances such as frequently using alt-tab to toggle between applications. The use of dual monitors is also economically friendly as most users of dual monitors tend to print less as they are able to view more than one thing at a time.

Wouldn't it be great if you could significantly reduce the time it takes to complete tasks and get more done in a shorter amount of time? By implementing a dual display setup, you can do just that! If you feel that this solution is right for you, contact the professionals at Kaki-moto & Nagashima to help guide you on your way to a more productive workplace.♦



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