

Foghorn



IMA

September, 2004

Institute of Management Accountants
San Francisco Chapter

www.sfima.imanet.org

September Technical Meeting

Meeting Place: The London Wine Bar, 415 Sansome Street,
(between Clay and Sacramento), basement floor.

**Steven Rosenthal, co-founder of RGL- forensic accountants
& consultants.**

With the recent accounting and finance scandals in the US coupled with the shift towards an information economy, forensic accounting has become the fastest growing area of accounting today!

Historically, forensic accountants who work in public practice were often called after owners suspected that fraud has been committed. Now, recent major corporate scandals have prompted business owners to turn to forensic accountants for proactive fraud checkups. Forensic accounting financial investigative specialists work with financial information for the purpose of conveying complicated issues in a manner that others can easily understand. While some forensic accountants and forensic accounting specialists are engaged in the public practice of forensic examination, others work in private industry for such entities as banks and insurance companies or governmental entities such as sheriff and police departments, the Federal Bureau of Investigation (FBI), and the Internal Revenue Service (IRS). Steven Rosenthal has been involved in forensic accounting for over 30 years and is the co-founder of RGL. He has worked extensively with insurance companies and attorneys handling many high-profile cases, including the Exxon Valdez oil spill, MGM Grand and Hilton Hotel fires in Las Vegas, Nevada and the World Trade Center disaster in New York City.

For those interested in taking the CMA or CFM exam, be sure to mark your calendar for the September 28th Technical Meeting. We will raffle off a free set of Gleim CMA/CFM Review Test Prep Software covering all five parts of the exam.

See upcoming events section for more details.

CONTENTS:

1. Front Page-Sept. meeting agenda
2. Future meetings/ Want ads
3. Gleim special
4. Taxation article
5. Upcoming events
6. Finance article

Date:

Tuesday, Sept. 28, 2004

Time:

5:30-6:30 p.m. - Socializing
6:30-7:30 p.m. - Dinner & Presentation.

Topic:

“Forensic Accounting”

Speaker:

Steven Rosenthal, co-founder
RGL- forensic accountants & consultants.

Dinner Cost:

Members - \$25
Non-members - \$30
Students - \$15
Please bring your friends

Reservations:

Contact:
Vanessa Vercollone
(415) 434-1411
or via e-mail at
vvercollone@
AccountantsInc.com

Future meetings

Sept. 28, 2004	Technical meeting on Forensic Accounting.
Oct. 26, 2004	Technical meeting on Outsourcing.
Nov. 16, 2004	Technical meeting on tax update.
December	Annual Holiday meeting with East Bay Chapter. Details to follow.
January 25, 2005	Employment Opportunities panel discussion.
February 22, 2005	Accounting Software.
March 29, 2005	Social event meeting. To be planned.

GLEIM CMA/CFM REVIEW COURSE GIVEAWAY:

For the September 28th Technical Meeting we will have a raffle for a certificate from Gleim CMA/CFM Review. The Gleim Certificate is "redeemable for one complete set of Gleim's Test Prep Software, including all five CMA and CFM sections, for either the unchanged or reorganized exam." You must be present to win.

This raffle is for San Francisco IMA chapter members only. If you are planning on taking the exam, but you are not currently a member, not to worry. Since you need to be a member of the IMA to sit for the exam, if you are the winner, you can join IMA and our chapter, and claim your prize.

Even if you are not the winner of the raffle, if you are a member of the San Francisco Chapter, you are eligible for a 30-40% discount. Please see the ad on page 3 for details.

WANT ADS

U.S. Securities and Exchange Commission Staff Accountant

Staff Accountants conduct examinations of Broker/Dealers to ensure they maintain adequate net capital ratios and comply with federal securities laws. The position requires a Certified Public Accountant or Certified Internal Auditor designation and three or more years of experience with a strong knowledge of GAAP, auditing and some exposure to Broker/Dealer accounting (e.g. net capital ratios and preparation and/or analysis of FOCUS reports). Candidates must be current US citizens. The SEC is an equal opportunity employer.

San Francisco
\$55,000 to \$100,000 per year
10 to 20% travel
Contact: Raymond Clark
Email: clarkr@sec.gov

San Francisco chapter members
receive **30 - 40%** off all
CMA/CFM and CPE purchases.



Contact Lauren Jones at:
(800) 874-5346 Ext. 140
Or by e-mail at lauren.jones@gleim.com
www.gleim.com

Depreciation Rules:

Now Is A Better Time Than Ever To Invest In Capital Assets

2004 is a very important year for tax planning if you own a business. You may want to act fairly quickly, though. Some of the most favorable tax legislation to come along in the last few years is set to expire in the very near future.

There is an instant depreciation deduction allowed under code Section 179 which was raised from \$25,000 to \$100,000 beginning in 2002 for new and used business equipment and software placed in service before 2006. In 2004, it was raised again to \$102,000, for property placed in service during tax years beginning in 2004. Under this code section, you may be able to immediately deduct most or all of your 2004 equipment and software additions.

Luxury automobiles are subject to strict limitations on the amounts that can be taken for depreciation and Section 179 expense. However, there is a way around these limitations if the vehicle weighs over 6,000 lbs. and is used over 50% for business. But that could change, because Congress is expected to enact a reduced \$25,000 Section 179 deduction cap for these vehicles. The reduction probably will not apply to vehicles purchased and put into business use before the change is signed into law. So, now could be a great time to buy a large vehicle, such as an SUV, for your business.

The new section 179 expensing election was set to return to its pre-2002 limit of \$25,000 at the end of 2005. A bill has passed the House of Representatives to extend this increased limit through 2008. It has yet to pass in the Senate. I will keep you posted on the progress of this bill in future newsletters. However, should it not pass, this greatly expanded expensing election will end at the end of next year. Businesses would be well advised to be aware of this and use it to their advantage.

In addition to the Section 179 deduction, you can also claim first-year bonus depreciation equal to 50% of the cost of most new (not used) equipment and software acquired and placed in service by **December 31, 2004**. **The 50% bonus depreciation will expire at the end of this year.** So you may want to act before December 31 to lock in some extra tax savings from your fixed asset purchases.

It is important to note that the code section 179 expensing election is not allowed for assets used in conjunction with rental real estate. However, the 50% bonus depreciation that is set to expire at the end of this year can be taken on certain qualified assets used for rental real estate purposes.

If you are in the business of renting either commercial or residential real estate, and you foresee the need to replace depreciable assets in the near future, you may wish to consider accelerating purchases of qualified assets to before December 31 to get the maximum tax benefit from it. Before doing so, you should consult a professional tax advisor.

FUTURE TAX TOPIC SUGGESTIONS:

Are there any tax topics that you would like to see addressed in future newsletters? Please feel free to send Joel an e-mail at the address given above with your requests and suggestions.

UPCOMING EVENTS:

The board has been working hard to revamp our programs to make our events, newsletter and website as beneficial to the chapter's membership as possible. We want to encourage every member of the chapter to feel free to give their feedback and suggestions as to what they would like the chapter to provide them as far as topics for technical meetings, articles and other information for the newsletter, and information you would like to see posted to the website.

Below is a summary of some of the upcoming changes we have planned:

WEBSITE:

Our new website is now up and running! You can now go to it to access all pertinent information, such as upcoming meetings and events, past and present newsletters, links to the National site, and contact information for the board members. Please check it out at www.sfima.imanet.org. As with everything else, if there is something you feel should be on the website that isn't, please feel free to contact Mark, Vanessa, or Joel with your feedback. Their e-mail addresses are as follows:

Mark Birnbaum mbirnbaum@snader.com

Joel Smith Joel@bgwbcpas.com

Vanessa Vercollone vvercollone@AccountantsInc.com

NEWSLETTER:

Advertising opportunities in our newsletter are available at very reasonable rates. Advertising space is offered in full page, half page, quarter page and business card sized slots.

If you are interested in advertising in the IMA's newsletter please contact Joel Smith for information and rates

A help wanted section is being offered for free to those who wish to advertise an opening or to any member who wishes to advertise that they are seeking employment. This service is intended to benefit the membership by posting information on actual job openings and is not intended for job placement services to advertise.

TECHNICAL MEETINGS:

We now have a permanent location for our Technical Meetings. The new place is at the London Wine Bar, located at 415 Sansome Street, between Clay and Sacramento Streets.

The room we meet in is in the basement floor. You will find the stairs to the basement towards the back of the bar.

We have been very pleased with the accommodations here. We have a private room in which to conduct our meetings, and the food is very good. Also, the price has allowed us to drop the cost of our meetings from \$35 to \$25.

Members can expect a regular meeting on the last Tuesday of each month at this location. We hope to see you all very soon!

Kurt King
Financial Consultant
A.G. Edwards
800-333-4213



What Dividends Can Do For Your Portfolio

Although no one knows which stocks will increase in value and which will decline, one thing is certain – the prices of stocks will change over time. But there is a way to help cushion your portfolio against fluctuations in the market. Companies that pay a dividend to their shareholders can have many benefits, including increasing total return potential and generating income for current use or reinvestment.

First, let's take a look at the basics. A dividend is a portion of the company's net profit that is distributed to shareholders. A company's board of directors decides whether dividends will be paid and, if so, how much they will be.

Dividends can make a big impact on your total return, which is figured by adding the amount of the dividend plus the price movement in the stock. For example, let's say you purchase a stock at \$50 and it increases to \$60 after one year, and also pays a dividend of \$2. Your total return would be 24 percent ($\$60$ ending price after one year, plus \$2 dividend, divided by the purchase price of \$50, equals 24 percent).

You might be thinking that the \$2 dividend in the example above doesn't look half as impressive as the \$10 increase in the price of the stock, but let's look at what your total return would have been without it. If you bought a non-dividend paying stock for \$50 and it increased to \$60 after one year, your total return would only be 20 percent ($\$60$ ending price, divided by \$50 initial price, equals a 20 percent total return). As you can see from this example, dividends can truly make a difference as to how much you can gain from a stock.*

While we all hope the stocks we own will increase in value over time, sometimes market conditions and other factors can cause a decline in share prices. Here is an example of how dividends can help provide ballast to a portfolio when share prices do decrease.

If you purchase a share of stock for \$50 and, at the end of the year, the stock's price declines to \$40, you have incurred a loss of 20 percent. But, let's say this stock also paid a dividend of \$2. In this case, you would have lost only 16 percent. As you can see, dividends can help buoy your portfolio, especially in challenging markets.

While the above examples help illustrate some of the benefits of dividend paying stocks, there are a few things to consider. When choosing dividend paying stocks for your portfolio you should take a good look at your current overall investment holdings. It is important to remember to diversify your holdings among a variety of sectors to prevent any one from having a large impact on your portfolio's performance. Your financial consultant can help you identify companies in various sectors, as well as provide information about them.

Once you have identified areas where your holdings may need additional investment, there are a few things to think about when deciding what individual stocks to buy. You should consider the company's fundamentals, meaning a company should have a vision and direction for its future, strong cash flow and a proven track record of building its business over many years.

In addition, after you have added positions to your portfolio you should meet with your financial consultant regularly to review your holdings. Companies can reduce or eliminate their dividend at any time and your financial consultant can help keep you up to date on other investments that may also provide income.

Dividends can help balance your portfolio in changing market conditions, potentially helping to boost your total return in upswings, and reducing your losses in periods of decline. Talk with your financial consultant about dividend-paying stocks that may be a good fit for you.

***Examples are for illustrative purposes only and do not reflect the performance of any particular investment**