

Foghorn



IMA

October, 2005

Institute of Management Accountants
San Francisco Chapter

www.sfima.imanet.org

October Technical Meeting

President's Message

Fall is here. The kids are back in school, people are back from summer vacation, the days are getting shorter and cooler, and it is time to plan the remainder of the year.

The Board will be looking at what type of events, and what their frequency should be, for the remainder of the IMA year, which ends in June. We had a pleasant meeting at Chevy's, in September, with much enthusiasm and some new faces. In order to continue as an active chapter, we need to expand the board, and increase member attendance at events. Several people at the September meeting expressed interest in serving on the Board. We look forward to seeing them at the Oct. 25 Board meeting.

I urge anyone who has the desire to meet and work with great people, and to help grow the chapter, to consider joining the Board as well. See the website for details. Sfima.org.

Have a great fall.

Mark Birnbaum
President

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Date:

Tuesday, Oct. 25, 2005

Time:

6:00 PM.

Topic:

Board Meeting

Reservations:

Contact:

Terra Casey
(415) 434-1900
or via e-mail at
[terra.casey@
accountemps.com](mailto:terra.casey@accountemps.com)

WANT ADS

COST PLUS **WORLD MARKET** JOB DESCRIPTION

Job Title: Sarbanes-Oxley Coordinator
Reports To: Assistant Controller
Department: Accounting #804
Supervises: None
FLSA Status: Exempt

Date: September, 2005

General Overview:

The Sarbanes-Oxley Coordinator will be responsible for facilitating the ongoing documentation and testing of Cost Plus' system of internal controls as mandated by the Sarbanes-Oxley Act. The coordinator will ensure compliance by process owners with Company requirements and guidelines established for the performance, documentation, and testing of internal controls as required by Sections 302 and 404 of the Act.

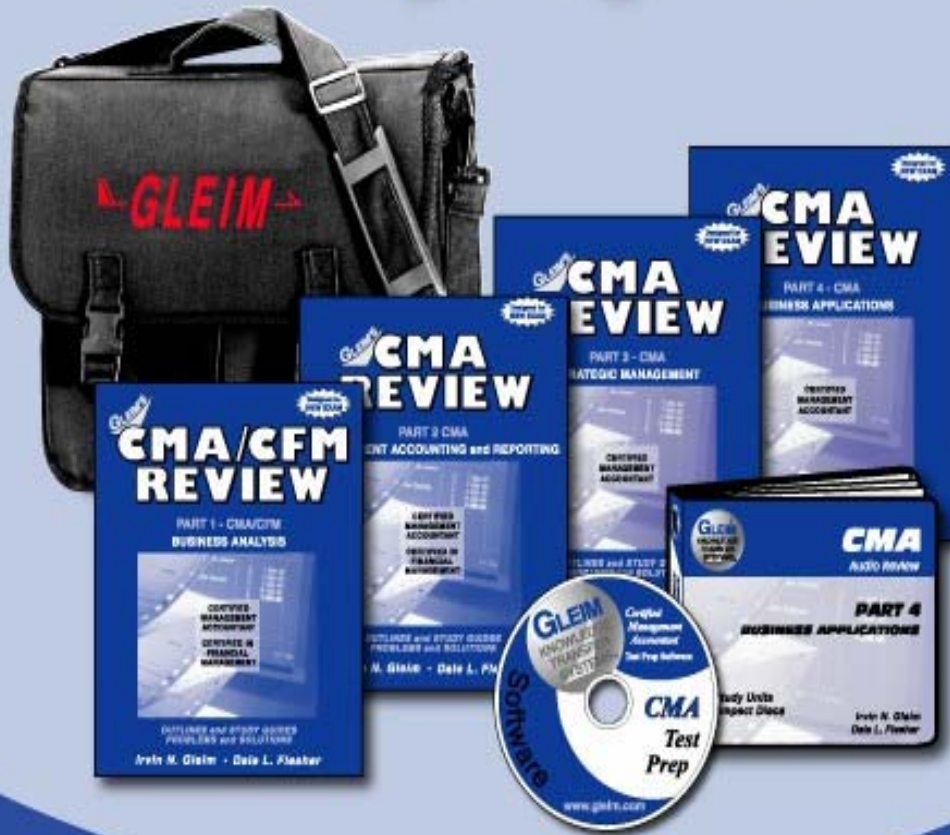
Principal Duties and Responsibilities:

- Assist in the continual monitoring and updating of the control environment, keeping abreast of significant control issues, trends, and developments.
- Work with business process owners to maintain/update required process matrices, narratives & flowcharts, and any other documentation required to remain in compliance with the Sarbanes-Oxley Act.
- Assist process owners with inputs and updates to SOX Excel & Visio spreadsheets. Prepare and archive quarterly Excel/Visio files.
- Assist in the analysis and assessment of internal control risks and improvement opportunities. Assist in identifying and documenting gaps existing in controls over financial reporting.
- Aid management in determining re-mediation steps for internal control deficiencies. Ensure that re-mediation actions are enacted in a timely manner for all noted control deficiencies.
- Communicate identified control weaknesses to senior management and prioritize the re-mediation of control weaknesses by financial risk. Prepare various reports and materials for executive management review and oversight.
- Facilitate the performance of management, internal auditors and external auditor testing of internal controls required by Section 404 of the Sarbanes-Oxley Act.
- Facilitate Cost Plus' compliance with Company-mandated requirements involving disclosures, management representations, and other disclosure controls and procedures mandated by Section 302 of the Sarbanes-Oxley Act.
- Create awareness of process best practices and drive standardization of processes to maximize internal control effectiveness and efficiency. Drive the process for employee education relating to financial controls and expectations for compliance.
- Other projects as required.

Job Requirements

- Bachelor's degree in Accounting.
- Minimum 2-4 years experience in general/public accounting or internal audit environment.
- Understanding of internal controls and the requirements of Sarbanes-Oxley; familiarity with COSO is a plus.
- Strong verbal and written communication skills. Strong analytical skills.
- Ability to (1) review and appraise the effectiveness of both operating and financial processes, (2) examine processes on both a micro and macro basis and (3) prioritize issues for materiality and level of risk.
- Proficient with all Windows Office software applications.
- Self-starter, able to work with minimal supervision and direction.
- Team player, able to interact and communicate with all levels within the company.

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



Contact Chris Handley at:
(800) 874-5346 Ext. 134
Or by e-mail at chris.handley@gleim.com
www.gleim.com

Year-end tax planning starts now

In a more perfect world, taxpayers would be thinking of ways to save on their taxes (and putting those plans into action) throughout the tax year. The reality is that most people think about their taxes only once a year, and if they could, they would avoid that time, too. Nevertheless, some can be persuaded to consider their tax situations at least one other time if they know how much doing so can ease the pain of tax season. Now would be a good time to start.

End-of-year tax tips generally fall into two groups: the old favorites, some of which have a few new twists, and new legislation. Some of the old favorites include the alternative minimum tax (AMT), capital gains, retirement and education savings, and business planning. Congress, which has been busy tweaking and tugging on the Tax Code since 2001, passing five major tax laws over that period, has been especially active this year, even before the president's Tax Reform Commission releases its recommendations. Several new laws have major tax provisions, including the recently passed energy and Hurricane Katrina relief laws. In addition, the IRS and Treasury have been very productive, especially regarding guidance on deferred compensation issues.

All of this adds up to a long list of potential areas for tax savings - too many to cover the entire list. However, even just checking through some of the main topics in each of the main groups, it is possible to uncover some noticeable tax savings before it's too late to do anything about it.

AMT

The AMT is the one potential danger -an area for tax planning-- few taxpayers see coming. Since the AMT is not indexed for inflation, the number of taxpayers affected continues to increase, potentially affecting over 20 million taxpayers in 2006. While legislation has been introduced that would repeal the AMT, Congress's answer to the problem in the past has been to extend the AMT exemption rather than adding indexing or changing the structure of the tax. Unfortunately, one of those extensions expires after 2005.

You can start planning around the AMT by projecting your income for the rest of the current year and for the next two years. Starting with the AMT can be beneficial because the AMT eliminates some deductions; it is counterproductive to find additional deductions only to lose them to the AMT. Some of the items that can affect the impact of the AMT include:

- State and local taxes - examine whether it makes sense to pay them in advance;
- Incentive stock options - these may generate AMT income even when sold at a loss;
- Unreimbursed employee expenses - employees and employers can benefit by switching to an accountable reimbursement plan;
- Income timing - if the AMT is not changed, it may make sense to accelerate income, if possible;
- Don't forget the minimum tax credit for deferral items.

Fortunately, some of the benefits provided under the *Hurricane Katrina Emergency Tax Relief Act* are not affected by the AMT; however, the credits available under the recent energy act are.

Capital gains

The end of the year is the perfect time to examine investments to minimize capital gain income. Taking losses on consistently underperforming investments can offset gains taken on winners, because it may be advisable to sell them to rebalance portfolios. Remember that losses taken in excess of gains offset ordinary income up to \$3,000 (\$1,500 for MFS). Some appreciated stock is better off not sold, but donated to charitable organizations. These donations can be deducted at the fair market value of the stock. Capital gains can also be shifted to family members in lower tax brackets through gifts of securities. The basis remains the same for donor and donee. Finally, a recent development is that taxpayers can elect to treat capital gains and qualified dividends as investment income, taxed at ordinary income tax rates, if they have deductible investment interest that will offset it.

Retirement planning

While contributions to IRAs may be applied retroactively if made before the filing deadline, contributions to qualified plans must be made before the end of the calendar year. Taxpayers who are not already maximizing contributions to their retirement plans have the ability to reduce their AGIs by increasing their contributions. This has the added effect of increasing the deductibility of medical and other deductions subject to AGI floors. Taxpayers over 50 should examine the possibility of making "catch-up" contributions. Some taxpayers may have reached the age at which they must take minimum distributions and should make certain they have done so.

It is also time for taxpayers to consider conversions from traditional IRAs to Roth IRAs. This will generate a potentially large tax bill that cannot be spread over four years as was once possible, but the long-term benefits may outweigh the current costs. If the value of an IRA has dropped substantially, a reconversion is possible. The end of the year is also time to consider options for next year; this year, which includes considering contributions to a Roth 401(k) or 403(b) plan, into which employees make contributions from after-tax dollars and can later take distributions tax free.

Small business planning

Small business owners have many opportunities for tax savings to consider. A good starting point is a review of the form of business organization. While S corps and LLCs have offered tax advantages over C corps in the past, and in many cases still do, the disadvantage of double taxation has been reduced with the establishment of the tax rate for qualified dividends. Among other items, the Section 179 deduction for capital purchases that would otherwise have to be depreciated stands at \$105,000, and can be applied to purchases of up to \$420,000. This limitation drops back to \$25,000 after 2007 (unless extended), so now may be the time to start maximizing each year's maximum deduction while it's still this generous. Establishing employee benefit plans, qualified retirement plans and medical or health reimbursement plans can provide tax savings to both employees and the business. Businesses should also not forget the Code Sec. 199 domestic production activities deduction, which applies to manufacturers and many businesses not normally considered to be in manufacturing.

Sole proprietorships can realize tax savings by putting family members on the payroll. Putting a spouse on the payroll allows the business to provide tax-free medical coverage for the self-employed individual as the spouse of a covered employee. Children can earn up to \$5,000 tax free, and also have the opportunity to put the funds into a Roth IRA. The parents are also not subject to FICA on the wages paid to a child under age 18. Those who work out of their homes can take advantage of the liberalized rules for claiming a home office deduction, and if they qualify, can also deduct travel costs between their homes and where their clients are. In the event a sole proprietorship has losses and the proprietor has no other income, it might be advisable to forego some of the business deductions so as to claim earned income and the EITC.

Recent tax legislation

This year's energy and hurricane relief acts contain significant tax breaks for businesses and individuals alike. The *Energy Tax Incentives Act of 2005* contains credits for energy-efficient improvements to residential and business property and solar energy property. Year-end planning is especially helpful for those credits since they don't start until 2006, under very specific conditions. The new energy law also changes the above-the-line deduction for "green" vehicles to a tax credit. The Hurricane Katrina relief act contains tax breaks for employers who hire and retain individuals affected by the hurricane, provides tax incentives for charitable giving, and lifts restrictions on casualty losses and distributions from retirement accounts. Many donors, not only to Katrina relief funds but to all charitable organizations irrespective of use, have been given a special tax incentive to be especially generous to the end of the year - the usual donation deduction limit of 50 percent of income for the year has been lifted.

Planning starts now

Whether you have or have not used year-end tax planning in the past to lower your tax bill for the current and the upcoming year, now's the time to consider contacting a tax professional to maximize the unusually full list of tax-saving opportunities that this year has to offer. The unusual aspects of this year's tax changes --combined with standard year-end planning techniques that include deferring income and accelerating deductions, accounting for changing investment, employment or family situations, and taking full advantage of growing opportunities for tax-favored retirement savings--present a unique opportunity to maximize your tax savings at this time.

FUTURE TAX TOPIC SUGGESTIONS:

Is 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.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 jsmith@lautze.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.

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 to be free advertising for job placement agencies. Such agencies may advertise at our standard rates, as stated above.

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

MEETINGS:

Meeting Information

Our next board meeting will be held on Tuesday, October 25, 2005 at 6:00 pm at the office of Robert Half, 50 California Street, 10th floor. The meeting is open to all that wish to attend. Here we will be setting the agenda for the upcoming year. If you would like to have some input regarding our direction or would just like to check out how the board operates, please contact Terra Casey at terra.casey@accountemps.com and let her know you will be coming.

What a Weak Dollar Means To You

Provided by RBC Dain Rauscher and Jon Warner

The U.S. dollar is at its weakest period in recent history. While most people ultimately perceive that a weak dollar can be detrimental, many fail to notice both the direct and indirect roles a weak dollar plays on consumers and investors.

A dipping dollar is driven by many factors, but most agree that the two biggest drivers are increases in the U.S. budget deficit and increases in the U.S. trade deficit, also known as the “twin deficits.” While in recent years, both of these deficits have been high, the effect has somewhat been muted by strong foreign investment in U.S. bonds and equities. However, most believe that current levels of foreign investment is not likely to continue – underscoring the toll a weak dollar can take on consumers, investors and U.S. companies.

Sometimes the negative effects of a weak dollar are fairly apparent. For example, a trip to Italy is going to cost you a lot more if you only get a fraction of a Euro for each dollar you exchange. Every dollar you convert and spend abroad, depending on how the dollar is faring against that currency, may be worth significantly less than at home.

And a weak dollar doesn't just affect your personal spending. It affects *all* purchases made abroad. As a leading importer of goods from other countries, a weak dollar means the United States is now buying those goods at higher prices. In terms of imported raw materials, this can mean higher costs of production, which in turn translates into higher prices of goods sold at home – fueling inflation and slowing economic growth. This is also true of many finished goods that are produced overseas and sold here, such as electronics, which can also end up costing consumers more here.

A strong dollar encourages foreign investment. Continued weakness is likely to lead to a drop in foreign investment. If that happens, interest rates on U.S. government bonds may need to rise in order to attract more investments from abroad. And rising interest rates on U.S. treasuries are tied to many types of interest rates, including mortgage rates, which can affect homebuyers, or those who hold variable rate debt.

However, there are some benefits to a weaker U.S. dollar. The primary one is that a weak dollar makes U.S.-made goods and services cheaper to purchase abroad, increasing the nation's exports and helping reduce the trade deficit. Changes in currency exchange rates reduce the price of the goods overseas and allow U.S. companies to more effectively compete with foreign companies in their own countries. This bodes well for multi-national companies who sell a significant portion of their goods abroad, as well as the investors who hold shares in those companies.

Domestic tourism also tends to get a boost from a weaker dollar. Not only do U.S. citizens opt to get more bang for their vacation buck by vacationing stateside, foreign tourists do as well. In a weak dollar environment, a foreign tourist can visit the United States at a discount.

The value of the U.S. dollar affects us all. Its plays a part in everything from our mortgage rates, to the cost of imports, and even our vacation decisions. While its role may sometimes seem muted, a basic understanding of the effects of a weak or strong dollar can sometimes help map out our own individual financial decisions.

This article is provided by Jon Warner (Phone# 415-445-8316) a financial consultant at RBC Dain Rauscher in San Francisco and was prepared by or in cooperation with RBC Dain Rauscher. The information included in this article is not intended to be used as the primary basis for making investment decisions nor should it be construed as a recommendation to buy or sell any specific security. RBC Dain Rauscher does not endorse this organization or publication. Consult your investment professional for additional information and guidance.