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## Tokyo office expands

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In early 1967, a case was reported in which the taxpayer's use of the direct cost method was upheld. In *McNeil Machine & Engineering Co. vs. U.S.* (U.S. Court of Claims No. 66-63, March 29, 1967), a Court of Claims Trial Commissioner determined that the direct cost method "clearly reflected income" because it was:

1. Consistently used in this case;
  2. Within the scope of generally accepted accounting principles; and
  3. In conformity with the income tax regulations.
- Although this case has not as yet (November, 1967)

been reviewed by the full Court of Claims, its conclusions are nonetheless significant.

#### CONCLUSION:

The IRS is becoming increasingly interested in the inventory techniques being used for tax purposes. The ability to test these techniques and to challenge their use will increase as the computer begins to play a larger part in tax examinations. Now is the time for taxpayers to examine their inventory methods and techniques to determine if they will be acceptable to the IRS.



*Dave Nagao and Thomas ("Jeff") Ennis are shown meeting with client G. Barry Seyman. Mr. Seyman is important in the applied hydraulic power field, and is general manager for far eastern operations of Applied Power International, vice president of TOKYO YUATSU KOGYO and president of Applied Power Far East Ltd.*

## Tokyo Office Expands

Our Tokyo office has undergone several changes since its move to a new building in October. Thomas J. Ennis has moved to Tokyo to become partner in charge of the Tokyo office and coordinator in the Asian-Pacific area, and Dave Nagao has been promoted to manager.

Mr. Ennis, who recently completed some work in Turkey for the U.S. State Department, brings to his new post almost a decade of experience as partner in charge of the San Francisco office. He made his first exploratory trip to this region some years ago, and it is his feeling that trade and investment will continue to expand. He expects the Tokyo office to participate in this growth.

Dave Nagao worked in the San Francisco and Honolulu offices before moving to Tokyo in 1964, and is one of

the few people who have met certification requirements in both Japan and the U.S.A.. Mr. Nagao, who has an M.B.A. degree from U.C.L.A., refuses to commit himself on which examination is tougher. His only comment is, "I wouldn't like taking either of them again."

The other key men in the office are Japanese CPAs, Mr. Takayama and Mr. Kobayashi, who developed an interest in international work as college classmates. (Mr. Kobayashi is active in the international committee of the Japanese Institute of CPAs.) With the aid of these associates, the Touche, Ross office in Tokyo offers clients an attractive combination of talents; professional services of CPAs with both a rich background of United States experience and an intimate knowledge of Japanese business customs and practices.