



Forensic Accounting Today

Newsletter of Ron J. Anfuso, CPA/ABV - An Accountancy Corp.

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Issue 6

What is the Moore/Marsden Formula?

1. Determine the separate property and community property percentage interest in the property.
2. The separate property percentage interest is determined by crediting the separate property with the down payment and the full amount of the loan on the property less the amount by which the community property payments reduced the principal balance of the loan.
3. This sum is divided by the purchase price. The resulting figure is the separate property percentage share.
4. The community property percentage share is determined by dividing the amount in which community property payments reduced the principal by the purchase price.
5. The separate property interest in the property as valued at the end of marriage is determined by adding all the prenuptial appreciation, the amount of capital appreciation during marriage attributable to the separate funds (determined by multiplying the capital appreciation during marriage by the separate property percentage interest), and the amount of equity paid by separate funds.
6. The community property share in the value of the property is determined by adding the amount of capital appreciation during marriage attributable to community funds to the equity paid by community funds.

Gross Cash Flow and Business Valuation Issues: Analyzing Perquisites

By Ron J. Anfuso, CPA, ABV, CFF, CDFA, FABFA*

In litigating many dissolution cases, a material issue is often the determination of the real income of one or both of the parties to the case. The reason? The existence of perquisites and/or fringe benefits. It is common that a significant portion of the income generated from employment or by a self-employed business owner comes in the form of perquisites or “perks.”

In the case of employees, the perks are considered fringe benefits, which simply are additional compensation granted at the discretion of the employer. This includes such benefits as accrued sick pay, vacation pay, tuition reimbursement and employer-provided parking. Fringe benefits provided by employers are not considered a gift but are earned by the employee as part of their compensation for services rendered.

Self-employed business owners, on the other hand, control the amount and nature of their perquisites, usually as a result of writing off personal expenses as business expenses for tax purposes. Medical and automobile expenses are common expenses that often fall into the perquisite category.

The proper determination and analysis of perks can affect the property division if one or both of the parties owns a business (i.e. when a business valuation must be performed) and for gross cash flow available for support.

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Meet Ron J. Anfuso, CPA/ABV

Ron Anfuso graduated, with honors (Magna Cum Laude, GPA 3.81) from National University, San Diego, California with a Bachelor of Arts Degree in 1990. After graduation he was employed as a senior accountant at Gursey | Schneider, L.L.P. His areas of experience include Forensic Accounting and litigation support services in marital dissolution and civil/commercial litigation matters.

* For an explanation of these titles, please visit our website or request a copy of Issue 3 of Forensic Accounting Today.

Speaking Engagements

Long Beach Bar Association

February 17, 2012 - 12 PM to 1:30 PM

Department A

Long Beach Superior Court

Topic: Business Valuation

Enjoy Breakfast or Lunch on Me

If you are an attorney who focuses on Family Law and your practice is located in Southern California, I will meet with you in person to answer all of your questions without any obligation to use our accounting or expert witness services. Take me up on it. I promise you it will be worth your time.

Ron J. Anfuso, CPA, ABV, CFF, CDFIA, FABFA



Imagine...

A Forensic Accountant who actually gets your work done on time

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Gross Cash Flow: Continued from page 1

Testing for Perquisites

Some benefits have a significant economic value that should be added into the spouse's income when valuing a business and for calculation of gross cash flow for support purposes. Others are less significant, but still should be considered to the extent that they reduce the spouses' living expenses.

Benefits that directly reduce the parties' living expenses should be considered as additional non-taxable income for purposes of calculating gross cash flow available for support. In the case of employees, this could include such benefits as expense accounts, mileage reimbursements (to the extent they exceed actual business automobile expenses), meals, day care, and the employer's portion of pension or profit-sharing contributions.

One must determine which expenses are business and which are personal on an expense-by-expense basis. Reimbursement of expenses that are found to be personal in nature should be considered as possible add-backs to income.

Some expenses, such as medical reimbursements, are inherently personal. Other expenses may need to be allocated. For automobile expenses claimed, for example, it is important to ask such questions as, what is the distance between the party's home and his or her place of employment? How many business meetings are attended in an average week, and what is the approximate mileage to get to and from those meetings? The goal of such questioning is to determine the actual business mileage incurred and deduct that from the total miles being claimed to determine the personal automobile mileage and therefore, the personal portion of the automobile expenses. (It should be noted that the travel between the home and the business is considered commuting mileage and is normally allocated as personal.)

Common perquisites include but are not limited to:

- Automobile expenses
- Entertainment
- Travel
- Education (non-professional)
- Charitable contributions
- Legal fees (personal/dissolution)
- Accounting fees (personal tax preparation fees)
- Life insurance
- Disability insurance
- Health insurance
- Medical reimbursements
- Pension or profit-sharing plan contributions

In the next issue, we will present a case study concerning perquisites.