TELECOM COMMUNICATIONS INC
Form 10-Q/A
January 22, 2003

U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended December 31, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _______ to _______

COMMISSION FILE NUMBER 333-62236

TELECOM COMMUNICATIONS, INC.
(Exact name of small business issuer as specified in its charter)

Indiana	35-2089848
(State or other jurisdiction of incorporation or organization)	(IRS Employer identification No.)

827 S. Broadway, Los Angeles, CA 90014
(Address of principal executive offices)

(213) 489-3486
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Number of shares of common stock outstanding as of May 18, 2002: 10,000,000

ITEM 1. FINANCIAL STATEMENTS

TELECOM COMMUNICATIONS, INC.
BALANCE SHEETS
AT DECEMBER 31, 2001(UNAUDITED) AND SEPTEMBER 30, 2001

(Unaudited)	December 31,2001	September 30,2001
ASSETS		
CURRENT ASSETS		

Cash in banks (Note 4)	$ 20,451	$ 25,920
Inventory (Note 5)	$ 4,000	$ 4,000
TOTAL CURRENT ASSETS	24,451	29,920
PROPERTY AND EQUIPMENT, NET	-0-	-0-
TOTAL ASSETS	$ 24,451	$ 29,920

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Income taxes payable (Note 14)	$ 3,813	$ 21,026
TOTAL CURRENT LIABILITIES	3,813	21,026

STOCKHOLDERS' EQUITY (NOTE 15)

Common stock ($.001 par value, 80,000,000 shares authorized: 10,000,000 issued and outstanding)	10,000	10,000
Preferred stock ($.001 par value, 20,000,000 shares authorized: none issued and outstanding)	-0-	-0-
Additional paid-in-capital	-0-	-0-
Retained earnings	10,638	(1,106)
TOTAL STOCKHOLDERS' DEFICIT	20,638	8,894
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 24,451	$ 29,920

The accompanying notes are an integral part of these financial statements

TELECOM COMMUNICATIONS, INC.
STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
INCOME (NOTE 2):		
Phone calls	$ 31,123	$ 22,622
Lotto tickets (net)	1,806	1,749

Bus tokens.	98,193	110,464
Bus passes.	2,084	15,207
Checks cashed	2,251	2,250
Money grams	1,495	1,085
TOTAL	$ 136,952	$ 153,377
COST OF GOODS SOLD		
Phone call costs.	15181	10368
Bus token costs	89445	97967
Bus pass costs.	1998	14371
TOTAL COST OF SALES	106624	122706
GROSS PROFIT.	$ 30,328	$ 30,671
OPERATING EXPENSES:		
General and administrative. . .	$ 14,814	$ 12,152
TOTAL EXPENSES.	14,814	12,152
OPERATING INCOME.	15,514	18,519
INCOME TAX (PROVISION) BENEFIT.	(3,770)	(6,527)
NET INCOME.	$ 11,744	$ 11,992
Net income per common share basic & fully diluted	$ **	$ **
Weighted average common shares outstanding.	10,000,000	10,000,000

**Less than $.01

The accompanying notes are an integral part of these financial statements

TELECOM COMMUNICATIONS, INC.
STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$11,744	$11,992
Adjustments to reconcile net income to net cash used in operating activities:		
Common stock issued for services	-0-	-0-
(Decrease) in operating liabilities:		
Income taxes payable	(17,213)	6,527
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(5,469)	18,519
CASH FLOWS FROM FINANCIANG ACTIVITIES:		
Shareholder distributions	-0-	(20,203)

NET CASH USED IN FINANCING ACTIVITIES	-0-	(20,203)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,469)	(1,684)
CASH AND CASH EQUIVALENTS:		
Beginning of period	25,920	2,443
End of period	$20,451	$ 759

The accompanying notes are an integral part of these financial statements

TELECOM COMMUNICATIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001 (UNAUDITED)

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments consisting only of normal recurring accruals considered necessary to present fairly the Company's financial position at December 31, 2001, the results of operations for the three month periods ended December 31, 2001 and 2000, and cash flows for the three months ended December 31, 2001 and 2000. The results for the period ended December 31, 2001, are not necessarily indicative of the results to be expected for the entire fiscal year ending September 30, 2002.

NOTE 1. ABOUT THE COMPANY

Telecom Communications of America was founded as a sole proprietorship in 1995 by Michelle Hiromoto with the assistance and management of her father Tak Hiromoto. The purpose of the company was to provide low cost access to long distance carriers for individuals needing to call Latin and South America. The company operates on the Internet as opposed to using conventional long distance carriers to facilitate lower costs that are passed on to the customers. Many of the extra fees that are found in conventional long distance systems are avoided this way. In addition the company also provides various services such as check cashing, money wiring, the sale of bus tokens and passes, and tickets from California Lottery known as Lotto.

NOTE 2. REVENUE RECOGNITION

SAB 101 identifies basic criteria that must be met for revenue recognition. There must be the following items:

A. Persuasive evidence of an arrangement exists;

B. Delivery has occurred or service has been rendered.

C. The seller's price to the buyer is fixed or determinable;

D. Collectability is reasonably assured.

Except for check cashing, all transactions are done on a cash basis with fixed prices made clear to the buyer prior to the transaction. All products are paidf or immediately upon receipt or completion of phone calls. All monies received are not refundable. EITF 99-19 requires that sales recognized on a gross basis be for an item or service where the merchant takes total risk for the product or service as opposed to an agent relationship wherein earnings are simply a commission received as a representative who bears no risk. Phone calls, Bus Passes, and Tokens, are reported at gross while Lotto Tickets, Money Grams and Check Cashing are reported at net. Checks cashed are limited to local individuals known by the owners as local employees with two types of I.D. required. On one occasion $5,000 worth of checks did bounce which were later determined to be counterfeit.

This incident was isolated and has not been repeated because of the controls being used. For this reason bad checks are minimal. All cashed checks are deposited the same evening and clear the next day so there are no material receivables. There is a fee of 1.7% of the amount cashed.

NOTE 3. ACCOUNTING METHOD

The company uses the accrual method of accounting.

NOTE 4. BANKING POLICY

Funds are kept in two banks so no more than $100,000 is in any one account.

NOTE 5. INVENTORY VALUATION

The average inventories on any given day are as follows:

Bus Passes	$ 500
Bus Tokens	2,000
Lotto Scratcher	1,500
Total	$ 4,000

NOTE 6. RECEIVABLES

There are no receivables as all business is done for cash. See Note 2.

NOTE 7. ASSETS

All capitalized assets are fully depreciated while new ones are currently being leased.

NOTE 8. LIABILITIES

There are no loans outstanding and no material payables other than income taxes accrued. See Note 14.

NOTE 9. LOANS AND LEASES

Although no loans are outstanding, the Company does have a computer lease requiring a monthly payment of $911.00. This lease is good thru July 1, 2003. Although there is a purchase option at the end of the lease for $3,600 this is not small enough to be considered a bargain purchase option which would require lease capitalization Statement No. 13 which requires capitalization and depreciation of certain leases. No capitalization of the lease will be done. The Company is also leasing its occupancy thru December 31, 2003. Both obligations are broken down as follows:

Computer Lease

Balance on 07/01/2001 thru 09/30/2001	$ 2,733
Balance on 10/01/2001 thru 09/30/2002	10,932
Balance on 10/01/2002 thru 07/01/2003	8,199
Total	$ 21,864

Occupancy Lease

Balance on 07/01/2001 thru 09/30/2001	$ 5,400
Balance on 10/01/2001 thru 09/30/2002	22,300
Balance on 10/01/2002 thru 09/30/2003	23,500
Balance on 10/01/2003 thru 12/31/2003	6,000
Total	$ 57,200

NOTE 10. RELATED PARTY TRANSACTIONS

There have been no related party transactions.

NOTE 11. LITIGATION

There is no litigation at this time either threatened or pending.

NOTE 12. PRE-PAID ITEMS AND DEPOSITS

There are no large deposits on any assets or prepaid insurance.

NOTE 13. PAYROLL

Prior to incorporation there were no payrolls as ownership took draws as any sole proprietorship does. After incorporation the officers will be paid as professional, independent contractors. Therefore, there are no payroll tax issues to be concerned about at this time.

NOTE 14. INCOME TAX PROVISION

Provision for income taxes is based on corporate rates for both state and federal taxes. Corporate rates are used for the statements prior to incorporation for consistency. The rates are calculated as follows:

Federal rates:

The first $50,000	@ 15%	percent.
The next $25,000	@ 25%	percent.
The balance	@ 35%	percent.

State rates:

California rate of 9.3%.

NOTE 15. INCORPORATION

On December 21, 2000, the Company was acquired by MAS Acquisition XXI Corp. Following APB No. 16, this type of acquisition is commonly called a "reverse merger" wherein the smaller private operating company, Telecom Communications of America, merges into a non-operating shell corporation, MAS Acquisition XXI Corp., which had no assets, resulting in the owner's/manager's, Tak Hiromoto continuing to have effective operating control of the new combined company, Telecom Communications, Inc. The shareholders of the former shell only continue as passive investors. The accounting was accomplished by adjusting the balance sheet into a corporate style as opposed to a sole proprietorship with simple recognition of the assets and liabilities as they were in the former financial statements of the sole proprietorship. The equity section is adjusted by taking all owner's capital and reclassifying it as Additional Paid in Capital. The Common Stock issued is recognized at its par value of .001 as per the offering.

Ten million shares were issued totaling $10,000 but no cash was received. The offsetting entry is to reduce Additional Paid in Capital by the $10,000. The financial statements presented here represent the activities of the smaller operating company.

As mentioned, ten million shares have been issued at a par value of .001. A total of 100 million shares are authorized with 80 million as common shares and 20 million as preferred. The preferred stock will not be convertible so once issued no dilution of Earnings per Share will be needed. The company intends to raise additional capital through the issuance of stock to enable it to expand. Management estimates that $50,000 is needed to move forward the first year. Of the ten million shares issued, nine million were issued to Tak Hiromoto. He then transferred one million shares to Herman Alexis & Co., Inc. for assisting the company. The remaining one million shares are broken down with 977,500 owned by MAS Capital, Inc. and the remaining 22,400 owned by a large number of small investors.

NOTE 16. FACILITATION OF MERGER

The joining of the companies was accomplished by an introduction to MAS Acquisition XXI Corp. by Herman Alexis & Co., Inc. to the Hiromotos. Neither party knew each other before this introduction.

NOTE 17. GOING CONCERN

As mentioned in Note 15, management estimates that $50,000 is needed to effectively expand and operate the company for the first year. Although the company has operated successfully for seven years, ownership draws have produced a capital deficiency that raises substantial doubt about the company's ability to continue as a going concern. The future is unpredictable. The financial statements are presented on the going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The company's ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by entrance into established markets and the competitive environment in which the company operates. The financial statements prepared here have not been adjusted to reflect possible future events and their effect on the recoverability and classification of assets or the amounts and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the company to continue as a going concern.

NOTE 18. EARNINGS PER SHARE

The company calculates net income or Earnings per Share as required by SFAS No. 128. Earnings per share are calculated by dividing net income by the average number of outstanding shares. No shares are convertible so dilution is not an issue.

The following represents the calculation of earnings per share:

	For the three months ended December 31,	
BASIC & DILUTED*	2001	2000
Net income	$ 11,744	$ 11,992
Less- preferred stock dividends	--	--
Net income	$ 11,744	$ 11,992
Weighted average number of common shares	10,000,000	10,000,000
Basic & diluted earnings per share	$ **	$ **

*There were no common stock equivalents for either period presented.
** Less than $.01

NOTE 19. DEFERRED TAXES

According to SFAS 109, the objectives of accounting for income taxes are to recognize (a) the amount of taxes payable or refundable for a current year and (b) deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an enterprise's financial statements or tax returns. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences and carry forwards. Measurements of current and deferred tax liabilities and assets are based on provisions of the enacted tax law. The effects of future changes in tax laws or rates are not anticipated. If a tax deferral occurs, the measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. At this time, there are no such deferrals. See Note 14 for calculations of current tax year liabilities based on existing rates.

NOTE 20. SEGMENT REPORTING

Currently the company reports only one segment on the financial statements, as there is only one central location of business and not multiple locations or departments. SFAS 131 defines an operating segment, in part, as a component of an enterprise whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The chief operating decision maker is not necessarily a single person, but is a function that may be performed by several persons.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

With the exception of historical facts stated herein, the matters discussed in this report are "forward looking" statements that involve risks and uncertainties that could cause actual results to differ materially from projected results. Such "forward looking" statements include, but are not necessarily limited to, statements regarding anticipated levels of future revenues and earnings from operations of the Company. Readers of this report are cautioned not to put undue reliance on "forward looking" statements, which are by their nature, uncertain as reliable indicators of future performance. The Company disclaims any intent or obligation to publicly update these "forward looking" statements, whether as a result of new information, future events, or otherwise.

DESCRIPTION OF BUSINESS

Business Development

Telecom Communications Inc. was incorporated on January 6, 1997 in the State of Indiana under the corporate name MAS Acquisition XXI Corp. Prior to December 21, 2000, we were a blank check company seeking a business combination with unidentified business. On December 21, 2000, we acquired Telecom Communications of America which was a sole proprietorship doing business in Los Angeles, California since August 15, 1995 and changed our name to Telecom Communications Inc. In connection with this acquisition, Aaron Tsai, our former sole officer and director was replaced by Telecom Communications of America's owners and associates. We issued 9,000,000 shares of our common stock or 90% of our total outstanding common shares after giving effect to the acquisition. MAS Capital Inc. returned 7,272,400 shares of common stock for cancellation without any consideration.

Our principal executive offices are located at 827 S. Broadway, Los Angeles, CA 90014. Our telephone number is (213) 489-3486.

Overview

Our main business is to provide low cost telephone calls over the Internet to individuals and businesses. Our services enable our customers to make low cost telephone calls over the Internet using the traditional telephone. In September 1999, we introduced a service that enables international and domestic calls to be made over the Internet using traditional telephones. Long distance calls made using our services are often substantially less expensive than long distance calls routed over traditional voice network. Following illustrate a typical cost for our customers. In summary, our cost of 9.5 cents per minute compared with 17 cents per minute using traditional phones taking in considerations for the monthly basic service charges for the traditional phone services.

Illustration: (based on telephone services in our area)

Our cost per minute = 9.5
Traditional phone services cost per minute = 7 cents (without basic fees)

Assumptions: Residential long distance charge for the month is $10.78 for 154 minutes (domestic call). Customer is using plans such as MCI 7 Cents anytime residential plan.

Additional costs for Traditional long distance charges:

MCI 7 Cents anytime residential plan	$ 6.95
12% Federal Excise Tax	1.32
40% State & Local Taxes	4.36
.004% Federal, State & Local Surcharges	0.04
25% Federal Universal Service Fee	2.61
.23% CA High cost Fund-B Surcharges	0.25
.005% CA Universal Life Tel Service Surcharge	0.05
.003% CA Relay Service and Communication Device Fund	0.03
.006% CA 911 Local	0.07
TOTAL	$15.68

To calculate traditional phone cost, we took the traditional long distance charges for the month of $10.78 plus the monthly fees of $15.68 and divide the result by 154 minutes which gives 17 cents per minute.

$10.78 + $15.68 = $26.46 divided by 154 minutes = 17 cents.

In this illustration, our customers would save 7.5 cents per minute using our services. The basic fees may very for different areas and we do not have that information at this time. For International calls, you have a higher savings due to higher tariff on traditional phone calls.

We intend to expand our business through acquisitions. Currently, we have one telephone calling center with one server located in Los Angeles, California.

We have only a limited operating history upon which you can evaluate our business and prospects. We have achieved limited profitability, and expect to continue to achieve limited profitability in the year 2001 and subsequent fiscal periods. We will need to significantly increase our revenues in order to achieve greater profitability, which may not occur. Even if we do achieve greater profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future. A total of 77% of our revenue have been generated from the sale of Lotto Tickets, Bus Tokens, Bus Passes, Check Cashing and Money Gram products constitute 77% of and 23% for Telecommunications. Telecom Communications Inc is intended for people of all ages and income levels who are interested in high quality telephone service at low rates. Typically, however, Latin immigrants who are interested in contacting their friends and relatives in countries outside of the United States are the primary target audience.

Industry Background

The Internet is experiencing unprecedented growth as a global medium for communications and commerce. Internet telephony has emerged as a low cost alternative to traditional long distance calls. Internet telephone calls are less expensive than traditional domestic and international long distance calls primarily because these calls are carried over the Internet and therefore bypass a significant portion of local and international long distance tariffs. The fees and tariffs that are eliminated for our services can be itemized as follows:

* Calling Plans Charge

* Carrier Access Charge
* Federal Excise Tax
* State and local Tax
* Federal, State and local surcharge
* Federal Universal Service fee
* California High Cost Fund-B surcharge
* California Universal Lifeline Telephone Service surcharge
* California Relay Service and Common Device fund
* California 911 Local charge

The technology by which Internet phone calls are made is also more cost-effective than the technology by which traditional long distance calls are made. he growth of Internet telephony has been limited to date due to poor sound quality attributable to technological issues such as delays in packet transmission and network capacity limitations. However, recent improvements in packet-switching technology, new software algorithms and improved hardware have substantially reduced delays in packet transmissions.

Products and Services
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Presently, we have one telephone calling center located in Los Angeles, California. This center has 6 phone booths each with its own traditional telephone set, table and chair. Phone calls made from these booths are routed through our computer server and Internet connection to a third party servers which provide the interconnection to their established network which enables telecommunications over Internet Protocol (IP) data networks using their software, hardware and related components. The third party providing this service is Inter-Tel.net, Inc. with whom Telecom has a contractual agreement.

We do not rely solely on customers visiting our telephone calling center. We also have 24 phone lines attached to our server which enables customers accessing our services using telephones away from our location by calling in to our telephone calling center. The 24 phones lines attached to our server allow 24 customers to call in at a given time. When one caller complete a call the phone line free up for another caller. In addition, the following products and services are also offered at our telephone calling center:

* Money wiring service
* Check cashing
* Sales of Lotto tickets
* Automatic Telling Machine (ATM)
* Faxing services
* Sales of telephone cards

RESULTS OF OPERATIONS

Sales

Revenues were $136,952 for the three months ended December 31, 2001, versus $153,377 for the three months ended December 31, 2000, a decrease of $16,425 or 11%. The decrease in sales for the first three months was primarily due to the Company's focus on marketing higher margin products and growing brand awareness. Average selling prices remained fairly constant and gross margins increased from20% to 22%. Presently, the percentage of customers using our calling center versus using services from their resident is approximately 45% versus 55%. We anticipate that eventually 99% of calls will be made from our customers' residence due to convenience factor. The other 1% will be customers who have no phones in their homes. We sell prepaid cards to call from their residence. The company's focus on brand name recognition tends to have particularly heavy customer service requirements. Because we anticipate growth in our subscriber base, we provide discount to new subscribers and referral bonuses to existing subscribers for their loyalty for referring new subscribers to the company. We expect a reduction in revenue to be short term. We believe that establishing and maintaining a brand and name recognition is critical for attracting and expanding our targeted client base and that importance of reputation and name recognition will increase as competition in the internet telephone market increases. From time to time we have promotional prices to attract clients through marketing which lead to a reduction in revenue.

Expenses

Total expenses were $14,814 for the three months ended December 31, 2001, versus $12,152 for the three months ending December 31, 2000, an increase of $2,662 or 22%. The Company realized a slight increase in its total expenses due to its effort to gain active trading status on the Over-the-Counter Bulletin Board (OTCBB). Since became a fully reporting company, in addition to our management time, which can be considerable, there are additional expenses relating to being a public company. The cost of printing and distribution of prospectus, preparation of SEC filing; review of financial statements by C.P.A.; and filing on EDGAR which all contributed to the 22% increase of expenses.

Liquidity and Capital Resources

On December 31, 2001, the Company had cash of $20,451 and working capital of $20,638. This compares with cash of $759 and a working capital deficit of $1,570 at December 31, 2000. The increase in working capital was due to an increase in cash and decrease in income taxes payable. The increase in cash was generated from sale of stock. There are no line of credit and capital expenditures at this time.

Net cash used in operating activities was $5,469 for the three months ended December 31, 2001 as compared with net cash provide by operating activities of $18,519 for the three months ended December 31, 2000. The difference in 2001 was primarily attributed to a $17, 213 change in income taxes payable during 2001.

Cash provided by financing activities totaled $-0- for the three months ended December 31, 2001 as compared with net cash used in financing activities of $20,203 for the three months ended December 31, 2000. Cash used in financing activities during 2000 consisted solely of shareholder distributions.

PART II. OTHER INFORMATION
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Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

During February 2002, the Company located a market maker to submit a filing with the National Association of Security Dealers to quote the Company's common stock on the Over-the-Counter Bulletin Board. However, there can be no assurance that a market will be established or maintained.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

None.

b) Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELECOM COMMUNICATIONS, INC.

/s/ Tak Hiromoto

Date: January 10, 2003

Tak Hiromoto
President and Director