

**ACCT 3603**  
**INCOME TAX ACCOUNTING I**  
**Spring 2008**

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<b>Time:</b>	TR 3:00-4:15 PM	<b>Location:</b>	Caroline & Guy Patton Classroom (3020 Price Hall)
<b>Office Hours:</b>	TR1:00-2:30 PM or by appt.	<b>Phone:</b>	325-5796
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*If you know the position a person takes on taxes, you can tell their whole philosophy. The tax code, once you get to know it, embodies all the essence of life: greed, politics, goodness, charity. Everything's in there. That's why it's so hard to get a simplified tax code. Life just isn't simple.*

Former IRS Commissioner, Sheldon Cohen

**Objective:** This course is designed to give accounting students with no previous tax studies (1) the ability to identify and understand various policy objectives underlying the tax law; (2) an understanding of the tax consequences of common business and investment transactions; (3) the ability to identify potential tax issues in unstructured situations; (4) the ability to meaningfully incorporate tax considerations in business and investment decisions; (5) the ability to compare and contrast the tax and financial reporting treatment of common business transactions; and (6) an appreciation of the ethical issues related to tax compliance and planning. Much of this information is tested on the Uniform CPA Examination. Perhaps most importantly, the course will provide the tools necessary to keep up with the inevitable changes to the law given the dynamic nature of the legislative environment.

**Required Materials:**

*West's Taxation of Business Entities* (2008 edition). Smith, Raabe, Maloney and Willis [West]

**Optional Materials:**

Study Guide to accompany West text.

Class note outlines available on class web site.

**Class format:** Classes will be a combination of lecture, discussion, and group problem solving. Because our time is limited it is imperative that you be prepared for class meetings. I will assume all readings have been done IN ADVANCE, and daily activities will be structured accordingly. The success of this class depends not only on the instructor, but the student as well. Inadequate preparation by either will severely decrease the value of our time together.

**Assignments:** Daily assignments (see schedule below) consist of readings and homework problems. Doing the readings in advance will allow you to better participate in, and benefit from, class discussion. Homework problems have been identified to illustrate the concepts covered in each session. While no grade is given for homework problems, timely completion will strengthen your performance on exams as exams are largely problem oriented. I encourage you not to attempt the homework problems until you believe you can answer them without looking back at the text. Only then can they provide an adequate test of your knowledge and

understanding of the material. Finally, solutions to the homework problems are available from the class web page (see below). Use the solutions to check your work; simply reading the answers to problems will not prepare you for the exams.

Four out-of-class projects will also be assigned throughout the semester. All such projects will be collected and graded. Projects will be completed in groups of three to five students. Project grades will initially be shared equally by all group members (i.e., each student in the group will receive the grade earned on the project). Group members will have the opportunity to evaluate the relative contributions of other members at the end of the semester. I encourage groups to openly discuss expectations and grade allocations **before** work on a project commences.

**Examinations:** Three mid-term exams and a comprehensive final exam will be given on the dates indicated on the attached schedule. The exams are primarily problem oriented, with some objective-style questions. Note that the homework problems are generally intended to convey a particular point about a specific idea. Exam questions will be more in-depth, potentially containing multiple issues and requiring you to integrate and work with the ideas you have learned. Mastery of the homework problems is a minimum for success on the exams.

You are responsible for all material covered in class as well as readings, homework, and cases assigned to date. It is not possible to discuss every topic in-depth in class. Therefore, it is YOUR responsibility to inquire, either in class, during office hours, or via the web site, about any questions you may have on material not discussed in class.

I will attempt to return graded mid-term exams in the week following the test date. The exam answer key will be available in my office; I encourage you to "check" the grading of your exam with particular emphasis on flow-through type errors. As a general rule, I will consider grade appeals for two weeks after exams are returned.

Mid-term exams will be approximately two hours in length and run past the regularly-scheduled class time for the class. If you have a *class* conflict with a scheduled exam, advance notice should be given during the first week of the semester. See the Notice of Exam Conflict on the class web site. If you have a Provost-approved university-sponsored event or legally required activity that conflicts with a scheduled exam, notice should be given within a reasonable time after the conflict arises. In such a case, alternative arrangements for the exam will be made. Otherwise, NO make-up exams will be given. If a student misses an exam with prior approval, the comprehensive portion of the final exam will be re-weighted accordingly.

**Grading:** Grades are necessary for both motivation and feedback. In this class, grades will be determined based on a cumulative score from the following:

<u>Assignment</u>	<u>Points</u>
Case Assignments	200
Exams (200 each)	<u>800</u>
Total Available	<u>1,000</u>

Note that, according to the 2006-08 OU General Catalogue (p. 46) (<http://catalogue.ou.edu/current/index.html>), a grade of A is reserved for work of "exceptional quality."

**Administrative:** The prerequisite for this course is ACCT 3113; if you do not meet the prerequisites you should drop now.

Academic misconduct is defined as any act which improperly affects the evaluation of a student's academic performance or achievement. It specifically includes cheating, plagiarism, fabrication, fraud, destruction of property, and bribery or intimidation, as well as assisting others or attempting to engage in such acts. It is the

responsibility of each student to be familiar with the definitions, policies and procedures concerning academic misconduct; unfamiliarity with the code alters none of a student's rights or responsibilities thereunder. The Academic Misconduct Code is printed with the Student Code (2006-2008 University of Oklahoma General Catalog, p. 348]. The Student Code is also available in its entirety on the Internet at <http://www.ou.edu/studentcode/OUStudentCode.pdf>. The Academic Misconduct Code is available at <http://www.ou.edu/provost/integrity/> .

The University of Oklahoma is committed to providing reasonable accommodation for all students with disabilities. Students with disabilities who require accommodations in this course are requested to speak with the professor as early in the semester as possible. Students with disabilities must be registered with the Office of Disability Services prior to receiving accommodations in this course. The Office of Disability Services is located in Goddard Health Center, Suite 166, phone 405/325-3852 or TDD only 405/325-4173.

Please note that food and drink are prohibited in classrooms. The Price College has invested significant resources in improving our classrooms. Please help us maintain them.

A restricted-access internet site (i.e., enrollment in class, OUNetID, and password required) is maintained for this class at <http://learn.ou.edu>. The site contains all of the information included in this syllabus. Any revisions made to the class schedule will be posted on the site as soon as they are available, and will supersede the information included in this syllabus. You may also use the site's e-mail capabilities to contact the instructor, and its chat area to raise questions with other students about homework, readings, lectures, etc. While you are not required to use the site, you will be held responsible for all material and course changes disseminated through it.

## TENTATIVE WEEKLY CLASS SCHEDULE

Class Dates	Topic
1/15-17	<p><b>Introduction and Overview</b></p> <p><b>Readings:</b> Ch.1;</p> <p><b>Assignments:</b> 1-16, 20-26; Project 1 distributed (1/17)</p>
1/17	<p><b>Optional Tax Research Orientation session - 312 AH, 6-8PM</b></p>
1/22, 24	<p><b>Tax Research</b></p> <p><b>Readings:</b> Chapter 2</p> <p><b>Assignments:</b> 4-7, 12, 14, 18, 19, 23, 28;</p> <p><b>Project 1 due (1/22);</b></p> <p><b>Project 2</b> (distributed 1/22, <b>due 1/24</b>).</p> <p><b>NOTE:</b> We will meet in AH 312 on 1/22</p>
<div style="border: 1px solid black; padding: 2px;">1/28 - Final day to drop a course without receiving an automatic grade of "W"</div>	
1/29	<p><b>The Tax Structure and Tax Accounting Methods (I)</b></p> <p><b>Readings:</b> Ch. 4 (pp. 1-13); Ch. 5 (Timing of Expense Recognition, pp. 4-6); Ch. 6 (Net Operating Losses);</p> <p><b>Assignments:</b> Ch. 15 - 5; Ch.4 - 5, 6, 9-16, 18; Project 3 distributed</p>
1/31	<p><b>The Tax Structure and Tax Accounting Methods (II)</b></p> <p><b>Readings:</b> Ch. 5 (Transactions Between Related Parties, pp. 11-12); Supplemental Reading on Accounting Periods and Methods (Long-Term Contracts only) on D2L.</p> <p><b>Assignments:</b> Ch 5 - 6; Supplemental Problems 17, 31, 32(b), 33, 35(a) and (b)</p>
2/5, 7	<p><b>Gross Income</b></p> <p><b>Readings:</b> Ch. 4 (Income Sources and Specific Items of Gross Income)</p> <p><b>Assignments:</b> Ch. 4 - 1-4, 17, 20-26, 28-30; Ch. 16 - Bridge Prob 1</p>
2/12,14	<p><b>Business Deductions</b></p> <p><b>Readings:</b> Ch. 5 (skip Cost Recovery Allowances, Amortization and Depletion); Ch. 6 (Bad Debts) Ch. 17 (Entertainment Expenses)</p> <p><b>Assignments:</b> Ch. 5 - 1-5, 7-10, 12-16 Ch. 6 - 1-3, Bridge Prob 1</p>
2/19, 26	<p><b>Property Transactions: Acquisitions and Basis</b></p> <p><b>Readings:</b> Ch. 7 (Determination of Gain/loss, Basis Considerations, pp. 1-18); Ch. 6 (Worthless securities and Casualty Losses); Ch. 5 (Transactions between Related Parties, pp. 11-12).</p> <p><b>Assignments:</b> Ch. 7 - 1, 3, 6-8, 10-19; Ch. 6 - 4-10; Ch. 5 - 11.</p>
2/21	<div style="border: 3px double black; padding: 5px; text-align: center;"> <p><b>***Midterm Exam 1***</b></p> <p>All readings and assignments through Business Deductions</p> </div>

2/22 - Final day to drop a course with an automatic grade of "W"

- 2/28, 3/4 **Property: Annual Cost Recovery**  
**Readings:** Ch. 5 (Cost Recovery, Amortization, Depletion)  
**Assignments:** Ch. 5 -17-35, Bridge Prob 1-3;  
Ch. 7 - 2;  
**Project 3 due (3/4)**
- 3/6 **Property: Capital Gains/Losses**  
**Readings:** Ch. 8 (pp. 1-23; skim Patents, Franchises, and Lease Cancellation Payments)  
**Assignments:** Ch 8 - 1-7, 9-17
- 3/11 **Property: Dispositions of Business Assets**  
**Readings:** Ch. 8 (pp. 23-38)  
**Assignments:** Ch. 8 - 19, 22-26, 28
- 3/13, 25 **Property: Deferred Recognition Transactions**  
**Readings:** Supplemental Reading on Accounting Periods and Methods (Installment Sales only) available on D2L;  
Ch. 7 (pp. 18-31)  
**Assignments:** Supplemental Problems - 12-15, 26-30;;  
Ch. 8 - 27;  
Ch. 7 - 20-32, 34-36, Bridge Prob 3.
- 3/27 **Entity Choice**  
**Readings:** Ch. 9 (An Introduction to Corporate Taxation, pp. 1-8);  
Ch. 11 (Overview of Partnership Taxation, pp. 1-9);  
Ch. 12 (An Overview of S Corporations, pp. 1-5);  
Ch. 15 (pp. 1-14)  
**Assignments:** Ch. 9 - 1, 3-6;  
Ch. 15 - 5-10

3/31 - Final day to drop a course with a grade of "W" or "F"

4/1

**\*\*\*Midterm Exam 2\*\*\***

All readings and assignments through Deferred Recognition Transactions

- 4/3 **Taxation of Individuals: Introduction**  
**Readings:** Ch. 16 (except only skim Special Limitations for Individuals Claimed as Dependents and Personal and Dependency Exemptions; skip Itemized Deductions and Tax Credits);  
**Assignments:** Ch. 16 - 1-3, 10-16
- 4/8, 10 **Taxation of Individuals: Gross Income and Exclusions**  
**Readings:** Ch. 17 (Exclusions Available to Employees);  
Ch. 7 (Sale of a Principal Residence)  
**Assignments:** Ch. 17 - 1-13;  
Ch. 7 - 37;  
**Project 4 due (4/8)**
- 4/15, 17 **Individuals: Business-related Deductions and Losses**  
**Readings:** Ch. 17 (Skip Exclusions Available to Employees)  
**Assignments:** 15-34

4/22

**Individuals: Loss Limitations**

**Readings:** Ch. 6 (Tax Shelters, At-risk and Passive Loss Limits)

**Assignments:** 12-37, Bridge Prob 2, 3

4/24

**\*\*\*Midterm Exam 3\*\*\***

All readings and assignments through  
Business-related Deductions and Losses of Individuals

4/29, 5/1

**Individuals: Personal Deductions and Credits**

**Readings:** Ch. 16 (Special Limitations for Individuals Claimed as  
Dependents; Personal and Dependency Exemptions,  
Itemized Deductions, and Tax Credits)

Ch. 6 (Casualty and Theft Losses of Individuals)

**Assignments:** Ch. 16 - 4-10, 17-35

**\*\*\*FINAL EXAM\*\*\***

Chapters 6, 16, Cumulative

4:30 PM - 6:30 PM

Wednesday, 5/7