WILMINGTON UNIVERSITY  
COLLEGE OF BUSINESS  
BASIC COURSE INFORMATION

COURSE TITLE: Tax Accounting II
COURSE NUMBER: BAC 322

I. RATIONALE:

Accountants must understand and know the importance, relevance and rules of taxation for partnerships, estates, trusts, and corporations.

II. MAJOR INSTRUCTIONAL GOALS:

GOAL A:
The student will understand the tax rules unique to accounting periods and methods.

Learning Outcomes: The student will:

A-1 Understand the relevance of the accounting period concepts, the different types of accounting periods and limitations on their use.
A-2 Apply the cash method, accrual method and hybrid method of accounting.
A-3 Utilize the procedure for changing accounting methods.
A-4 Determine when the installment method of accounting can be utilized and apply the related calculation techniques.
A-5 Understand the alternative methods of accounting for long-term contracts (the completed contract method and the percentage of completion method) including the limitations on the use of the completed contract method.
A-6 Identify tax planning opportunities related to accounting periods and accounting methods.

GOAL B:
The student will understand the procedural aspects of filing and reporting for corporate taxpayers.

Learning Outcomes: The student will:

B-1 Summarize the tax treatment of various forms of conducting a business.
B-2 Compare the taxation of individuals and corporations.
B-3 Understand the tax rules unique to corporations.
B-4 Compute the corporate income tax.
B-5 Explain the rules unique to computing the tax of related corporations.
B-6 Describe the reporting process for corporations.
B-7 Understand the impact of tax return positions on financial statements.
B-8 Evaluate the corporation as an entity form for conducting business.

**GOAL C:**
The student will explain corporate organization and structure.

**Learning Outcomes:** The student will:

C-1 Identify the tax consequences of incorporating a business.
C-2 Understand the special rules that apply when liabilities are assumed by a corporation.
C-3 Recognize the basic issues relevant to the shareholder of the corporation.
C-4 Appreciate the tax aspects of the capital structure of a corporation.
C-5 Recognize the tax differences between debt and equity investments.
C-6 Handle the tax treatment of stockholder debt and stock losses.
C-7 Identify tax planning opportunities associated with organizing and financing a corporation.

**GOAL D:**
The student will understand corporate distributions not in complete liquidation.

**Learning Outcomes:** The student will:

D-1 Explain the role that earnings and profits play in determining the tax treatment of distributions.
D-2 Compute a corporation’s earnings and profits.
D-3 Apply the rules for allocating earnings and profits to distributions.
D-4 Describe the tax treatment of dividends for individual shareholders.
D-5 Evaluate the tax impact of property dividends on the recipient shareholder and the corporation making the distribution.
D-6 Identify the nature and treatment of constructive dividends.
D-7 Discuss the tax treatment of stock dividends and stock rights.
D-8 Identify various stock redemptions that qualify for sale or exchange treatment.
D-9 Understand the tax impact of stock redemptions on the distributing corporation.
D-10 Identify planning opportunities available to minimize the tax impact in corporate distributions, constructive dividends and stock redemptions.

**GOAL E:**
The student will understand corporate distributions in complete liquidation and possess an overview of reorganizations.

**Learning Outcomes:** The student will:
E-1 Understand the tax consequences of complete liquidations for both the corporation and its shareholders.
E-2 Understand the tax consequences of subsidiary liquidations for both the parent and the subsidiary corporations.
E-3 Understand the general requirements and the consequences of corporate reorganizations.
E-4 Identify tax planning opportunities available to minimize the tax impact in complete liquidations and corporate reorganizations.

GOAL F:

The student will gain a basic understanding of the tax treatment of partnerships.

Learning Outcomes: The student will:

F-1 Distinguish among the various types of entities treated as partnerships for tax purposes.
F-2 Understand how partnership income is reported and taxed.
F-3 Understand the governing principles and theories of partnership taxation.
F-4 Describe the tax effects of partnership formation with cash and property contributions.
F-5 Identify tax elections available to partnerships and specify the tax treatment of expenditures of a newly formed partnership.
F-6 Specify the accounting methods available to a partnership and the methods of determining the partnership tax year.
F-7 Calculate partnership taxable income and describe how partnership income affects a partner’s income tax return.
F-8 Determine a partner’s basis in the partnership interest and explain how liabilities affect the basis computation.
F-9 Understand the limitations on deducting partnership losses.
F-10 Describe the treatment of transactions between a partner and the partnership.
F-11 Determine the tax treatment of proportionate nonliquidating distributions from a partnership to a partner and the tax treatment of proportionate distributions that liquidate a partnership.
F-12 Calculate the selling partner’s amount and character of gain or loss on the sale or exchange of a partnership interest.
F-13 Describe the application of partnership provisions to limited liability companies (LLCs) and limited liability partnerships.
F-14 Identify tax planning opportunities related to partnerships and their partners.
GOAL G:

The student will gain a basic understanding of S Corporation status.

**Learning Outcomes:** The student will:

G-1 Explain the tax effects that S corporation status has on shareholders.
G-2 Identify corporations that qualify for the S election.
G-3 Explain how to make an S election.
G-4 Explain how and S election can be terminated.
G-5 Compute nonseparately stated income and identify separately stated items.
G-6 Allocate income, deductions and credits to shareholders.
G-7 Determine how distributions to an S corporation shareholder are taxed.
G-8 Calculate a shareholders basis in S corporation stock.
G-9 Explain the tax effects that losses have on shareholders.
G-10 Compute the built-in-gains and passive investment income penalty taxes.
G-11 Engage in tax planning for S corporations.

GOAL H:

The student will understand the tax attributes of Exempt Entities.

**Learning Outcomes:** The student will:

H-1 Identify the different types of exempt entities.
H-2 Enumerate the requirements for exempt status.
H-3 Know the tax consequences of exempt status, including the different consequences for public charities and private foundations.
H-4 Determine which exempt organizations are classified as private foundations.
H-5 Recognize the taxes imposed on private foundations and calculate the related initial tax and additional tax amounts.
H-6 Determine when an exempt organization is subject to the unrelated business income tax and calculate the amount of the tax.
H-7 List the reports exempt organizations must file with the IRS and the related due dates.
H-8 Identify tax planning opportunities for exempt organizations.

GOAL I:

The student will gain an understanding of Multistate Corporate Taxation.

**Learning Outcomes:** The student will:

G-1 Illustrate the computation of a multistate corporation’s tax liability.
G-2 Define nexus and explain its role in state income taxation.
G-3 Distinguish between allocation and apportionment of a multistate corporation’s taxable income.
G-4 Describe the nature and treatment of business and nonbusiness income.
G-5 Discuss the sales, payroll and property factors.
G-6 Apply the unitary method of state income taxation.
G-7 Discuss the state’s income tax treatment of S corporations.
G-8 Describe the other commonly encountered state and local taxes on businesses.
G-9 Recognize tax planning opportunities available to minimize a corporation’s state and local tax liability.

**GOAL J:**

The student will acquire a basic understanding of the taxation of international transactions.

**Learning Outcomes:** The student will:

J-1 Explain the framework underlying the U.S. taxation of cross-border transactions.
J-2 Understand the interaction between the Internal Revenue code provisions and tax treaties.
J-3 Apply the rules for sourcing income and deductions into U.S. and foreign categories.
J-4 Explain how foreign currency exchange affects the tax consequences of international transactions.
J-5 Work with the U.S. tax provisions affecting U.S. persons earning foreign-source income, including the rules relating to cross-border asset transfers, anti-federal provisions, and the foreign tax credit.
J-6 Apply the U.S. tax provisions concerning nonresident alien individuals and foreign corporations.
J-7 Identify tax planning strategies in an international setting.

**GOAL K:**

The student will acquire an understanding of tax practice and ethical considerations.

**Learning Outcomes:** The student will:

K-1 Identify the various administrative pronouncements issued by the IRS and explain how they can be used in tax practice.
K-2 Summarize the administrative powers of the IRS, including the examination of taxpayer records, the assessment and demand process and collection procedures.
K-3 Describe the audit process, including how returns are selected for audit and the various types of audits.
K-4 Explain the taxpayer appeal process, including various settlement options available.
K-5 Determine the amount of interest on a deficiency or a refund and when it is due.
K-6 Discuss the various penalties that can be imposed on acts of noncompliance by taxpayers and return preparers.
K-7 Understand the rules governing the statute of limitations on assessments and on refunds.
K-8 Summarize the legal and ethical guidelines that apply to those engaged in tax practice.
K-9 Identify effective planning strategies that may be useful in a tax practice when dealing with the IRS.

GOAL L:

The student will acquire an understanding of the Federal Gift and Estate Tax.

Learning Outcomes: The student will:

L-1 Understand the nature of the Federal gift and estate taxes.
L-2 Analyze the Federal gift tax formula.
L-3 Analyze the Federal estate tax formula.
L-4 Discuss the operation of the Federal gift tax.
L-5 Calculate the federal gift tax.
L-6 Identify the components of the gross estate.
L-7 describes the components of the taxable estate.
L-8 Calculate the federal estate tax liability.
L-9 Demonstrate the role of the generation skipping tax.
L-10 Recognize the strategies to minimize Federal gift and estate taxes.

GOAL M:

The student will gain an understanding of the taxation of Trusts and Estates.

Learning Outcomes: The student will:

J-1 Use working definitions with respect to trusts, estates, beneficiaries, and other parties.
J-2 Identify the steps in determining the accounting and taxable income of a trust or estate, and the related taxable income of the beneficiaries.
J-3 Illustrate the uses and implications of distributable net income.
J-4 Apply the Subchapter J rules in a manner that minimizes the income taxation of trusts and estates and still accomplishes the intended objectives of the grantor or decedent.