

GOVERNORS STATE UNIVERSITY
College of Business and Public Administration
Division of Accounting, Finance and Economics

Course: Tax Accounting II
Course Number: ACCT 422B
Credit Hours: Three (3)
Prerequisite: ACCT 421 or permission of instructor
Professor: Dr. Brad R. Johnson, Ph.D., J.D., C.P.A.
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Trimester: Winter 2000
Class Time: Monday 7:30 PM - 10:20 PM
Classroom: C-3331
Office Hours: Monday 6:00 PM - 7:30 PM
Tuesday 6:00 PM - 7:30 PM
Wednesday 6:00 PM - 7:30 PM
Saturday 2:00 PM - 5:00 PM
and By Appointment.

Course Description: ACCT 422 generally emphasizes the study of business income taxation. More specifically, it focuses on the application of federal law within the context of the income taxation of (a) regular "C" corporations and their shareholders, (b) "S" corporations and their shareholders and (c) partnerships and their partners. Topics include the income tax consequences of the formation, operation, consolidation, and termination of business entities.

Required Text:

Hoffman, Raabe, Smith and Maloney, *WEST'S FEDERAL TAXATION: CORPORATIONS, PARTNERSHIPS, ESTATES & TRUSTS*, 2000 Edition, West (1999).

Smith, *WEST'S INTERNAL REVENUE CODE OF 1986 AND TREASURY REGULATIONS: Annotated and Selected*, 2000 Edition, West (1999).

Optional Text:

O'Brien, *STUDY GUIDE TO ACCOMPANY WEST'S FEDERAL TAXATION: CORPORATIONS, PARTNERSHIPS, ESTATES & TRUSTS*, 2000 Edition, West (1999).



Course Competencies: The student will be able to:

1. IDENTIFY the various forms of conducting a business.
2. DETERMINE when an entity will be treated as a corporation.
3. COMPARE the federal income taxation of individuals and regular "C" corporations.
4. COMPUTE the corporate income tax.
5. DESCRIBE the income tax reporting process for corporations.
6. DETERMINE the federal income tax consequences of incorporating a business under a variety of factual settings.
7. RECOGNIZE the relevance of earnings and profits in measuring dividend income for federal income taxation purposes.
8. DEVELOP an understanding of the tax treatment of property and stock dividends to both the distributee shareholder and the distributing corporation.
9. LIST the various types of stock redemptions, where payments to shareholders are treated as sales or exchanges of stock (rather than as dividend income).
10. COMPREHEND the federal tax law governing corporate liquidations and the taxation effects on both the liquidating corporation and its shareholders.
11. IDENTIFY the federal income tax consequences of a corporate reorganization.
12. LIST the statutory requirements for different types of reorganizations.
13. DISCUSS the governing principles and theories of partnership taxation.
14. DESCRIBE the tax effects of forming, operating, and liquidating a partnership.
15. DETERMINE the federal income tax treatment of non-liquidating distributions (proportionate and non-proportionate) from a partnership to a partner.
16. DETERMINE the type of corporation that qualifies for the "S" election.
17. UNDERSTAND the federal income tax implications of an "S" election on the corporation and its shareholders.

18. APPLY critical thinking and reasoning skills within a legal and regulatory environment, the tasks of which include:
- defining the legal issues involved in a dispute,
 - discussing the alternative outcomes,
 - deciding the issue, and
 - effectively communicating a well reasoned conclusion in oral and written form.
19. COMPREHEND the intellectual material covering 30 percent of the Accounting & Reporting section of the CPA exam.

Teaching Philosophy, Method of Instruction and Attendance Policy:

IN GENERAL

I believe the goals of education include:

- To teach students to think creatively.
- To authenticate learning (to engage learners in constructing knowledge by accessing and storing information in a manner similar to such manner by which such knowledge will be prospectively recalled and employed).
- To strengthen communication skills.

I have adopted an educational philosophy where the choice of instructional practice (e.g., mode of instructional delivery) is dependent on the specific set of learning outcomes desired. Under this philosophical approach, the mode of instructional delivery is merely a means to an end. That is, the choice of a particular teaching practice is driven by course-specific learning outcomes (competencies that students should be able to demonstrate when they have completed the requirements of the course). I practice my educational philosophy by designing a course in a two-step process. First, student outcomes are identified. Second, instructional delivery systems are chosen with the expectation that students who make a reasonable effort will ultimately be able to demonstrate the desired outcomes.

In structuring this course, my primary objective is to design, create and monitor a continually exciting and challenging student-focused learning environment for all students who enroll. I believe that understanding, comprehension, and critical thinking are enhanced by providing elements of good learning within a course framework. Within this context, elements of good learning include social interaction (as manifested by a variety of forms and modes of communication).

As part of the structure of this course, each student is expected to satisfy a set of course requirements that focuses on student learning. In satisfying the requirements of this particular course, a student will participate in a variety of pedagogic/androgogic activities, including:

- Individual study of handouts, lecture-notes, the text and ancillaries (solutions manual & study guide).

- Active participation in stimulating class discussions and exam review sessions.
- Collaborative group study.
- Application of state-of-the-art research technology (RIA's Checkpoint System).

Within this framework, I employ the Socratic method of instruction, which results in a collaborative (or interactive) student learning experience. Under this approach, during each non-exam class day, interactive discussion with an "expert" group of students is used to promote understanding and the application of various concepts. Within this context, students:

- Obtain practice in handling conflict, ambiguity, uncertainty and complexity.
- Share information and construct knowledge as active problem solvers.
- Demonstrate an understanding of fundamental concepts, which more easily leads to mastery of a subject.
- Are more motivated to be prepared for class.

By employing the Socratic dialogue technique, students are guided toward the mastery of a particular concept by urging them to articulate such concept in their own words. Within this context, the process of thinking out loud (of actively struggling with concepts to transform vaguely formed private thoughts into public words) necessarily enhances comprehension. In the opinion of many: A person may not truly understand a particular concept until such person can articulate it to another.

The use of this Socratic technique creates a dynamic classroom environment. Within this context, the "expert" group of students and I work together to reinforce assigned materials and to enhance the learning process. I pose a question, usually factual in nature, but requiring higher order thinking skills. The responsibility of being an "expert" on a topic encourages students to actively participate in the learning process. All "expert" team members have a vested interest in being able to communicate an appropriate response, since interdependence exists between team members in the form of a common group outcome (a common group grade).

Finally, as a result of the use of this Socratic methodology, throughout the teaching and learning process, I:

- Spend less time lecturing and more time observing, assisting, explaining, correcting and evaluating.
- Act as a coach, assisting the student learners in becoming aware of the steps in their thinking processes.
- Perform "an act of brain surgery, which allows each student to fill the classroom with his/her intelligence" (in the words of Professor Kingsfield, *The Paper Chase*).

Students are expected (but not required) to attend all scheduled classes. Students are also expected to read (and be prepared to discuss) the material listed on the attached tentative schedule

(or an amended schedule if the attached tentative schedule is amended). Students should plan on spending at least 3 hours outside of class for every class hour.

I do not open the truth to one who is not eager.

■ Confucius

Testing and Evaluation (Grading): There will be three 100-point exams. In addition, each student will have group assignments and a term paper requirement. Total possible points will be 600. Your course grade will be determined by taking the total of your points earned and dividing by 600. A ten point grading scale will be used, as follows.

<u>POINTS AVAILABLE</u>		<u>GRADING SCALE</u>
3 Exams @ 100 points each	300	90 - 100 = 540 - 600 = A
		80 - 89 = 480 - 539 = B
		70 - 79 = 420 - 479 = C
Group Assignments (2)	100	60 - 69 = 360 - 419 = D
Term Paper	200	Below 60 (359 points) = F
Total	600	

Group Assignments: Students will be assigned to two (2) text chapters for the trimester. As a group, students assigned to a particular chapter will be required to:

- (1) Attend each class period, during which the assigned chapter is discussed, and
- (2) Orally respond to in-class questions with respect to the chapter material being presented.

Generally, each member of the group will receive the same grade. Each group oral presentation will be worth 50 points.

Purpose of Group Activity

Groups are established to allow the extension of an andragogical learning experience. In this case, group study supplements the pedagogical approach of the conventional classroom and cultivates the positive characteristics of the mid-career adult student. I assign students to collaborative learning teams under the assumption that students teach each other and learn from each other. I maintain that this collaborative effort is an important part of a student's learning experience and results in the following benefits:

- Team members develop friendships that support the learning process.
- Collaborative and cooperative learning has a positive effect on student achievement, multiethnic relationships, self-esteem, and attitude toward course content. (Cooperative learning occurs when all members of a learning team contribute to each other's learning.)
- Collaborative group outcomes promote effective utilization of the divergent skill levels of group members.
- Group members are actively engaged in the learning process, which makes the learning process more relevant and interesting.

Evaluative Criteria for Group Assignments

Groups will be evaluated based upon whether each member of the group:

- Was present and arrived on time.
- Appeared enthusiastic and eager to answer questions and discuss the material (where such performance may have been contagious and may have inspired others to participate).
- Communicated clearly and demonstrated a significant depth of understanding with respect to the material being discussed.

Term Paper: I have assigned a research project (position term paper), which requires each student to apply critical thinking skills in the preparation of a transactional writing that is both informative and persuasive. In satisfying the term paper requirement, it is highly recommended that the student follow the directions as itemized below.

1. Each student should select a rule of law of a type that can be characterized either as statutory law, common law or administrative law.
2. Each student should write an individualized position term paper synthesizing his/her research with respect to the selected rule of law.
3. Organization: Your term paper should be organized in a standard pattern:
 - (a) an introductory section,
 - (b) the body,
 - (c) conclusion, and
 - (d) references.
4. Introductory Section: The first few paragraphs should identify the audience and prepare the reader for the research that has been accomplished. Here:
 - (a) the audience should be assumed to be a doubting audience that needs to be argued out of a countering position,
 - (b) the rule of law should be summarized and applied using an example, thereby establishing the paper's foundation, and
 - (c) the thesis (overall position) should be announced in a manner that allows anticipation of sub-theses (major positions).
5. Body of the Paper: The body should clearly present the student's major positions for or against (not both):
 - (a) the validity,
 - (b) the relevance,
 - (c) the importance,
 - (d) the practicality, and
 - (e) the appropriateness of said rule of law.

In clearly presenting each major position, students should take a focused position on a debatable issue, support the position with appropriate authority, and raise and answer counter arguments. Major positions should have evidential support that is appropriately cited. Evidential support may include empirical evidence, syllogistic reasoning, or other appeal to appropriate authority. The body should include a

- variety of references. A variety of references suggests points of view that are cited (for their insight concerning the application of the selected rule of law) should be associated with authors of varying orientations, including economics, business, political, and historical orientations.
6. Conclusion: The conclusion should reflect a synthesis of several points (sub-theses) to make a final point (thesis). It must include a forceful and unambiguous concluding paragraph.
 7. Reference Page: The reference page should include an alphabetical listing of all references within the text of the paper, appropriately cited.
 8. Research should be accomplished by employing technological skills and the use of electronic databases (via RIA's Checkpoint System and Academic Universe).
 9. The position term paper must be typed (double-spaced).

Purpose of the Research Project (Position Term Paper) Assignment
The completion of this assignment will allow each student to:

- Stop being passive students who memorize and become active thinkers concerning central course material
- Discover issues and create propositions within a content discipline
- Build reading comprehension skills
- Develop technologically advanced information retrieval and access skills by using RIA's Checkpoint System
- Practice in writing concise, flexible prose
- Mature as thinkers (i.e., to think in abstractions by attending to the form of logical argument without dependence on a concrete or specific example)
- Acquire the ability to imagine the points of view of other thinkers, rather than seeing the world from a single point of view-- namely, their own
- Reject superficial one-right-answer thinking and initiate the kind of dialectic interplay between opposing views that leads to intellectual growth
- View the legal profession as a field of complex issues to be studied, rather than a set of facts (right answers) to be memorized
- Weigh, synthesize and reshape information to form logical, cohesive arguments and thereby think from multiple perspectives
- Become more skilled at focused argumentation
- Realize that an historical perspective is essential to an understanding of current ideas and that leading ideas and paradigms change over time
- Evaluate the authoritative character of sources of information based on established criteria

Criteria for Evaluating the Position Term Paper

For the purpose of explicitly stating the criteria for evaluation of performance, your position term paper will be evaluated based upon the following scale.

Disclaimer: This scale is intended to describe a variety of common types of paper. Thus, this scale may not exactly describe your paper. Accordingly, to obtain more precise information concerning the quality of your paper, consult with the instructor.

A The paper:

- Adequately states and defends each argument (thesis or sub-thesis).
- Has a conclusion (thesis) that is supported by the weight of the evidence and is presented in a complete and compelling manner.
- Uses sub-theses in a logical and thorough way to develop the thesis.
- Is carefully analyzed and coherently developed, which provides for interesting reading that is easy to understand.
- Provides significant insight or depth of understanding.
- Includes citations that are in an acceptable and consistent style, where the number of citations is adequate to support each argument.
- Has essentially no problem with language or usage (grammar, spelling, punctuation, paragraph structure, sentence structure, transitions, etc.).
- Adequately answers counter arguments/examples.

B The paper:

- States an argument (thesis or sub-thesis) that is clearly supported by specific evidence.
- Has a conclusion (thesis) that is supported by the weight of the evidence.
- Does not use sub-theses in a logical and thorough way to provide for interesting reading that is easy to understand.
- Provides some insight or depth of understanding.
- Includes citations that are in an acceptable and consistent style, where the number of citations is adequate to support each argument.
- Has an isolated problem with language or usage (grammar, spelling, punctuation, paragraph structure, sentence structure, transitions, etc.).
- Does not adequately answer counter arguments/examples.

C The paper:

- States an argument (thesis or sub-thesis) that does not address the question set.
- States an argument where supporting evidence is:
 - (1) Missing,
 - (2) incorrect or anachronistic,
 - (3) irrelevant,
 - (4) not sufficiently specific, or
 - (5) partly obscured by errors in language or usage.

- Does not have a conclusion that is supported by the weight of the evidence. Rather, the conclusion is presented in a haphazard manner or is too imprecise or general to convince.
- Does not use sub-theses in a logical and thorough way to develop the thesis. The internal logic and character of the work needs to be more clearly established and developed. Such logic is confusing or does not make sense.
- Does not include citations that are in an acceptable and consistent style.
- Includes citations that are not adequate to support an argument.
- Has a few problems with language or usage (grammar, spelling, punctuation, paragraph structure, sentence structure, transitions, etc.).

D The paper:

- Merely lists, narrates or describes historical data.
- Is generalized and lifeless.
- Simply repeats superficial resources in a way that states the obvious.
- Makes little or no attempt to frame an argument.
- Includes several factual errors.
- Has many problems with language or usage (grammar, spelling, punctuation, paragraph structure, sentence structure, transitions, etc.).

F The paper:

- Is dishonest.
- Completely ignores the question set.
- Communicates no real understanding of the assigned task.
- Is confused and disjunctive.
- Is incomprehensible due to errors in language or usage (grammar, spelling, punctuation, paragraph structure, sentence structure, transitions, etc.).
- Contains very serious factual errors.

Make-up Exam Policy: No make-up exams will be given. However, if a student has a scheduling conflict or if an emergency arises, alternative arrangements will be made.

Exam Content: Exam content and point distribution will be directly correlated to the topics listed on the attached tentative class schedule (which will be covered in class). Exams will be made up of multiple choice questions (exclusively). Exams are closed book except for the allowance of one 8 1/2 X 11 sheet of paper (a "cheat sheet"). There will be a comprehensive review session before each exam.

Grading Policy: Incompletes and Withdrawals: The last day to withdraw from this course without academic penalty is March 20, 2000. However, if (a) the withdrawal is due to nonacademic extenuating circumstances and (b) the student is passing the course at the time of withdrawal, an incomplete grade may be assigned.

Syllabus Statement for Persons with Disabilities: To allow students with disabilities to have access to the learning environment at Governors State University, it is the intention of Governors State University to comply with:

- (1) the Americans with Disabilities Act of 1992,
- (2) Section 504 of the Rehabilitation Act of 1973 and
- (3) other related federal and state legislation.

Therefore, if any student needs assistance due to a disability in order to complete the course, please notify the instructor (or the staff in the Division of Student Development) as soon as possible.

TENTATIVE CLASS SCHEDULE

<u>WEEK</u>	<u>CHAPTER</u>	<u>DISCUSSION TOPICS</u>
1		Introduction
2	2	Corporations: Introduction, Operating Rules, and Related Corporations
3		
4	3	Corporations: Organization and Capital
5	4	Corporations: Earnings & Profits and Dividend Distributions
6	5	Corporations: Redemptions and Liquidations
7		
8	2-5	Exam I
9		Review of Exam I
10	10	Partnerships: Formation, Operation and Basis
11	11	Partnerships: Distributions, Transfer of Interests and Terminations
12	10-11	Exam II
13	12	Review of Exam II
14		"S" Corporations
15	12	Exam III

NOTE: This class schedule is intended as a guide. It can and will be changed as necessary by the instructor. The student is responsible for changes as they are announced in class.