Course Outline for Business 3B

TAXATION OF BUSINESS ENTITIES

Catalog Description:

BUS 3B - Taxation of Business Entities 3.00 units

A study of current Federal income tax law as it relates to sole proprietorships, corporations (C corps, S corps), and partnerships (General and Limited Partnerships, Limited Liability Companies, and Limited Liability Partnerships. California tax law differences will be highlighted. A student does NOT need to complete BUS-3A to enroll in this class.

Prerequisite: BUS 7 (completed with a grade of "C" or higher) or , BUS 1A (completed with a grade of "C" or higher)

Grading Option: Optional

Discipline:

<table>
<thead>
<tr>
<th>Units</th>
<th>Contact Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>Week</td>
</tr>
<tr>
<td>3.00</td>
<td>52.50</td>
</tr>
</tbody>
</table>

| Lecture | 3 | 52.50 |
| Laboratory | 0 | 0 |
| Clinical | 0.00 | 0.00 |
| Total | 3.00 | 52.50 |

Prerequisite Skills:

Before entry into this course, the student should be able to:

1. define accounting, list users of accounting information, and distinguish between financial and managerial accounting;
2. describe the usefulness of a conceptual framework and its qualitative characteristics;
3. describe basics of the US Generally Accepted Accounting Principles (GAAP) and its differences from the International Financial Reporting Standards (IFRS);
4. list and recognize four basic assumptions, four principles of accounting, constraints and limitations to accounting reporting;
5. prepare, apply and demonstrate an understanding of various forms of corporate financial statements including income statement, statement of stockholders' equity (including statement of retained earnings), statement of retained earnings, and statement of cash flows;
6. differentiate among operating, investing, and financing activities on the statement of cash flows;
7. complete the accounting cycle: prepare journal entries, post to ledger, perform adjusting and closing entries at the end of the period using accrual basis and corporate form of business;
8. demonstrate an understanding of the cash and accrual methods of accounting;
9. process transactions relating to current assets (accounts and notes receivable);
10. record transactions relating to long-term assets (fixed assets, natural resources, and intangibles), calculate depreciation/depletion/amortization using various methods, distinguish between capital and revenue expenditures, and record the asset disposal;
11. record and analyze transactions related to current liabilities, including known, estimated, and contingent liabilities;
12. record and analyze transactions related to long-term liabilities, including bonds and long-term notes payable;
13. explore reporting requirements for stockholders’ equity;
14. analyze financial statements using horizontal, vertical, and ratio analyses and data from annual reports and notes to the financial statements;
15. identify ethical issues, decide appropriate course of action by applying critical thinking and communication skills;
16. use appropriate accounting terminology as it applies to various business scenarios;
17. solve and apply the fundamental accounting equation and its logical bookkeeping applications to an accounting system of a sole proprietorship;
18. describe basic accounting theory and practice as it relates to a sole proprietorship for both a service and a merchandising operation;
19. critically assess business ethics dilemmas typical for an accounting position within a small business;
20. summarize stages of the accounting cycle;
21. prepare, relate, and analyze financial statements for a sole proprietorship;

Measurable Objectives:

Upon completion of this course, the student should be able to:

1. define and describe the various types of taxable business entities and identify fundamental differences in their tax characteristics;
2. apply required rules and requirements for deducting business expenses and recognizing business income;
3. describe general rules and requirements for deducting business expenses and recognizing business income;
4. apply accrual and cash basis of accounting to determine business income and expenses;
5. describe the cost recovery methods, including depreciation, amortization, and depletion;
6. calculate depreciation deduction using the allowable depreciation methods under the Modified Accelerated Cost-Recovery System (MACRS);
7. calculate the amount of gain or loss recognized on the disposition of assets used in a trade or business and capital assets;
8. compute a corporation's taxable income and regular tax liability;
9. describe the treatment and characteristics of net operating loss, capital loss, charitable contribution, and credit carryovers;
10. describe a corporation's tax return reporting and estimated tax payment obligations;
12. compute a corporation’s earnings and profits and calculate the dividend amount received by a shareholder;
13. explain the basic tax rules that apply to corporate distributions and determine the tax treatment for the aforementioned distributions;
14. resolve tax issues applicable to a partnership throughout its life cycle;
15. describe the primary types of state and local taxes;
16. identify different tax credits available to the various business entities;
17. recognize and explain ethics in taxation issues.

Course Content:
1. Business entities overview, including C corporations, S corporations, LLCs, general and limited partnerships, and sole proprietorships.
   A. Life cycles of the different entities:
      ◆ Formation.
      ◆ Operation.
      ◆ Restructuring.
      ◆ Liquidation.
   B. Advantages and disadvantages of each entity type.
   C. Liabilities of owners and stakeholders.
   D. Growth potential.
   E. Method of taxation for each entity.
2. Business income, deductions, and accounting methods:
   A. Income:
      ◆ Sale of tangible property.
      ◆ Service Income.
   B. Deductions:
      ◆ Tax law allowing/disallowing/limiting business deductions.
      ◆ Types of common business deductions.
   C. Special business deductions under tax law.
   D. Accrual and cash basis accounting.
3. Property acquisition, cost recovery, and disposition:
   A. Cost recovery methods for personal property, real property, intangible assets, and natural resources.
   B. Depreciation life, method, and convention for tangible personal and real property.
   C. Modified Accelerated Cost-Recovery System (MACRS).
   D. Four categories of amortization of intangible assets.
   E. Depletion of natural resources.
   F. Gain and loss on the disposition of assets.
   G. Depreciation recapture.
4. Corporate Taxation:
   A. Corporate income formula; differences from individual taxation.
   B. Common book–tax differences, distinguish between permanent and temporary differences, and compute a corporation’s taxable income and regular tax liability.
   C. Accounting for income taxes.
   D. Non-liquidating distributions.
   E. Tax credits available to corporations.
5. Partnership Taxation:
   A. Differences in taxation between S corporation and a partnership.
   B. Flowthrough taxation.
   C. Tax basis for partners and partnerships.
   D. Resolve tax issues applicable to partnership formations.
   E. Tax consequences to the buyer and seller of the disposition of a partnership interest.
   F. Tax consequences of proportionate operating distributions, proportionate liquidating distributions, and disproportionate distributions.
6. Accounting for Income taxes:
   A. State and Local taxes.
   B. Federal Income taxes.
7. Tax Research:
   A. Using IRS.gov:
      ◆ Form instructions.
      ◆ Internal Revenue Code.
      ◆ IRS Publications
8. Ethics in taxation issues.
   A. Filing obligations.
   B. Late payment.
   C. Late filing.

Methods of Presentation
1. Case Study
2. Lecture/Discussion
3. Demonstration/Exercise
4. Group Activities
5. Practice/Demonstration
6. Problem Solving
7. Oral and Written Analysis
8. Online Assignments
9. Written assignments

Assignments and Methods of Evaluating Student Progress
1. Typical Assignments
   A. Prepare a depreciation schedule using various depreciation methods for a specific fixed asset.
   B. Calculate partnership basis upon contribution of property in exchange for a partnership interest.
   C. Calculate allowable meals and entertainment deduction for a corporation given specific travel, meals, and entertainment expenses.
2. Methods of Evaluating Student Progress
   A. Exams/Tests
   B. Online Assignments
   C. Projects
   D. Quizzes
   E. Homework
   F. Final Examination or Project
3. Student Learning Outcomes
   Upon the completion of this course, the student should be able to:
      A. Define and describe the various types of taxable business entities and identify fundamental differences in their tax
characteristics.
B. Identify the reporting requirements for corporations and compute a corporation’s taxable income and regular tax liability.
C. Describe the cost recovery methods, including depreciation, amortization, and depletion and calculate the corresponding expense.

Textbooks (Typical):

Special Student Materials
1. Calculator
2. Computer access

Abbreviated Class Schedule Description:
A study of current Federal income tax law as it relates to sole proprietorships, corporations (C corps, S corps), and partnerships (General and Limited Partnerships, Limited Liability Companies, and Limited Liability Partnerships. California tax law differences will be highlighted. A student does NOT need to complete BUS-3A to enroll in this class.
Prerequisite: BUS 7 (completed with a grade of "C" or higher) or , BUS 1A (completed with a grade of "C" or higher)