

Instructor:	Michael Schadewald, PhD, CPA	Class time:	MW 11:45 - 1:25 pm
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Course description. This course examines the financial reporting standards for the effects of income taxes under ASC 740. Topics covered include current and deferred income taxes, valuation allowances, uncertain tax positions, effective tax rates, business combinations, state corporate income taxes, foreign operations, financial statement presentation and disclosures, changes in tax rates or tax laws, and book-tax differences in computing income. In addition to enhancing your knowledge of the financial reporting rules and tax laws governing these topics, the course will also provide practice in reading the authoritative literature (ASC 740 and CPA firm guides) and analyzing financial statements as part of a group project.

Prerequisites. Successful completion of TAX 5065, Tax Professional Research, and 7AC standing.

Class sessions. Students are expected to attend all class sessions and participate in class discussions (make comments, ask questions, respond to questions, etc.). Copies of the PowerPoint slides are posted on the course website. However, the slides do not include all the information discussed in class, and are not a substitute for class attendance. To maximize the benefit from attending class, you should read the assigned material prior to class.

READINGS

The lectures and accompanying PowerPoint slides provide an overview of the topics. To obtain an in-depth understanding of the material, it is essential that you also study the explanations and work through the examples in the assigned readings. These include:

- (1) *McGraw-Hill's Taxation of Business Entities—2018 Edition*, by Spilker, Ayers, Robinson, Outslay, Worsham, Barrick and Weaver. *McGraw-Hill's Taxation of Individuals and Business Entities—2017 Edition*, which is used in Tax 1, can also be used as a textbook for this course. Solutions to the assigned end-of-chapter questions are available on the course website. You may not share these copyrighted solutions with anyone outside ACG 6935.
- (2) Accounting Standards Codification Topic 740, *Income Taxes*. Available on course website. See below for specific readings assignments.
- (3) CPA firm guide to accounting for income taxes. Examples include *A Roadmap to Accounting for Income Taxes*, Deloitte (December 2016, 613 pages); *Financial Reporting Developments: A Comprehensive Guide, Income Taxes*, EY (October 2017, 579 pages); *Accounting for Income Taxes*, KPMG (October 2017, 716 pages); and *Income Taxes*, PwC (August 2017, 598 pages). The EY guide is available on the course website and the reading assignments are based on that guide. Comparable chapters can be found in other guides.

GRADES

Final course grades are based on your performance on the exam, homework problems, and group project. The weights assigned to each of these activities are as follows:

▪ Exam	50%
▪ Homework problems	20%
▪ Group project	<u>30%</u>
	<u>100%</u>

Exam. The exam covers the lectures, homework problems, assigned readings, and assigned end-of-chapter questions. The exam is open book, open notes, computer, etc. However, the exam is individual work and you may not use instant messaging, email, shared documents, or a similar application to contact others during the exam period. Also, internet connections and computers can be unreliable, so depend on computer resources at your own risk.

A make-up exam will be given only when the student has a valid verifiable reason for not taking the exam during the scheduled time. Barring a documented emergency, the request must be made by email at least ten business days prior to the exam date.

Homework problems. Homework problems will be distributed throughout the module. To encourage active participation in the class, you will receive credit for working the homework problems. These problems will be collected on the dates indicated in the course agenda. In most cases, we will discuss the solution at the beginning of class. Late homework will not be accepted. However, you may miss turning in up to two of the twelve problems and still receive full credit for the homework problem portion of your grade. You may work on the problems by yourself, with a study partner, or in a group of no more than four students. However, each student must write-up and turn in his or her own solution.

Group project. The group project is called Benchmarking Income Taxes, by Industry. It provides practice in analyzing the income tax disclosures found in annual reports, and also provides an opportunity to learn more about the impact of income taxes on the operating results and financial position of companies within a specific industry. Industry knowledge is important in both the audit and tax domains. The project is due on the date indicated in the course schedule. A late project will not be accepted. More details regarding the project will be provided in class.

Grading scale. A 93-100%, A- 90-92%, B+ 87-89%, B 83-86%, B- 80-82%, C+ 77-79%, C 73-76%, C- 70-72%, D+ 67-69%, D 63-66%, D- 60-62%, E 0-59%. These percentages may be reduced based on a course curve. The grade-point value per credit hour for each letter grade is assigned by the UF Registrar (for details, see <https://catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx>).

COMMUNICATING WITH INSTRUCTOR

Please come and talk to me during my office hours or send me an email if you have any questions or concerns regarding the course. Email is best for yes/no questions, whereas office visits work better for complex questions. Please do not send me messages through the course website.

UNIVERSITY POLICIES

Honor code. UF students are bound by The Honor Pledge which states, “We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code. On all work submitted for credit by students at UF, the following pledge is either required or implied: ‘On my honor, I have neither given nor received unauthorized aid in doing this assignment.’” (<https://www.dso.ufl.edu/sccr/process/student-conduct-honor-code/>).

Accommodating students with disabilities. Students requesting classroom accommodations must first register with the Disability Resource Center by providing appropriate documentation (<https://drc.dso.ufl.edu/>). Once registered, students will receive an accommodation letter which must be provided to the instructor at least ten business days prior to any requested accommodation.

Course evaluations. Students are expected to provide feedback on the quality of instruction in this course. These evaluations are conducted online at <https://evaluations.ufl.edu>. Evaluations are typically open during the last two or three weeks of the semester, but students will be given specific times when they are open. Summary results of these assessments are available to students at <https://evaluations.ufl.edu/results/>.

U Matter, We Care. Your well-being is important to the University of Florida. The U Matter, We Care initiative is committed to creating a culture of care on our campus by encouraging members of our community to look out for one another and to reach out for help if a member of our community is in need. If you or a friend is in distress, please contact umatter@ufl.edu so that the U Matter, We Care Team can reach out to the student in distress. A nighttime and weekend crisis counselor is available by phone at (352) 392-1575. The U Matter, We Care Team can help connect students to the many other helping resources available including, but not limited to, Victim Advocates, Housing staff, and the Counseling and Wellness Center. Please remember that asking for help is a sign of strength. In case of emergency, call 9-1-1.

FINAL CAVEAT

This syllabus represents my current plans and objectives. As we go through the semester, these plans may need to change to enhance the learning experience. Such changes are not unusual and should be expected.

Course Schedule

Date	Topic	Homework Due Dates
Jan 8 M	<ul style="list-style-type: none"> • Course Overview • ASC 740: Basic Principles 	
Jan 10 W	<ul style="list-style-type: none"> • ASC 740: Basic Principles, cont. 	1. Tax Footnote Disclosures
Jan 15 M	<ul style="list-style-type: none"> • UF holiday (no class) 	
Jan 17 W	<ul style="list-style-type: none"> • ASC 740: Basic Principles, cont. • Book-Tax Differences 	2. Computing Income Tax Expense 3. Tracking DTAs and DTLs
Jan 22 M	<ul style="list-style-type: none"> • Book-Tax Differences • ASC 740: Intermediate Concepts 	4. Return-to-Provision Adjustment
Jan 24 W	<ul style="list-style-type: none"> • ASC 740: Intermediate Concepts, cont. 	5. Analyzing Book-Tax Differences
Jan 29 M	<ul style="list-style-type: none"> • ASC 740: Intermediate Concepts, cont. • Financial Statement Presentation and Disclosures 	6. Impact of Valuation Allowances 7. Impact of Uncertain Tax Positions
Jan 31 W	<ul style="list-style-type: none"> • State Corporate Income Taxes 	8. Preparing a Tax Rate Reconciliation
Feb 5 M	<ul style="list-style-type: none"> • Business Combinations 	9. Scheduling Future Taxable Income 10. Preparing an Income Tax Footnote
Feb 7 W	<ul style="list-style-type: none"> • Valuation Allowances 	11. Accounting for NOLs: Federal and State
Feb 12 M	<ul style="list-style-type: none"> • Uncertain Tax Positions 	12. Accounting for Acquisitions
Feb 14 W	Exam	
Feb 19 M	<ul style="list-style-type: none"> • Changes in Tax Laws, Rates and Methods • Impact of Tax Reform 	
Feb 21 W	<ul style="list-style-type: none"> • Impact of Tax Reform: Foreign Operations • Benchmarking Effective Tax Rates 	
Feb 26 M		<ul style="list-style-type: none"> • Group projects are due at noon • Email PDF file and turn-in hard copy

Readings and End-of-Chapter Questions

ASC 740: Basic Principles

Textbook	Chapter 6, Accounting for Income Taxes Pages 1-17. Questions 4, 7, 9, 10, 11, 12, 13, 42, 43, 45, 46, 50, 52, 53.
ASC 740	ASC 740-10-05-1 to 10, General ASC 740-10-10-1 to 3, Objectives ASC 740-10-15-1 to 4, Scope and Scope Exceptions
EY Guide	Chapter 1, Introduction, pages 1-3 Chapter 2, Scope and Applicability, pages 4-5 Chapter 3, Objectives and Basic Principles, ¶3.1, pages 7-9 Chapter 4, Temporary Differences, ¶4.1 and ¶4.2, pages 50-51 only

Book-Tax Differences

Textbook	Chapter 1, Business Income Pages 5-8, 12-13, 19-28. Questions 5, 6, 25, 36, 39, 65, 77. Chapter 2, Cost Recovery Pages 31-37. Questions 30, 31, 32, 33. Chapter 5, Corporate Operations Pages 3-19, 25-29. Questions 9, 25, 26, 48, 51, 86.
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ASC 740: Intermediate Concepts

Textbook	Chapter 6, Accounting for Income Taxes Pages 18-34. Questions 15, 18, 21, 23, 26, 31, 36, 37, 59, 60, 62, 73, 74.
ASC 740	See below for ASC paragraphs related to valuation allowances and uncertain tax positions.
EY Guide	Chapter 6, Valuation Allowances, pages 107-109 (introduction) Chapter 19, Accounting for Uncertainty in Income Taxes, pages 348-349 (introduction)

Financial Statement Presentation and Disclosure

ASC 740	ASC 740-10-45-4, 6, Deferred Tax Accounts ASC 740-10-50-2 to 15A, 19, Disclosures ASC 740-30-50-2, Indefinitely Reinvested Foreign Earnings
EY Guide	Chapter 18, Financial Statement Presentation and Disclosures, pages 329-347

State Corporate Income Taxes

Textbook	Chapter 12, State and Local Taxes Pages 9 to 25 (skim)
ASC 740	ASC 740-10-55-20, Scheduling Temporary Difference Reversals ASC 740-10-55-25, Measuring Deferred Tax Liabilities and Assets
EY Guide	Chapter 5, Recognition and Measurement, ¶5.6, pages 97-100 Chapter 18, Financial Statement Presentation and Disclosures, ¶18.1.1, pages 333-334 (offsetting)

Business Combinations

Textbook	Chapter 8, Corporate Formation, Reorganization, and Liquidation Pages 20 to 32
ASC 740 ASC 805	ASC 740-10-25-3(d), Recognition ASC 805-740-25-3, Recognition of Deferred Tax Assets and Deferred Tax Liabilities ASC 805-740-25-8, 9, Goodwill ASC 805-740-55-9 to 13, Tax Deductible Goodwill Exceeds Financial Reporting Goodwill
EY Guide	Chapter 11, Business Combinations, pages 169-216

Valuation Allowances

ASC 740	ASC 740-10-30-2b, Basic Requirements ASC 740-10-30-16 to 24, Establishment of a Valuation Allowance for Deferred Tax Assets ASC 740-10-35-2, New Information Affecting Measurement of Tax Positions ASC 740-10-55-8, 9, Recognition of Deferred Tax Assets and Deferred Tax Liabilities ASC 740-10-55-16 to 19, The Need to Schedule Temporary Difference Reversals ASC 740-10-55-39, 40, 44, Tax-Planning Strategies
EY Guide	Chapter 6, Valuation Allowances, pages 107-137

Uncertain Tax Positions

ASC 740	ASC 740-10-25-5 to 17, Basic Recognition Threshold ASC 740-10-30-7, Measurement ASC 740-10-35-2, Subsequent Measurement ASC 740-10-40-2, Derecognition ASC 740-10-45-10A, 10B, 12, Presentation of Unrecognized Tax Benefits ASC 740-10-55-3 to 5, Recognition and Measurement of Tax Positions: Two-Step Process
EY Guide	Chapter 19, Accounting for Uncertainty in Income Taxes, pages 348-398

Changes in Tax Laws, Rates and Methods

ASC 740	ASC 740-10-25-47 and 48, Changes in Laws or Rates ASC 740-10-35-4, Subsequent Measurement - Changes in Laws or Rates ASC 740-10-45-15 to 17, Income Statement Presentation ASC 740-10-55-59 to 61, Changes in Accounting Methods for Tax Purposes ASC 740-270-25-5 to 7, Interim Reporting
EY Guide	Chapter 8, An Enacted Change in Tax Laws or Rates, pages 141-155

Foreign Operations

Textbook	Chapter 13, The U.S. Taxation of Multinational Transactions Pages 9 to 25 (skim)
ASC 740	ASC 740-10-25-3, Recognition ASC 740-30-25-3, Undistributed Earnings of Subsidiaries ASC 740-30-25-17, 18, Exceptions to Comprehensive Recognition of Deferred Income Taxes
EY Guide	Chapter 14, Foreign and Domestic Subsidiaries, Questions and Responses, pages 241-243

Benchmarking Effective Tax Rates

PwC	<i>Retail Sector Tax Rate Benchmarking</i> , PwC, 2016
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