### Instructor
Andrew D. Klemens, CPA, MST, MSA

### Office
One East Pearson - Room 460, Desk ??

### Office Hours
Monday - 3:45 - 5:45 p.m.

### Phone
(630) 545-4506  
Loyola Office Phone: (312) 915-????

### Fax
(630) 545-4706

### E-mail
aklemens@luc.edu, aklemens@wolfcpa.com

### LinkedIn
http://www.linkedin.com/in/andrewklemens

### Federal Income Taxes and Business Decisions (ACCT 403)

#### M – 6:00 – 9:00 P.M.  Maguire Hall Room 110

#### Course Syllabus – Fall Quarter 2013

### Course Information

| Required Materials |  
|--------------------|---|
| (2) | Course Materials (will be posted on Sakai so that you can print off the required pages needed to prepare for each class session)  
| (3) | Various handout readings and handout problems (will be distributed throughout the course via Sakai)  
| (4) | A $5 variety calculator, with no memory and only basic (i.e., add, subtract, multiply, and divide) functions, for exam purposes. Any other type of calculator, including those built into a cell phone, will be prohibited. |

#### Course Description/Overview

As described in the MBA catalog, this course "[s]urveys federal income tax, with an emphasis on fundamental concepts and rules, the key tax and non-tax consequences of operating a business in various organizational formats, and tax planning opportunities and problems."

As a survey course, the course is not designed to provide the level of technical knowledge necessary for success on the CPA exam. It is designed to provide a basic but wide-ranging exposure to tax concepts and rules for students concentrating in accounting within the MBA program, MBA students in general, and MSA students who want to gain sensitivity to the impact of taxation on businesses but who do not aspire to pass the CPA exam. If preparation for that exam is important to you, you should strongly consider taking the ACCT 328 and 341 courses offered at the undergraduate level. By extension, if you have already taken 328 and 341 at Loyola, you should consider not taking this course: it may be a waste of your time and money.

#### Objectives

This course is designed to provide you with the information necessary to recognize major tax issues and apply general tax planning principles to business, financial, and (to a lesser extent) personal transactions. Its focus on fundamental concepts is especially suited to business managers who need to understand the impact that taxes may have on business activities and transactions, but who have limited interest in the technical details of the law. You will be able to recognize issues which will put you in a position to make better business decisions or seek the assistance of a tax expert.

By the end of the course, you should be able to:

1. Define and apply fundamental tax concepts involving gross income, deductions, and credits.  
2. Incorporate tax costs and tax savings into calculations of net present value of cash flows.  
3. Explain the framework for dealing with property transactions;
403 Syllabus - Page 2

(4) Differentiate the key tax consequences of operating a business as a sole proprietorship, partnership, limited liability company, and corporation.

(5) Recognize the tax planning opportunities or problems inherent in common business and investment transactions.

Prerequisite

ACCT 400 (Financial Accounting for Business Decisions)

Homework

The tentative schedule of assignments is indicated on the following pages. Although written assignments will not be collected (except for specified cases, as discussed below), my expectation is that you will prepare them for each class. To encourage preparation, periodically I will be calling on students to answer questions relating to the assigned readings and written assignments. You should estimate three hours of out-of-class preparation for every one hour in class. This means that you should expect to put in approximately 9 hours per session into reading and doing your written assignments to learn the material well. Homework problems will be solved and discussed during class. If you have prepared for each class you can simply scratch out any math errors and correct your work.

Cases

You are required to submit solutions to five cases. Unless otherwise instructed, the cases will be accessible on Sakai at 9 P.M. following the class session which immediately precedes the due date of each case. This leaves you nearly seven days to access each case and submit your responses. Each case will be worth 25 points. I will drop your lowest score in determining final grades. The maximum amount of points you can earn from the cases is 100, which represents 20% of your final grade.

The solutions to each case will be discussed in class. The cases must be submitted on Sakai by 6 PM prior to the class session indicated on the following pages. I will not accept late cases for credit. If you fail to turn in a case for any reason, such as not having access to the internet or travelling for work, you will be assigned a zero score (and that automatically becomes the low score that I drop). Make-up cases will not be provided under any circumstances.

Exams

There will be a mid-term examination and a final examination, each worth 40% of your final grade. Tentative dates are indicated on the following pages. Exams must be taken at the assigned date and time unless prior arrangements are made with me. No makeup exams will be given unless: (1) you notify me in advance of the scheduled exam, and (2) the reason for your not taking the exam on time is legitimate. A personal conversation with me before the exam constitutes notification in advance of the exam. Messages left in any other fashion (e.g., voicemail, e-mail) do not constitute notification. I have sole discretion in determining the legitimacy of the reason. If I agree to your absence from the exam, twenty points will be deducted from your grade.

Grading

Your final grade will be determined based on total points earned out of 500, broken down as follows:

<table>
<thead>
<tr>
<th>Cases</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exams: Mid-Term</td>
<td>200</td>
</tr>
<tr>
<td>Final Exam</td>
<td>200</td>
</tr>
<tr>
<td>Total</td>
<td>500</td>
</tr>
</tbody>
</table>

The total points needed to guarantee a specific grade are as follows: A = 450 (90%); A- = 440 (88%); B+ = 430 (86%); B = 400 (80%); B- = 390 (78%); C+ = 380 (76%); C = 350 (70%); C- = 340 (68%); D+ = 330 (66%) and D = 300 (60%).

Attendance Policy

The School of Business Administration's class attendance policy is as follows: “Class attendance and participation are fundamental parts of an excellent education, and thus, attendance for all classes, for the full meeting period of the class, is expected of all students. Faculty may set participation policies unique to their classes and use class participation as a component of the final grade.”
Although I do not take a formal roll, consistent with the School's policy, you should make every effort to attend each class session. The correlation between attendance and success in the course is very high. Missing class also means incomplete notes, which is especially problematic in this class because I present some concepts not specifically discussed in the text and, in many cases, I present concepts discussed in the text from a uniquely different perspective. If you must miss class, get notes from a classmate and check with me to determine whether you missed any handouts during my office hours.

Classroom Etiquette
I expect you to show respect for your fellow students and me by exhibiting a professional approach and demeanor in the classroom. To this end, please:

- Arrive to class on time.
- Turn off cell phones (or put them on silent).
- Refrain from eating odoriferous foods in class (onions, curry, etc.).
- Bring your text and CM handout to each class session.
- Be actively engaged in class sessions by taking notes, asking questions, and answering questions.
- Refrain from talking when someone else “has the floor.”

Violations will be handled consistent with the University Student Conduct Policy.

Course Commitment
Despite the fact that this course focuses predominately on the non-technical aspects of the tax law, many students find the subject matter of this course challenging. Because some of the concepts and rules are complex, and at times build on each other, it is important that you be prepared for each class. When prepared, you can contribute to both your learning and learning by the entire class. I do not expect you to have correct answers to everything I ask you in class (in fact, wrong answers often are just as helpful to the learning process as correct answers), but I do expect you to give me a solid effort in doing your readings and assignments. Although I do not assign a specific portion of the class grade to class preparation, I reserve the right to increase the grade of a student who regularly demonstrates a high level of class preparation.

Messages
During the course of the quarter, I will communicate various information to the class using Sakai and/or Loyola e-mail addresses. You are deemed to receive any messages that I send upon transmission, so be sure to check for messages frequently.

If you send an e-mail message to me, be sure to put the course number (e.g., 403) in the subject so that I know that it is not spam. Be aware that I generally check my e-mail account on Mondays through Fridays only. Also, periodically, I may be unable to access my e-mail account because a server is down or because I am at an out-of-town conference. In the latter case, I will try to forewarn you of my absence.

Sakai
In addition to posting announcements, I use Sakai in multiple other ways. For example, to minimize the “paper shuffle,” I will post many course documents to Sakai in lieu of (or in small number of cases, in addition to) distributing them in hard copy format in class. This includes cases and handout problems. Be sure to check Sakai frequently.

Web Site
The textbook is supported with an Online Learning Center that contains a number of free student resources that includes internet links and on-line quizzes. The site is located at http://www.mhhe.com/sjones2014.

Academic Honesty
Any act of academic dishonesty will be subject to University and/or School of Business Administration disciplinary procedures.

Syllabus
In rare cases I may modify the contents of this syllabus if I believe it will assist your learning process. These changes will never impact the allocations/point value assigned in the Grading section above. You are responsible for the material covered in any modifications announced in class or otherwise communicated (e.g., Sakai or e-mail).
<table>
<thead>
<tr>
<th>Date</th>
<th>Tentative Schedule</th>
</tr>
</thead>
</table>
| 08/25 (M)  | **Introduction to the Course; Imposition of Tax, Types of Taxpayers and Incidence**  
**Reading Assignment:** Chapter 1 and CM pp. 2 - 3  
**Written Assignment:** HP 1-1, QPD2, TPC2, IRP2, IRP8, AP6 |
| 09/01 (M)  | **No Class – Consider getting ahead on your reading assignments**                                                                                                                                                |
| 09/08 (M)  | **The Relationship Between Taxes and Cash Flows; Structuring Transactions to Reduce Taxes**  
**Reading Assignment:** Chapter 3 and CM p. 6  
**Handout** “Tax avoidance vs. Tax Evasion – Al Capone”  
**Written Assignment:** HP 2-1, AP2, QPD2, AP3, AP4, AP6, AP16, IRP3, IRP4, IRP2, QPD3, IRP5, QPD12 |
| 09/15 (M)  | **Case One Due**                                                                                                                                                                                                 |
|            | **Accounting Periods and Methods for Measuring Taxable Income**  
**Reading Assignment:** Chapter 6 (skip pp. 120(B) – 122(M) to Methods of Acct.), pp. 132 – 133(M) (to “Temporary Book/Tax Accounting Differences”), and pp. 138(M) (from “Business Bad Debts” – 139(M) to “Net Operating Losses”) and CM pp. 8 - 17  
**Written Assignment:** QPD3, AP1, AP3, QPD 8, QPD 10, QPD 6, AP6, IRP5, AP5, AP9, AP8, AP22, QPD 12, TPC1, TPC2 |
| 09/22 (M)  | **Case Two Due**                                                                                                                                                                                                 |
|            | **Basis, Cost Recovery, and Cash Flows; Cost of Goods Sold; MACRS Depreciation, and Amortization**  
**Reading Assignment:** Chapter 7 (skip pp. 165(M) (from “The UNICAP Rules”) – 166(T) (to “Computing Cost of Goods Sold”) and pp. 182(B) (from “Depletion of Natural Resources”) – 184 (to “Conclusion”) and CM pp. 18 – 22  
**Handouts** “Tax Consequences of Buying and Destroying Infamous Baseballs”  
“More on the Tax Consequences of Destroying Infamous Baseballs”  
“Still More on the Tax Consequences of Destroying Infamous Baseballs”  
**Written Assignment:** IRP9, QPD2, AP4, AP5, IRP2, AP10, TPC2, QPD13, AP17, AP18, TPC4, QPD16 |
| 09/29 (M)  | **Mid-Term Exam (Chapters 1-4, 6, 7 and part of 13)**                                                                                                                                                           |
| 10/06 (M)  | **Realized Gain and Recognized Gain or Loss on Property Dispositions; Characterization: Capital Gains/Losses, Ordinary Gains/Losses, Disposition of Section 1231 Property and Depreciation Recapture**  
**Reading Assignment:** Chapter 8 and CM pp. 23 - 25  
**Handouts** “The Indestructible Bartman Ball: Back in the (Tax) Limelight”  
“Bartman Ball Brings New Food for Thought”  
**Written Assignment:** IRP11, AP6, AP13, AP14, QPD4, AP11, QPD8, TPC1, QPD11, AP28, AP23, AP29, AP30 |

1. Assume that the annual salary indicated in the problem represents the tax base, taxable income.
2. Assume that the $8,000 loss in Year 0 is deductible against other income (i.e., that every dollar of the loss produces a tax savings).
3. For part b and c, assume that the 2010 loss was carried back and that 2014 operations yielded a break-even year (i.e., no income/NOL generated).
<table>
<thead>
<tr>
<th>Date</th>
<th>Tentative Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/13 (M)</td>
<td><strong>Case Three Due</strong></td>
</tr>
<tr>
<td></td>
<td>Like-Kind Exchanges; Corporate Formations; Partnership and LLC Formations</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: Chapter 9 (skip pp. 251 – 252(T) to &quot;Formations of Business Entities&quot;) and pp. 255(M) (from &quot;Wash Sales&quot;) – 255(B) (to &quot;Conclusion&quot;)) and CM pp. 26 - 29</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: HP7-1, AP7, AP8, TPC2, AP15, AP24, TPC1, QPD5a, AP25</td>
</tr>
<tr>
<td></td>
<td>Comparative Forms of Business</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: CM pp. 30 – 33</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: N/A</td>
</tr>
<tr>
<td>10/20 (M)</td>
<td><strong>Case Four Due</strong></td>
</tr>
<tr>
<td></td>
<td>Sole Proprietorships, Partnerships, LLCs and S Corporations</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: Chapter 10 (skip pp. 275 (from &quot;Dispositions of Business Assets&quot;) – 276(M) (to “Employment Taxes”)) and CM pp. 34 - 38</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: AP10, AP8, AP13, AP14, AP17, AP19, AP22, AP23, TPC2, AP21, AP25, AP26</td>
</tr>
<tr>
<td></td>
<td>Corporations as Taxable Entities: Tax Computation Issues</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: Chapter 11, pp. 311 – 323(M) (to &quot;Alternative Minimum Tax&quot;)), and CM p. 39</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: AP15, AP10, AP14, TPC1, AP2, AP11a</td>
</tr>
<tr>
<td>10/27 (M)</td>
<td><strong>Case Five Due</strong></td>
</tr>
<tr>
<td></td>
<td>Corporations as Taxable Entities: Corporate AMT</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: Chapter 11, pp. 323(M) – 332, and CM p. 40</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: AP17, AP20, AP24</td>
</tr>
<tr>
<td></td>
<td>Tax Planning with Closely Held Corporations</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: Chapter 12, pp. 356(M) (from “Tax Planning With Closely Held Corporations”) – 363 (to Conclusion) and CM p. 41 - 42</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: AP8, AP9, AP11, QPD15, QPD13</td>
</tr>
<tr>
<td></td>
<td>Tax Consequences of International Business Operations</td>
</tr>
<tr>
<td></td>
<td>Reading Assignment: Chapter 13, pp. 380 – 384(B) (up to &quot;Organizational Forms for Overseas Operations&quot;), and CM p. 43</td>
</tr>
<tr>
<td></td>
<td>Written Assignment: QPD9, AP6, AP7, AP9, AP12</td>
</tr>
<tr>
<td>11/03 (M)</td>
<td><strong>Final Exam (Chapters 8-12 and part of 13)</strong></td>
</tr>
</tbody>
</table>

**Abbreviation Key:**

- B = Heading/sub-heading near bottom of page
- M = Heading/sub-heading near middle of page
- T = Heading/sub-heading near top of page
- AP = Application Problem
- CM = Course Material Packet
- HP = Handout Problem (if listed in bold, the HP is an example of questions found on our exams.)
- IRP = Issue Recognition Problem
- QPD = Question and Problem for Discussion
- TPC = Tax Planning Case

---

4For part b, assume Rochelle is a limited partner in Megawatt Partnership and earnings are not SE income.