

Course Information

Date Submitted: 2/21/2013

Current Prefix and Number: ACC - Accounting , ACC 490 - SPEC TOPS IN ACCOUNTING: (SR)

Other Course:

Proposed Prefix and Number: ACC 590

What type of change is being proposed?

Major Change

Should this course be a UK Core Course? No

1. General Information

a. Submitted by the College of: College of Business and Economics

b. Department/Division: B&E Accountancy

c. Is there a change in 'ownership' of the course? No

If YES, what college/department will offer the course instead: Select...

e. Contact Person

Name: John Smigla

Email: johnsmigla@uky.edu

Phone: 323-9683

Responsible Faculty ID (if different from Contact)

Name:

Email:

Phone:

f. Requested Effective Date

Semester Following Approval: Yes OR Effective Semester:

2. Designation and Description of Proposed Course

a. Current Distance Learning (DL) Status: N/A

b. Full Title: SPECIAL TOPICS IN ACCOUNTING:(SUBTITLE REQUIRED)

Proposed Title: SPECIAL TOPICS IN ACCOUNTING:(SUBTITLE REQUIRED)

c. Current Transcript Title: SPEC TOPS IN ACCOUNTING: (SR)

Proposed Transcript Title: SPEC TOPS IN ACCOUNTING: (SR)

d. Current Cross-listing: none

Proposed – ADD Cross-listing :

Proposed – REMOVE Cross-listing:

e. Current Meeting Patterns

LECTURE: 3

Proposed Meeting Patterns

LECTURE: 3

f. Current Grading System: ABC Letter Grade Scale

Proposed Grading System: PropGradingSys

g. Current number of credit hours: 3

Proposed number of credit hours: 3

h. Currently, is this course repeatable for additional credit? Yes

Proposed to be repeatable for additional credit? Yes

If Yes: Maximum number of credit hours: 12

If Yes: Will this course allow multiple registrations during the same semester? Yes

2i. Current Course Description for Bulletin: Readings, projects, lectures and/or discussion to illuminate current topics of special interest or concern in accounting. May be repeated to a maximum of twelve credits. May not be repeated under the same title.

Proposed Course Description for Bulletin: Readings, projects, lectures and/or discussion to illuminate current topics of special interest or concern in accounting. May be repeated to a maximum of twelve credits. May not be repeated under the same title.

2j. Current Prerequisites, if any: Prereq: Consent of instructor.

Proposed Prerequisites, if any: Prereq: Consent of instructor.

2k. Current Supplementary Teaching Component:

Proposed Supplementary Teaching Component: No Change

3. Currently, is this course taught off campus? No

Proposed to be taught off campus? No

If YES, enter the off campus address:

4. Are significant changes in content/student learning outcomes of the course being proposed? No

If YES, explain and offer brief rationale:

5a. Are there other depts. and/or pgms that could be affected by the proposed change? No

If YES, identify the depts. and/or pgms:

5b. Will modifying this course result in a new requirement of ANY program? **No**

If YES, list the program(s) here:

6. Check box if changed to 400G or 500: **Yes**

Distance Learning Form

Instructor Name:

Instructor Email:

Internet/Web-based: **No**

Interactive Video: **No**

Hybrid: **No**

1. How does this course provide for timely and appropriate interaction between students and faculty and among students? Does the course syllabus conform to University Senate Syllabus Guidelines, specifically the Distance Learning Considerations?

2. How do you ensure that the experience for a DL student is comparable to that of a classroom-based student's experience? Aspects to explore: textbooks, course goals, assessment of student learning outcomes, etc.

3. How is the integrity of student work ensured? Please speak to aspects such as password-protected course portals, proctors for exams at interactive video sites; academic offense policy; etc.

4. Will offering this course via DL result in at least 25% or at least 50% (based on total credit hours required for completion) of a degree program being offered via any form of DL, as defined above?

If yes, which percentage, and which program(s)?

5. How are students taking the course via DL assured of equivalent access to student services, similar to that of a student taking the class in a traditional classroom setting?

6. How do course requirements ensure that students make appropriate use of learning resources?

7. Please explain specifically how access is provided to laboratories, facilities, and equipment appropriate to the course or program.

8. How are students informed of procedures for resolving technical complaints? Does the syllabus list the entities available to offer technical help with the delivery and/or receipt of the course, such as the Information Technology Customer Service Center (<http://www.uky.edu/UKIT/>)?

9. Will the course be delivered via services available through the Distance Learning Program (DLP) and the Academic Technology Group (ATL)? **NO**

If no, explain how student enrolled in DL courses are able to use the technology employed, as well as how students will be provided with assistance in using said technology.

10. Does the syllabus contain all the required components? **NO**

11. I, the instructor of record, have read and understood all of the university-level statements regarding DL.

Instructor Name:

SIGNATURE|KCROUCH|Kathryn F Crouch|Dept approval for ZCOURSE_CHANGE ACC 490|20130215

SIGNATURE|KCROUCH|Kathryn F Crouch|College approval for ZCOURSE_CHANGE ACC 490|20130215

SIGNATURE|KCROUCH|Kathryn F Crouch|Undergrad Council approval for ZCOURSE_CHANGE ACC 490|20130215

SIGNATURE|ZNNIKO0|Roshan N Nikou|Graduate Council approval for ZCOURSE_CHANGE ACC 490|20130215

Proposal to change ACC 490 to ACC 590:

The Von Allmen School of Accountancy would like to change ACC 490-Special Topics in Accounting-Required Subtitle to ACC 590-Special Topic in Accounting-Required Subtitle in order that MSACC graduate students can select this course as an accounting elective. The School of Accountancy offers ACC 490 under various required subtitles based upon particular topics important to the accounting profession during that time period. This course is also used as an avenue to address current topics relevant to the profession. The second attachment is the course syllabus for ACC 490 which covers International Reporting Standards which has been a hot topic for the profession over the past year. The School of Accountancy is very aware that if graduate students are enrolled under 590 that there will be additional papers and/or projects for graduate students. The School of Accountancy does offer other 500 level courses and we do adhere to this policy. I have included the syllabus for ACC 507 as a third attachment and the additional assignment for graduate students as a fourth attachment. The syllabus for ACC 555 is included as the fifth attachment and on page eight one will find the additional assignment for graduate students. We plan to also implement additional assignments for ACC 590 if approved. Please do not hesitate to contact me if you need any more information.

John E. Smigla

Director, MSACC Program

Von Allmen School of Accountancy

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Accounting 507 – Advanced Topics in Taxation
Course Syllabus – Fall 2012

Instructor:

David S. Hulse, Ph.D.
355D Gatton Business & Economics Bldg.
Phone: 257-3276
E-mail: dshuls00@uky.edu

Office hours:

Tuesdays 2:00 p.m. – 3:30 p.m.
Thursdays 2:00 p.m. – 3:30 p.m.
and by appointment and by chance

Class times & location: Section 001 TR 11:00 a.m. – 12:15 p.m. 306 B&E
 Section 002 TR 12:30 p.m. – 1:45 p.m. 306 B&E

Textbook: *Prentice Hall's Federal Taxation 2012 (Comprehensive)*; by Pope, Anderson & Kramer.
Other materials on course web site (www.uky.edu/~dshuls00/acc507.htm).

Course Description:

A study of advanced topics in taxation, including corporate taxation, accounting for income taxes, and international tax. Prerequisites: ACC 302 and ACC 407 or consent of the Director of the School of Accountancy.

Students are often surprised to learn that a course in corporate taxation does not devote much time to the determination of a corporation's tax liability. The reason is that it is similar in many respects to that of individuals, and you already should be familiar with the taxation of individuals from your introductory taxation course. As a result, a substantial portion of the course will focus on other issues, such as transactions between a corporation and its shareholders and reorganizations.

Grading:

	Enrollment for	
	UG credit	GR credit
Exam #1	70 points	70 points
Exam #2	70 points	70 points
Exam #3	80 points	80 points
Quizzes (10 points each)	50 points	50 points
Tax return project	<u>50 points</u>	<u>100 points</u>
	<u>320 points</u>	<u>370 points</u>

500-level courses can be taken for undergraduate (UG) credit or graduate (GR) credit. University rules require that there be a differentiation in expectations between the two groups of students and that this can be accomplished by the completion of additional or distinct assignments by the enrolled graduate students that are consistent with graduate scholarship. This requirement will be fulfilled through the tax return project, which will be more extensive for graduate students.

For undergraduate students, grades for the course will be determined using thresholds no more stringent than 90%, 80%, 70%, and 60% for As, Bs, Cs, and Ds, respectively. For graduate students, grades for the course will be determined using thresholds no more stringent than 90%, 80%, and 70% for As, Bs, and Cs, respectively (University rules do not allow D grades to be given to graduate students). Grades will be available on BlackBoard (<http://elearning.uky.edu>); this is the only aspect of the course that will be on BlackBoard; all other online aspects will be available on the course web site (see above).

Course Expectations:

It is the instructor's responsibility to provide you with the opportunity to learn the subject matter. It is your responsibility to take advantage of this opportunity. You should be able to better learn the material if you invest sufficient time and energy into the course, which will help better prepare you for your professional career in accounting (and a better course grade).

You will be more successful in this course if you read the assigned material and complete the assigned homework *prior* to class. The subject matter sometimes is challenging, and you will have a more difficult time learning it if you come to class unprepared. For example, many students are unfamiliar with the transactions we will be discussing in class, which makes it more difficult to understand their tax treatment. Adequately preparing for class will help you learn more from the class discussion of a transaction and its tax treatment.

Class participation is not part of the grading criteria, but you are encouraged to participate so that our learning experience is enhanced and the class is more enjoyable. For example, you may have had internship experiences that pertain to the subject matter, and your contribution of those experiences may make the subject matter more relevant and enhance others' understanding of it.

Exams:

The exams will consist of multiple choice questions and problems. Each exam will include only material covered since the preceding exam. For each exam, you will be allowed to use one reference card of notes. The reference card can be no larger than 3" × 5" (7.6 cm × 12.7 cm), but you can use both sides.

If you have an unexcused absence from an exam, you can take a make-up exam, but your score on it will be reduced by 10 points. If you have an excused absence from an exam (as defined in §5.2.4.2 of the *University Senate Rules*), you can take a make-up exam with no 10-point reduction in your score. You must provide the instructor with appropriate documentation of the absence's excused nature. The instructor reserves the right to determine the time and circumstances under which a make-up exam will be given.

Quizzes:

Six quizzes will be given during the semester. You can drop your lowest quiz score, which accommodates situations where you have an exam in another class or other activity that is on or near the date of a quiz.

If you have an unexcused absence from a quiz, the consequence depends on whether it is the first such absence or a subsequent one. You will not be allowed to make up the first unexcused absence from a quiz; you will receive a zero for it (because you can drop your lowest quiz score). You can make up any subsequent unexcused absences from a quiz, but your score on it will be reduced by 2 points (because of the unexcused nature of the absence). If you have an excused absence from a quiz (as defined in §5.2.4.2 of the *University Senate Rules*), you can make it up with no 2-point reduction in your score. You must provide the instructor with appropriate documentation of the absence's excused nature. The instructor reserves the right to determine the time and circumstances under which a make-up quiz will be given.

Tax Return Project:

For this assignment, you will be required to prepare a tax return and related items, using actual forms and schedules. Details concerning the tax return problem will be provided later in the semester. Recall that this assignment will be more extensive for graduate students than for undergraduate students. This assignment will occur between the second and third exams.

Homework:

Homework assignments will not be graded and will not be reviewed in class. Instead, solutions to the homework assignments will be available for you on the course web site. This gives you the opportunity to complete the homework at whatever pace is appropriate for you. You are responsible for completing the homework assignments as they are assigned and asking for help when you do not understand their solution.

CAUTION: Use the homework solutions responsibly! Many students complete the homework while referencing the solutions. This makes the homework easier to complete, but it also deprives such students of the opportunity to learn from their mistakes, and they often repeat them on the quizzes and/or exams (when it counts). You should complete a homework problem *before* you check its solution.

Use of calculators:

You may use a calculator during the quizzes and exams. However, it cannot have text storage capabilities (e.g., word processing or document display), it cannot have communication capabilities (e.g., cell phones), and it cannot have a camera. Calculators may not be shared. It is your responsibility to have a calculator that complies with these restrictions.

Learning objectives: After completing this course, you should be able to:

- Compute a corporation's taxable income and income tax liability.
- Determine the financial statement implications of federal income taxes.
- Calculate a corporation's alternative minimum tax and determine its financial statement implications.
- Describe the steps in the tax return filing, audit, and litigation process and identify and understand sources of tax law.
- Explain the requirements for deferring gain or loss and recognizing gain or loss upon incorporation and determining other tax consequences.
- Determine the tax consequences of nonliquidating distributions, stock dividends, and stock redemptions.
- Determine the tax consequences of a corporate liquidation.
- Distinguish between taxable and nontaxable reorganizations and determine the tax consequences of such reorganizations.
- Explain when a group of corporations can file a consolidated tax return, calculate a consolidated group's taxable income and income tax liability, and determine other consequences of filing a consolidated tax return.
- Determine the U.S. tax consequences of a U.S. taxpayer's foreign-related transactions and understand the U.S. tax consequences of a foreign taxpayer's U.S.-related transactions.
- Determine the state tax consequences for a taxpayer with activities in multiple states.
- Explain tax-related penalties relating to uncertain tax positions and their financial statement reporting.

Other course policies:

Academic Accommodations Due to Disability: If you have a documented disability that requires academic accommodations, see the instructor as soon as possible. In order to be accommodated in this course, you must provide the instructor with a Letter of Accommodation from the Disability Resource Center (Room 2, Alumni Gym, 257-2754, jkarnes@email.uky.edu).

Academic Integrity: Pursuing your university education with academic integrity is important for many reasons, such as developing your ability to pursue your professional career with integrity. The University Senate Rules state that “[s]tudents shall not plagiarize, cheat, or falsify or misuse academic records.” See University Senate Rules §6.3.0 for further discussion of this and for procedures governing the prosecution of academic offenses.

Religious Observances: Excused absences include absences for religious observances if written notification (including e-mail) is submitted to the instructor by August 28 (i.e., the last day for adding a class). It is your responsibility to submit such a notification in a timely manner.

Tentative Schedule & Homework Assignments

Chapter	Date(s)	Textbook readings (to be announced)	Homework (to be announced)
	August 23	.....	.....
	August 28	.....	.....
C:3	August 30	.....	.....
	September 4	.....	.....
	September 6	.....	.....
	September 11	.....	.....
C:1	September 13	.....	.....
C:15			
C:3	September 18		

Exam #1 — Thursday, September 20

C:5	September 25		
C:2	September 27	.....	.....
	October 2		
	October 4	.....	.....
C:4	October 9	.....	.....
	October 11	.....	.....
	October 16		
C:6	October 18		

Exam #2 — Tuesday, October 23

C:7	October 25	.....	.....
	October 30		
C:8	November 1	.....	.....
	November 8		
	November 13	.....	.....
C:16	November 15	.....	.....
	November 20		
	November 20	.....	.....
MST	November 27	.....	.....
	December 4		
C:15	December 6		

Exam #3

11:00 class — Tuesday, December 11 — 10:30 a.m. – 12:30 p.m. — 306 B&E
12:30 class — Thursday, December 13 — 10:30 a.m. – 12:30 p.m. — 306 B&E

Accounting 507 – Spring 2012
Tax Return Problem

This assignment gives you the opportunity to apply the rules and concepts discussed in class to prepare a hypothetical corporation's federal income tax return and determine its E&P (and, for the graduate students, determine some related financial accounting items). It also will help you to better understand how the rules and concepts relate to each other.

You may work individually or in groups of two or three persons. Because the assignment differs for undergraduate students versus graduate students, a group can be comprised of only undergraduate students or only graduate students; a group with both types of students is not permitted. The assignment is due by **12:00 noon on Friday, March 9** (hard copy only; no electronic submissions).

Dover Corporation is a domestic, calendar-year, accrual-basis, C-corporation that is a wholesaler of electrical supplies. It was incorporated and began business on January 1, 2011. Dover's address is 550 S. Limestone St., Lexington, Kentucky 40506. Its employer identification number is 40-6657098. The following individuals own Dover's common stock (all of whom are Dover employees who devote 100% of their time to the business and are U.S. citizens):

Name	Soc. sec. #	% owned	Other information
Jane Davis	402-51-1234	38%	Dover's president
John Davis	402-51-5678	32%	Dover's vice president and Jane's husband
Joseph Davis	402-51-1357	30%	Dover's secretary-treasurer and John's brother

Dover paid \$12,500 of dividends to its shareholders during the year. Dover did not own more than 1% of any corporation's stock, was not a partner in a partnership, and did not have a beneficial interest in a trust. Dover did not make any payments that would require it to file Form 1099. An income statement and balance sheet are available on the following pages.

Required for all students (undergraduate and graduate):

- a. Prepare Dover's federal income tax return.
- b. Prepare a calculation of Dover's current earnings and profits (E&P).

Required for graduate students only:

- c. Prepare the journal entry to update Dover's income tax expense and adjust the balances in its deferred tax assets and liabilities (in accordance with U.S. GAAP).
- d. Prepare a table that indicates how much of the financial accounting income tax expense is current income tax expense and how much is deferred tax expense.
- e. Prepare a table that indicates how much of the deferred tax assets are current assets and how much are noncurrent assets (and likewise for the deferred tax liabilities).
- f. Determine Dover's effective tax rate (ETR) and prepare its ETR reconciliation.

Additional instructions for both undergraduate & graduate students:

- Put the corporation's name and employer identification number *on every page* of the tax return (even if there is not a space for it). If the tax form or schedule has space for this information, put it in that space.
- Round all dollar amounts on the tax return to the nearest dollar (amounts that are exactly 50¢ are rounded up to the next dollar). However, if you have to add two or more amounts to figure the total to enter on a line, include cents when adding the amounts and round off only the total.
- For rules on depreciation, see the following material in your textbook (2012 edition):
 - Regular tax purposes (MACRS) Chapter I:10
 - Alternative minimum tax purposes Chapter C:5, pp. 5-7
 - Adjusted current earnings purposes Chapter C:5, p. 9
 - Earnings and profit purposes Chapter C:4, p. 5
- Assume the corporation is not allowed any §199 qualified production activities deduction.
- Do not want any overpayment of tax (if any) to be refunded to it.
- Form 1120, Schedule L (balance sheets per books) directs you to "attach schedule" several times. You do not need to do so for this assignment (except for the deferred tax assets and liabilities, for graduate students).
- Forms, schedules, publications, and instructions (including Form 1120) are available at **www.irs.gov**.
- With one exception, do not include any unnecessary forms or schedules (points will be deducted if they are included). The exception is Form 4626 (alternative minimum tax); complete it even though no AMT is due (i.e., assume the corporation is not exempt from the AMT).
- When a tax return line item is calculated from several items (which are not on the tax return), include a supporting schedule showing how you calculated it. This allows me to give you partial credit more generously. These supporting schedules will not be considered to be unnecessary forms or schedules.
- If you are working in a group of two or three persons, turn in only one tax return for the group. You may work only with members of your own group; you are not allowed to work with members of other groups nor with persons outside of the class. Violation of this requirement constitutes an academic offense (see §6.3.0 of the *University Senate Rules*).
- If the assignment is turned in after 12:00 noon on Friday, March 9, the following penalty will apply:
 - If it is turned in on March 9 between 12:00 noon and 4:00 p.m., the score on the project will be reduced by 4 points.
 - If it is turned in between 4:00 p.m. on March 9 and 10:00 a.m. on Monday, March 12, the score on the project will be reduced by 12 points.
 - If it is turned in after 10:00 a.m. on Monday, March 12, the score on the project will be reduced by 12 points plus an additional 6-point reduction for each 24-hour period (or fraction thereof) after 10:00 a.m. on March 12 until it is turned in.

Additional instructions for undergraduate students only:

- Use the corporate tax rate schedule to determine the tax on the corporation's taxable income.
- Assume the income tax expense reported on the income statement is correct (even though it is not). This means that you do not have to adjust the amounts on Form 1120's Schedule L, Schedule M-1, and Schedule M-2 to reflect all the effects of using the GAAP-compliant income tax expense.
- Place the forms and schedules in the following order:
 1. Form 1120 (all 5 pages).
 2. Form 4626 (AMT).
 3. Additional IRS schedules in alphabetical order.
 4. Additional IRS forms in numerical order.
 5. Your calculation of the corporation's current E&P.
 6. Any of your own schedules showing how you calculated tax return line items.

Additional instructions for graduate students only:

- Assume the enacted tax rate is 34% for all future years.
- Assume the 2011 tax rate is a flat 34%. Making this assumption ignores the corporate tax rate schedule, but it also avoids some difficulties in the ETR reconciliation when the current tax rate does not equal the enacted tax rates for future years.
- Assume no valuation allowance is needed for any of the deferred tax assets.
- Assume there is no uncertainty regarding the tax return positions taken, i.e., the FIN 48 material discussed on pp. 45-46 of Chapter C:3.
- When preparing your ETR reconciliation (part f), assume all items entering into it are material.
- The income statement and balance sheet provided later in this assignment are *incorrectly* based on an income tax expense equal to federal estimated tax payments and zero deferred tax assets and liabilities. Make sure the amounts on Form 1120's Schedule L, Schedule M-1, and Schedule M-2 reflect *all* the effects of your part c journal entry.
- Place the forms and schedules in the following order:
 1. Form 1120 (all 5 pages).
 2. Form 4626 (AMT).
 3. Additional IRS schedules in alphabetical order.
 4. Additional IRS forms in numerical order.
 5. Your calculation of the corporation's current E&P.
 6. Any of your schedules showing how you calculated tax return line items.
 7. Your journal entry to record income tax expense and adjust the balances in the deferred tax assets and liabilities (and any supporting calculations).
 8. Your table indicating current and deferred income tax expense.
 9. Your table indicating current and noncurrent deferred tax assets and liabilities.
 10. Your effective tax rate calculation and reconciliation.

Dover Corporation
Income Statement for Year Ending December 31, 2011

Sales revenues ^a		\$ 7,088,734
Less: Sales allowances & returns		<u>(155,765)</u>
Net revenues		\$ 6,932,969
Less: Cost of goods sold		<u>(5,514,586)</u>
Gross margin		\$ 1,418,383
Less: Operating expenses		
Advertising	\$ 66,569	
Bad debts ^b	24,240	
Charitable contributions ^c	3,009	
Depreciation ^d	72,510	
Insurance ^e	92,360	
Interest ^f	23,206	
Miscellaneous ^g	34,819	
Rent	122,937	
Repairs & maintenance	19,053	
Salaries & wages ^h	535,296	
Taxes ⁱ	44,490	
Utilities	<u>128,086</u>	<u>(1,166,575)</u>
Net operating income		\$ 251,808
Dividend ^j & interest ^k income		7,789
Income tax payments ^l		<u>(84,000)</u>
Net income		<u>\$ 175,597</u>

Dover Corporation
Balance Sheet for December 31, 2011

Cash		\$ 204,028
Accounts receivable (net of \$13,768 allowance for doubtful accounts)		452,689
Inventory ^m		404,087
Investments ⁿ		235,506
Depreciable property (net of \$72,510 accumulated depreciation)		658,232
Other assets		<u>36,157</u>
Total assets		<u>\$ 1,990,699</u>
Accounts payable	\$ 421,520	
Other current liabilities	32,358	
Note payable ^o	<u>374,659</u>	
Total liabilities		<u>\$ 828,537</u>
Common stock	\$ 999,065	
Retained earnings	<u>163,097</u>	
Total equities		<u>\$ 1,162,162</u>
Total liabilities & equities		<u>\$ 1,990,669</u>

See the notes for the income statement and balance sheet on the next page.

Notes for income statement and balance sheet:

^a None of the sales are merchant card or third-party payments.

^b Dover computes bad debt expense as a percentage of its sales. Hint: See pp. 40-54 of Chapter C:3.

^c The contributions were all in cash.

^d Book depreciation is determined using the straight-line method, with a zero estimated residual value and a full year of depreciation for the year of acquisition. Dover purchased and placed into service the depreciable assets on January 14, 2011. Information on the assets is below:

Original cost	Estimated useful life	Recovery period		
		MACRS	AMT & ACE	E & P
\$ 213,295	6 years	5 years	5 years	5 years
\$ 517,447	14 years	5 years	5 years	9 years

Dover does not use §179 or bonus depreciation for the property, and it does not elect to use the alternative depreciation system for regular tax purposes.

^e This is comprised of \$2,224 for life insurance on Dover's president (with Dover as the beneficiary) and \$90,136 for casualty and liability insurance. The life insurance has no cash surrender value.

^f The interest expense is on a loan whose proceeds Dover used to purchase depreciable assets.

^g This is comprised of \$9,772 of meals and entertainment expenses, \$17,531 of organizational expenditures, and \$7,516 of other expenses. Dover wants to deduct for 2011 the maximum amount of these expenses allowed.

^h Dover paid \$138,347 of compensation to the individuals who are its shareholders: \$52,529 to Jane Davis in her capacity as Dover's president, \$42,890 to John Davis in his capacity as vice-president, and \$30,328 to Joseph Davis in his capacity as secretary-treasurer. Dover also paid \$4,200 to each of the shareholders in their capacity as members of the board of directors.

ⁱ This is comprised of payroll and property taxes.

^j Dover received \$1,465 of dividends from domestic corporations in which it owns less than 1% of the stock. Dover owned the stock for more than 45 days before the stock became ex-dividend with respect to the dividends.

^k Dover received \$5,408 of interest on amounts invested in corporate bonds and \$916 of interest on amounts invested in municipal bonds (all of which were issued before 2009 and none of which are private activity bonds).

^l This is comprised of four quarterly estimated tax payments of \$21,000 each. Dover debited its Current Income Tax Expense account and credited its Cash account when it made the payments. Assume the penalty for underpayment of estimated tax does not apply. Assume also that Dover is not subject to any state, local, or foreign income taxes.

^m Dover acquired all of its inventory by purchase, values its inventory at cost, and uses the first-in first-out (FIFO) inventory method. Assume that the Section 263A rules do not apply and that Dover has no such costs.

ⁿ This is comprised of \$125,903 of corporate bonds, \$28,232 of tax-exempt bonds, and \$81,371 of stocks.

^o \$31,425 of the note payable is a current liability, and \$343,234 is a long-term liability.