

# **SMALL BUSINESS I TAX COURSE**

## **Course Topics by Module – LEARNING OBJECTIVES**

### **Module 1**

#### **Chapter 1: Business Organization**

- Identify the best choice of business entity for a client
- Summarize the advantages and disadvantages of choosing sole proprietorship, partnership, LLC, S corporation or C corporation as the business entity
- Demonstrate the difference between cash and accrual accounting methods
- State the various types of taxes that are paid by businesses
- Discuss the recordkeeping requirements of small businesses

#### **Chapter 2: Understanding the Balance Sheet**

- Reconcile the Owner's Equity Account
- Identify the asset, liability, revenue and expense accounts in the general ledger
- Understand potential problems from the account balances
- Calculate common financial ratios and use the ratios to analyze the financial health of a business
- Understand how to prepare the Schedules M-1, M-2, and M-3 for Forms 1065, 1120, and 1120S

#### **Chapter 3: Income, Expenses and Basis**

- Explain the various types of income and their sources
- Calculate the cost of goods sold
- Identify the difference between Capital Expenses and day-to-day business expenses
- Discuss the various depreciation methods
- Demonstrate the tax advantage of a like-kind exchange
- Calculate the basis and adjusted basis of assets

#### **Chapter 4: Dispositions**

- Identify the terminology unique to dispositions of business property
- Discuss the changes in accounting necessary when business usage of depreciable property drops to 50% or below
- Apply the proper procedures to determine basis of property including inherited and gifted property
- Calculate the gain or loss on the sale of business property
- Select the proper IRS Code Sections that apply when business assets are sold
- Explain where and how to report the gain or loss on the sale of property

#### **Chapter 5: Sole Proprietorship**

- Describe the recordkeeping requirements for a sole proprietorship
- Understand the advantages and disadvantages of the business use of a home
- Determine when to elect the Section 179 Deduction

### **Module 1 Final Exam**

## **Module 2**

### **Chapter 6: Partnerships**

- Be familiar with partnership formation and the need for a partnership agreement
- Know the types of partnerships and partners
- Understand the basis of a partnership interest
- Be familiar with the partnership return and Schedule K-1

### **Chapter 7: Corporations**

- Describe the general characteristics of C corporations.
- Discuss the concept of an “accounting period.”
- Review the uniform capitalization (UNICAP) rules.
- Summarize the major sources of income.
- Explain inventory valuation methods.
- Examine the major elements of expense which may be deducted from gross income to arrive at taxable income.
- Discuss the elements which comprise contributed capital of a corporation.
- Summarize required tax reconciliations.

### **Chapter 8: S Corporations**

- Examine S corporations and the S corporation election
- Understand estimated tax payments for an S corporation
- Understand unrealized built-in gains and the built-in gains tax
- Understand the concept of adjusted basis for shareholders
- Examine distributions to shareholders
- Review Form 1120S, U.S. Income Tax Return for an S Corporation
- Understand separately stated items, due dates, penalties, and loss limitations
- Understand excess net passive income tax

### **Chapter 9: Employment Taxes**

- Explore employment taxes and withholding issues for independent contractors and statutory employees
- Review earned income tax credit
- Introduce Form 941, *Employer’s Quarterly Federal Tax Return*, Form 940, *Employer’s Annual Federal Unemployment (FUTA) Tax Return*, and tax deposits

### **Chapter 10: Retirement Plans**

- Explain various types of retirement plans
- Understand plan requirements and related definitions
- Learn the contribution limits for employers and employees

## **Module 2 Final Exam**