



Dbriefs U

Supplemental Material

Book/Tax Differences — Fundamentals Every Accounting Major Should Know

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About the Supplemental Material

Each Dbriefs U webcast is accompanied by teaching material including discussion or homework questions, activities, and related resources. Material is distributed by email in conjunction with the live broadcast of each webcast. For questions or more information, email dbriefsu@deloitte.com.

To request the solutions for this material, email dbriefsu@deloitte.com.

Discussion/Homework Questions

To request the solutions for this material, email dbriefsu@deloitte.com.

1. Explain the difference between a permanent book-tax adjustment and a temporary book-tax adjustment. Would a taxpayer focus on one of these over the other?
2. How do favorable and unfavorable book-tax adjustments impact taxable income and tax liability? Which of these are more beneficial to the taxpayer?
3. Why do you believe that Congress and the IRS allow depreciation of fixed assets to be accelerated for tax purposes in comparison to books?
4. What can you be doing to improve your skill sets in the tax accounting area?

Activity

To request the solutions for this material, email dbriefsu@deloitte.com.

Overview

Case Study: Computing Book-Tax Differences

Length: 45-60 minutes

Type: Individual or team activity

Materials: Activity sheet and solution (see separate Excel files).

Learning Objectives: Understand how to compute book-tax adjustments for reporting on income tax returns.

Activity

To request the solutions for this material, email dbriefsu@deloitte.com.

Case Study: Computing Book-Tax Differences

Compute the appropriate book-tax differences for ABC, Inc. in the scenarios given and designate whether the adjustment is favorable or unfavorable. Once finished, determine the appropriate classification of the adjustment (permanent or temporary) and use these numbers to complete the reconciliation from book (GAAP) income to tax income.

The handout material is available in the Excel file *dbriefsu_booktaxdiff_problem_handout.xls* available for download on the Dbriefs U faculty web site.

Related Resources

To access these materials, visit www.deloitte.com/us/dbriefsu.

IRS website – www.irs.gov

- 2009 Schedule M-3 (Form 1120) for Corporations
- Instructions to 2009 Schedule M-3 (Form 1120) for Corporations
- Form 1120 Schedule M-3 FAQs
- IRS Publications

BNA Portfolio 570-3rd: Accrual Method Taxpayers and the All Events Test & Economic Performance Requirements (subscription required)

Webcast Poll Questions

Question

A book/tax difference which results in taxable income greater than book income is a(n) _____ book/tax difference.

- Favorable
- Unfavorable
- Temporary
- Permanent

Question

Which of the following is NOT a permanent book/tax difference?

- Meals & entertainment expense
- Fines & penalty expense
- Advertising expense
- Tax exempt interest

Question

Depreciation expense can result in the following types of book/tax differences:

- Favorable & Temporary
- Unfavorable & Temporary
- Unfavorable & Permanent
- Both first and second choices

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