



## Dbriefs U

# Supplemental Material

### Accounting for Income Tax Uncertainties – An Ongoing Challenge

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#### About the Supplemental Material

Each Dbriefs U webcast is accompanied by teaching material including discussion or homework questions, a learning activity, and related resources. Visit the Dbriefs U Faculty Resources Web site to download this material. For access to the site and more information, contact [dbriefsu@deloitte.com](mailto:dbriefsu@deloitte.com).

## Discussion/Homework Questions

1. Why is tax expense so important to get right?
2. Discuss what concerns tax directors may have about disclosures related to tax uncertainties.
3. What are some of the current challenges effecting accounting for income tax uncertainties?
4. Discuss the two-step process for evaluating tax positions prescribed by ASC 740.

## Activity

### Overview

#### **Income Tax Disclosures: Accounting for Uncertain Tax Positions**

**Length:** 30 minutes

**Type:** Team activity

**Materials:** Activity sheet, internet and solution

**Learning Objective:** Learn how to locate public company financial statements and income tax footnotes in order to identify disclosures related to uncertain tax benefits. Understand what companies are disclosing and compare how companies may comply differently with the same disclosure requirements.

**Activity:** Before class, students will download the annual reports for Tyco International, Ltd. for the year ended September 26, 2008 and for Motorola, Inc. for the year ended December 31, 2008. Breaking into groups, students will compare and contrast selected income tax disclosures in the Form 10-Ks for these companies.

## Activity

### Income Tax Disclosures: Accounting for Uncertain Tax Positions

Locate and download the annual reports for public companies Tyco International, Ltd. for the year ended September 26, 2008 and for Motorola, Inc. for the year ended December 31, 2008 (Hint: Annual reports are usually located with financial information for investors on the corporate Web site).

Compare and contrast the unrecognized tax benefits (UTB) related disclosures required by ASC 740-10-50-15 (paragraphs a through e) and ASC 740-10-50-19.

#### ASC 740-10-50-15

- a) What was the beginning and ending amounts of the Company's UTB and what changes occurred during the year?
- b) What amount of the UTB would impact the Company's effective tax rate?
- c) What amounts of interest and/or penalties have been accrued?
- d) What amount does the Company believe is reasonable to change significantly within 12 months (i.e., early warning disclosures)?
- e) What tax years remain subject to examination by major tax jurisdictions?

#### ASC 740-10-50-19

What is the Company's policy for recording interest and penalties?

## Related Resources

To access these materials, visit [www.deloitte.com/us/dbriefsu](http://www.deloitte.com/us/dbriefsu).

Available on Financial Accounting Standards Board Web site ([www.asc.fasb.org](http://www.asc.fasb.org)):

- Accounting Standards Codification 450 - Contingencies
- Accounting Standards Codification 740 - Income Taxes

## Webcast Poll Questions

### Question

**Why does accounting for income taxes continue to be such a hot topic?**

- Wall Street and others worry about managing earnings by manipulating tax expense
- Many material weaknesses are still related to income tax accounting
- Tax expense and tax balance sheet accounts are often significant
- Tax is recognized as a key risk area, especially for multinational corporations
- All of the above

### Question

**Which of the following is not true about the rules relating to accounting for uncertain tax positions?**

- Applies to all uncertain tax positions in all jurisdictions
- Applies to all items involving taxes, including sales and property taxes
- Requires extensive documentation of uncertain tax positions
- Liabilities must be reviewed every quarter for potential recognition and measurement changes

### Question

**Besides accounting geeks like Kathy and Vickie, who will care about these disclosures?**

- Shareholders
- IRS
- Wall Street analysts
- Company employees
- None of the above
- All of the above

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