

DESIGNED INTERVENTION IN ACCOUNTING HIGHER EDUCATION TO SOLVE  
AUTHENTIC PROBLEMS

Patrick Edward Walsh

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Doctoral Committee

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Curtis J. Bonk, Ph. D.

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Krista D. Glazewski, Ph. D.

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Joshua A. Danish, Ph. D.

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Accounting higher education has not changed adequately to address the rapidly changing technology landscape impacting the industry. One way to train accounting students for the future is by helping them solve authentic problems. Four component instructional design (4C/ID) can help prepare students for the changing landscape. However, it has not been used in an accounting education setting until recently. In this study, one section of an upper-division accounting course incorporated 4C/ID, whole-task instruction, in a partnership module. The same module was taught in a different section using traditional lecture, topic-centered instruction.

Research questions addressed: Research Question 1. Is there a difference in accounting students' knowledge of basic tax rules, with respect to partnership taxation, when a topic-centered instructional strategy is used versus the use of whole task-centered instruction?

Research Question 2. Are accounting students able to solve authentic problems with respect to partnership taxation when a topic-centered instructional strategy is used versus the use of a whole task-centered instruction?

The testing was performed during a two-week partnership module during the Fall 2019 semester. Fifty-four students participated in the two-group study; 31 students in the whole-task experiment group and 23 students in the topic-centered control group. All students took the same three tests; one test was a pre-test, which included CPA exam questions, a second test was a post-test, which included similar CPA questions to the pre-test, and the third test was a summative exam for the module, which included authentic problems.

The pre- and post-tests were used to measure the students' learning gains. Both groups had a similar statistically significant increase in their learning. More importantly, there was a significant difference between the groups when comparing the summative assessment, which included authentic problems. The experimental group performed significantly better than the control group on the authentic problems.

The implication of this study is that whole-task instruction can better prepare students to solve authentic problems when compared to topic-centered instruction without compromising their performance on content based multiple choice exams, like the CPA exam. Further research could help strengthen this claim.

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Curtis J. Bonk, Ph. D.

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Krista D. Glazewski, Ph. D.

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Joshua A. Danish, Ph. D.

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## **LIST OF ACRONYMS**

AAA	American Accounting Association
AICPA	American Institute of Certified Public Accountants
4C/ID	Four Component Instructional Design
FPI	First Principles of Instruction
LMS	Learning Management System

## CHAPTER 1: INTRODUCTION

Accounting education dates back to 1959 when calls were made to improve business education (Lawson et al., 2014). Accounting education was designed to help prepare graduates to be productive immediately after graduation. Unfortunately, this approach failed to create lifelong learners who could easily adapt to the changing environment they would encounter during their careers (Lawson et al., 2014). In the mid-1980s, the American Accounting Association (AAA) established a committee, known as the Bedford Committee, to investigate the current and future state of accounting education (AAA, 1986). The committee reported that the accounting rules were beginning to expand and this would continue into the future (AAA, 1986). Requiring students to simply memorize rules was not going to be effective given the increase in number of rules and no change to the time devoted to accounting curriculum (AAA, 1986). Accounting educators were encouraged to not only focus on the entry-level competencies, but competencies that would benefit them throughout their careers (Lawson et al., 2014).

A couple of years later, the top eight accounting firms, led by Arthur Andersen et al. (1989), created a whitepaper on the state of accounting education and found similar concerns. They reported that the accounting profession was changing; however, accounting education was not. Both reports identified a concern that accounting education was not properly preparing their graduates to be successful in the market place. A little more than ten years after the whitepaper was published, a variety of industry groups developed a collaborative project which became known as the Albrecht and Sacks (2000) report.

Albrecht and Sacks (2000) reported that accounting education had not implemented the suggestions from the Bedford Report and the situation had become more dire. At that time, the

number of accounting students were decreasing and employers did not feel accounting graduates were well prepared (Albrecht & Sacks, 2000). The projection that accounting profession was changing was accurate, but accounting educators, in general, were not adapting to the change. Similar to the earlier reports Albrecht and Sacks (2000) called for the development of broad skills and students who were lifelong learners.

A little more than ten years after the Albrecht and Sacks (2000) report the AAA and the American Institute of Certified Public Accountants (AICPA) created The Pathways Commission (2012) to again look into the future of accounting education. The commission found that the accounting curriculum had not sufficiently changed, if it changed at all. Their message was similar to the earlier reports and wanted accounting students to become lifelong learners with a broad range of skills needed by their chosen profession. Research by Lawson et al. (2014) was an effort between a variety of accounting bodies to develop a framework of competencies needed by accounting students. Lawson et al. (2014) and Pincus, Stout, Sorensen, Stocks, and Lawson (2017) agree change has not happened, but is necessary.

Bonk and Smith (1998) highlight the dilemma that the accounting field has wrestled with over the last 30 years, with the following quote:

And while pedagogical intentions to stress integrated coursework and explicate concepts with newer technologies is somewhat encouraging, instructors often use electronic innovations as a means to teach even more facts and information. Accounting educators face a common teaching dilemma in higher education today: whether to focus on the ‘correct procedure’ and ‘cover’ the majority of the text material or adopt themes that more deeply address multiplicative views of knowledge. In effect, they state that the

philosophical question confronting the accounting instructor is whether he or she views the student as a receiver of knowledge or as a knowledge constructor (p. 266).

Unfortunately, accounting programs in higher education have not sufficiently changed more than two decades later, and the debate about the need for change is still widely discussed. For example, St. Pierre and Rebele's (2014) call for more focus on learning the technical accounting rules at the expense of spending time on 21<sup>st</sup> century skills like critical thinking and writing. The principle concerns of St. Pierre and Rebele (2014) are the lack of a clear list of desired skills, clear definition for those skills, and whether the accounting educators are trained sufficiently to teach those skills. St. Pierre and Rebele (2014) do not cite Lawson et al. (2014), which is likely because it was not available at the time of publishing, but it does help answer their concern that a comprehensive well defined set of skills has not been created. It is interesting to this author that at the end of their article, St. Pierre and Rebele (2014) call for bringing the real world into the accounting curriculum, which contradicts their earlier claim of focusing technical accounting rules. Using real world experience, as discussed later, is an effective way for integrating broad skills.

Accounting educators could be concerned about watering down the curriculum if time is spent integrating soft skills. It is helpful to consider Sundem and Williams (1992) insight that accounting educators are teaching more technical rules. As the number of technical rules expand and the time in accounting courses stays the same graduates will know less of the total body of knowledge. However, if the real world is brought into the curriculum then students can become lifelong learners with a varied skill set needed in today's workplace.



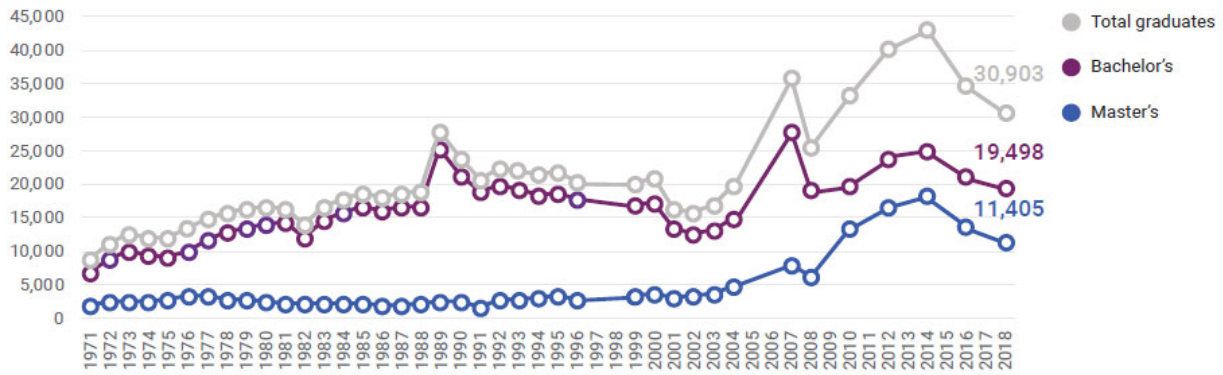
Apostolou, Dorminey, Hassell, and Rebele (2017) reviewed six accounting education journals during the 20-year period from 1996 to 2016. They observed that “accounting education must undergo significant change to remain relevant to accounting practice” (2017, p. 2). The authors highlighted that technical competence alone was not sufficient preparation for the accounting profession, but critical thinking and writing skills were equally as important. “All too frequently, students in accounting classes are exposed to technical material in a vocation-focused way that is disembodied from the complex, real-world settings to which the students are bound and from the insights that research can bring to practice” (The Pathways Commission, 2012, p. 11).

The more popular accounting textbooks, used by many universities are focused on the learning of many rules in one specific area, which limits the ability to transfer knowledge to real world situations. The specific objectives and isolated experiences used by accounting textbooks do not help learners transfer this knowledge to integrated objectives. The inability to transfer this learning to other areas is called by Van Merriënboer and Kirschner (2018) the “transfer paradox.”

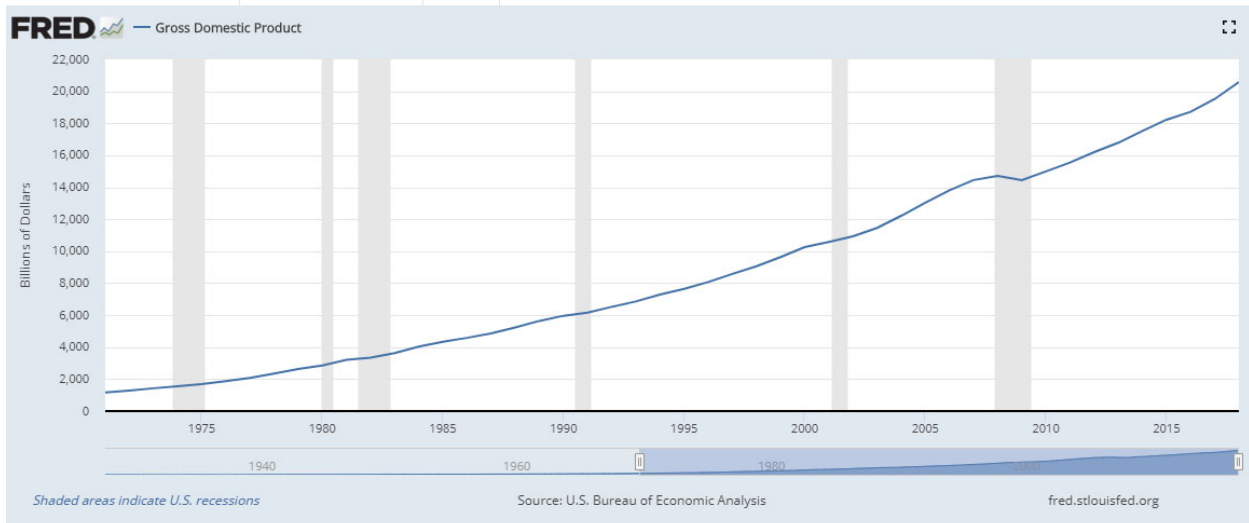
### **The Need for Change**

Pincus et al. (2017) state that the guidance for accounting programs in higher education to meet the needs of the evolving profession has been consistent for the past 30 years; however, only minor changes have resulted. As it relates to the need for change, Pincus et al. (2017, p. 14) state, “the current forces are of a magnitude not experienced in higher education in our lifetimes.”

One reason accounting educators may not have been concerned is because their graduates have been able to find employment. Unfortunately, that is not necessarily a valid measuring stick for educational quality. In 2000, Albrecht and Sacks sounded a warning bell to accounting higher education as they discovered accounting graduates were not adequately prepared for employment. Figure 1 shows a flat and decreasing demand in new accounting graduates validating Albrecht and Sacks (2000) alarm. It decreased even more in 2001, which coincided with a recession. The Sarbanes-Oxley Act was passed in 2002 and required auditors to ensure a company's internal controls were adequate and working properly. In order to comply with the new regulation accounting firms increased their hiring as supported by Figure 1. What this author finds compelling is comparing Figures 1 and 2. Figure 2 shows the GDP growth from 1971 to 2018, the same period as Figure 1. The gray shaded sections in Figure 2 indicate recessions, economic decline of 6 months or more. Having a decrease in accounting jobs every time a recession occurs is not compelling, but notice the last decrease in Figure 1 beginning in 2015; there is no corresponding recession and GDP is growing quite well during the period. If recessions are typically indicators of less demand for accounting graduates, what caused the decline beginning in 2015 and continuing on until 2018?



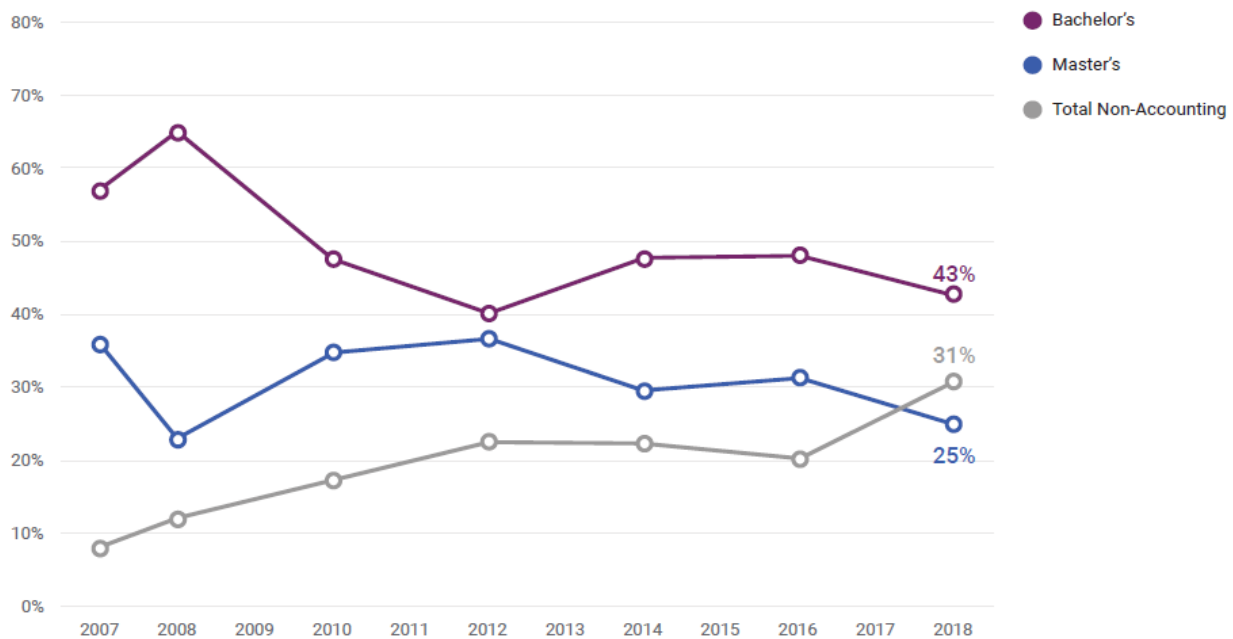
**Figure 1.** New graduates hired into accounting/finance functions of U.S. CPA firms | 1971 – 2018 (Provided by AICPA (2019) from their 2019 Trends Report).



**Figure 2.** Gross Domestic Product from 1971 to 2018 (Provided by Federal Reserve Bank of St. Louis FRED).

Figure 3 provides an answer to that question. The AICPA (2019) Trends Report observed, “The marketplace continues to demand different competencies and, while accounting graduates are still being hired, firms are seeking other skill sets to expand services. We are seeing that the gap in skills required in the profession, especially as it relates to technology needs, is being met with non-accounting graduates” (p. 2). The important takeaway from Figure

3 is that accounting graduates make up a smaller percentage of CPA firm hires. The AICPA (2019) acknowledged that in 2018 they included some additional non-accounting majors, causing the increase in total non-accounting graduates minimizing the ability to compare non-accounting majors to prior years, but this does not negate the decrease in accounting majors.



**Figure 3.** Trends in new bachelor’s and master’s of accounting graduates hired into accounting/finance functions of U.S. CPA firms as a percentage of total hires by degree | 2007 – 2018 (Provided by AICPA (2019) from their 2019 Trends Report).

Any gap in education and employment needs were filled by employers whose business practice use the apprenticeship model (Tysiac & Drew, 2018). The apprenticeship model allows recent graduates to work on basic tasks and be trained by more experienced staff as they progress to more challenging tasks throughout their career. However, as automation is incorporated into

the industry (Frey & Osborne, 2017), the need for entry level accountants is likely to decrease and the training that used to be done by employers will not be in place, requiring higher education to finally step up to prepare students for their future work and close the gap. As mentioned above, firms are already starting to look elsewhere for candidates to fill the gap left by accounting educators.

Accounting educators did not heed a call for change and no adverse consequences resulted. Why is change necessary now? There are two laws that help explain the situation. Moore's law suggests that every two years the number of transistors and resistors on a chip will double, creating an exponential line. In exponential growth, the early changes are foreseen and not significant, but as the curve steepens change happens at a faster pace. You can see the progression with communication. First there was the pen, then a typewriter, an electronic typewriter, a word processor, email, texting, tweeting, and so on. The time period between a pen and email was very long, but from email to tweeting is very short in comparison. The earlier changes were easier to see coming, but the smart phone and cloud computing have changed rapidly over the past few years.

In their work, Pincus et al. (2017) refer to Amara's Law (2018) "We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run." An example is related to the personal computer. In 1983 Time magazine listed the computer as the machine of the year and 80 percent of Americans believed home computers would be as common as televisions in the near future. In 1983, 98 percent of households had a television. In 1989, only 15 percent of households had a personal computer. In 2000, 51 percent of homes had a computer (Pincus et al., 2017). Just like Amara's law, the proliferation of the personal

computer was overstated in the 1980s, but now there are more cell phones (i.e., mobile computers) than people on the earth and many of our tasks are automated. The interaction of computers in our personal lives was underestimated as computers are now replacing televisions.

Pincus et al. (2017) used work conducted by Hood (2015) who interviewed thought leaders in the accounting field who identified their three “biggest nightmares”: (1) technology changes devaluing historical core services, (2) finding current and future employees with the proper new skills, and (3) staying current with technology changes. PricewaterhouseCoopers (2015), one of the big-four accounting firms, produced a white paper noting that the industry is using automation to perform process-oriented tasks and moving to providing more value-focused work. Pincus et al. (2017) shares more examples of accounting work being completed by computers, for example Walmart’s elimination of 7,000 store accounting positions by using automation. Furthermore, according to research completed by Frey and Osborne (2017) there is a 99% probability that tax preparer jobs and 94% probability that accountants and auditors jobs will be automated.

In past decades, when the technological change was not as steep as anticipated, accounting education was adequate given the slow pace of change and the ability for the firms to teach new staff under the traditional apprenticeship model. However, the change is much swifter now and accounting education must change as new staff are doing work that more experienced staff were doing a couple of years ago (Burns & Baldvinsdottir, 2005) and the type of work performed by CPA firms is changing. Suffice it to say, the time to delay is over.

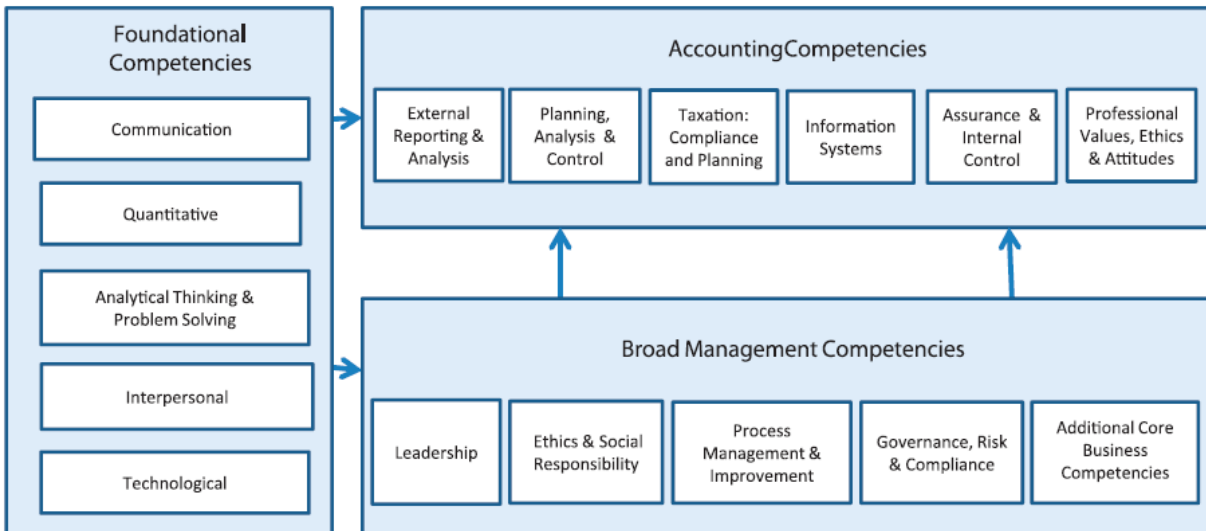
### **What Skills Are Needed**

Tempone, Kavanagh, Segal, Hancock, Howieson, and Kent (2012) discovered after interviewing employers and accounting professional bodies that the desirable attributes of accountants were communication, team work, and self-management. What is interesting is that accounting foundational knowledge was not the most critical. Instead Ainsworth (2001), supported by the work of Elliott (1991), noted the importance of teaching accounting students how to learn so they become knowledge workers. This is critical as the professional work of new staff is being automated.

Most states require certified public accountants (CPAs) to earn 150 college credits. The type of credit does not matter so a student who earned 150 credits as an undergraduate can become a CPA. However, the proliferation of Master's in Accountancy programs suggest that many students complete an advanced degree to reach the 150 credit requirement. Brink, Norman, and Wier (2016) investigated the impact various 150 credit options had on the time to promotion through an accountant's career. They found that a specialization degree, Master's in Taxation, was more beneficial at lower ranks, while a MBA was more beneficial at higher ranks. The time to promotion difference signals that the general business skills taught at MBA schools is more desirable for senior positions than the technical accounting rules taught in a Master's of Accountancy program. As more experienced work is being pushed down, these desirable skills are needed sooner. Long term career progression can be enhanced for accounting students with skill sets other than solely accounting knowledge.

A strong accounting base coupled with soft skills (shared by Lawson et al., 2014) and the ability to learn is important to prepare for the jobs of tomorrow. The soft skills included by

Lawson et al. (2014) is included in Figure 4 below. As these skills are integrated into the accounting curriculum students will be better prepared for their future careers.



**Figure 4.** Competency Integration: A Framework for Accounting Education (Provided by Lawson et al. (2014).

It is important to note that the lack of including soft skills is not only applicable to accounting education, but the U.S. Department of Education identified that such soft skills were lacking from all college graduates (The Secretary of Education’s Commission on the Future of Higher Education, 2006).

### **Designing Accounting Curriculum**

Watson, Reigeluth, and Watson (2008) discuss the need for a systemic change in systems design. During the industrial age, education was used to sort people into worker and manager roles. As we move into the information age, knowledge work is the predominant skill needed, which requires a learner-focused education strategy.

### **Textbooks Fostering Teacher-focused Learning**



As mentioned, accounting education has not changed and the textbooks currently used are not helping higher education accounting move in the right direction. Accounting textbooks used in higher education has the goal of most textbooks, which is to convey content. As Stevenson, Ferguson, and Power (2014) suggested it is possible accounting professors with a focus on research have minimal time for other activities, such as changes to curriculum. Wells (2018) reviewed five accounting textbooks and found a process-oriented approach that failed to take into consideration new technological advances that are used in every, even simple, accounting software. Leveraging the work of Smith, Maccracken, and Reckers (2003), Wells (2018) pointed out that textbook authors are hesitant to accommodate change, as the improvement is not guaranteed. Highlighting the work of Watty, McKay, and Ngo (2016), Wells (2018) also noted authors' unwillingness to integrate technology used in accounting systems. Lack of integration in textbooks focused on the process and not on real-world situations, which practice was argued as a weakness in accounting education (The Pathways Commission, 2012).

Hammon, Danko, and Braswell (2015) researched the use of textbooks in accounting education. They discovered that the mean revision time decreased from 4.2 years in 1988 to 2.4 years in 2016. This was at a faster rate than teachers who do not author textbooks thought prudent. The authors proposed faculty creating textbook material that would be free to the students.

Yu (2011) found a positive correlation for accounting students who read the material before class and their performance in the class. However, reading before class is not common among students. Berry, Cook, Hill, and Stevens (2010) found that only 18% of the 264 students that they surveyed always or frequently read the assigned material before class. The lack of

reading before class illustrates the professors are the main content providers, which is a teacher-focused strategy. Apostolou, Dorminey, Hassell, and Rebele (2016) claimed that the textbook-driven curriculum used by most accounting programs has not changed for decades. As they highlighted, “Given the high cost of textbooks and the reality that today’s students generally do not read the assigned textbook, ways to make the accounting curriculum less dependent on published texts need to be identified and studied” (p. 45).

There is some movement to incorporate additional material in addition to the textbook. The *Issues in Accounting Education* journal, published by the American Accounting Association (AAA), focuses on the higher education pedagogy research in the accounting field. This author reviewed the last seven issues of the journal, which included 77 articles. Forty-five of those articles, 58 percent, outlined the results of cases used in a classroom setting. Such data signals an awareness that active learning strategies are a benefit to students. However, the use of occasional cases are not effective in developing the desired skillset presented by Lawson et al. (2014). The use of textbooks should be evaluated as the shift is made to learner-centered strategies.

### **Accounting Faculty’s Dual Role**

Accounting professors are not usually trained in designing effective instruction. Merrill (2013) argued that most instruction is created by designers-by-assignment. Designers-by-assignment are subject matter experts who know their expertise very well, but do not have instructional design experience. Merrill’s (2013) *First Principles of Instruction* (FPI), discussed later, were created with designers-by-assignment in mind. To be a good instructional designer, requires accounting educators to not only be successful accounting researchers, but be adept at developing curriculum that will be effective, efficient, and engaging; Merrill (2013) refers to this

as e3 instruction. This dual role as subject matter expert and instructional designer is what Shulman (2000) suggested, “Each of us in higher education is a member of at least two professions: that of our discipline, interdiscipline, or professional field (e.g., history, women’s studies, accounting) as well as our profession as educator. In both of these intersecting domains, we bear the responsibilities of scholars-to discover, to connect, to apply, and to teach” (p. 49).

### **Problem Statement**

Since 1986 there have been calls each decade for accounting higher education to better prepare their students for their future careers. Accounting programs in higher education have made minor changes in that regard with little impact in their students employability. However, now the landscape has changed and CPA firms are hiring more non-accounting students to provide them with the skills they need to be competitive in the marketplace. Higher education accounting professors need to work on a solution to help close the gap between where employers expect graduates to be and where they currently are as it comes to integrated skills referenced by Lawson et al. (2014). Accounting educators need a design process to follow as they begin the transition.

Only one design process, which is called “A comprehensive model of accounting education,” has been mentioned specifically in accounting education articles (Needles & Anderson, 1994). While the work of Needles and Anderson helped highlight the need to remove content to integrate other skills into the accounting curriculum, it has not helped accounting education close the gap between what is taught and actual practice. This author was not able to locate articles discussing a program or course that had implemented the comprehensive model

into their curriculum. If it has been implemented, it has not been tested to determine the effectiveness of the model. Another weakness of the model is that is not consistent with FPI.

Lawson et al. (2015) followed up their work in 2014 to address their final recommendation to use an integrated educational pedagogy to help close the gap between what is taught in accounting classes and the work performed. The authors provide their thoughts on ways to integrate various skills into the accounting curriculum. The integration generally involves inserting a case or assignment into an existing course to layer in a real-world example in an attempt to apply the content learned in class. While those cases or assignments are better than nothing, they do not help overcome the “transfer paradox” inherent in instruction that does not incorporate whole-task instruction.

### **Description of Study**

The purpose of this study was to investigate the impact instruction has on a learner’s ability to solve authentic problems. When the word “authentic” is used in this paper it is to signify problems that are a reflection of actual practice. One module in an upper-division tax accounting section was taught using whole-task instruction, 4C/ID, with the help of the design included in the Ten Steps. The same module, but in a different section, was taught using topic-centered instruction, traditional lecture based. These research questions guided the inquiry:

**Research Question 1.** Is there a difference in accounting students’ knowledge of basic tax rules, with respect to partnership taxation, when a topic-centered instructional strategy is used versus the use of whole task-centered instruction?

**Research Question 2.** Are accounting students able to solve authentic problems with respect to partnership taxation when a topic-centered instructional strategy is used versus the use of a whole task-centered instruction?

The module being tested was two weeks long and covered the topic of partnership taxation. A pre-and post-test was administered to help evaluate Question 1. At the end of the module the students took an exam with authentic problems. The results of the exam were used to help evaluate Question 2. Throughout the module, data was collected to determine the amount of time spent in the module. This information was self-reported by the students using Canvas surveys.

### **Significance of Study**

Industry leaders and academics have called for changes in accounting education. These calls did not come with guidance on designing new instructional methodologies. There is little literature with respect to specific instructional design principles and its impact on accounting education. This study is an attempt to test an instructional design methodology, 4C/ID, that has been shown to be effective in other areas of education (Vandewaetere et al., 2015) and is now being testing in the accounting discipline.

The thought of incorporating authentic problems in accounting curriculum is not new and does provide some authentic experiences for students. However, sprinkling in authentic problems into curriculum does not great a true authentic experience consistent with FPI. The Ten Steps, which helps incorporate 4C/ID, can provide accounting professors a road map to follow to incorporate 4C/ID instruction, an FPI application.

## **CHAPTER 2: LITERATURE REVIEW**

The literature review will provide an introduction to the 4C/ID model instructional design model, which will be used in this study. The literature review will also discuss another instructional design model, Pebble-in-a-pond, that could also accomplish the same goals as 4C/ID and could be tested in other accounting classes, but is not tested in this study. Two instructional elements, (1) flipped classrooms and (2) problem based learning (PBL), are examined because they have been tested in accounting courses and found to be effective. The tested module also uses elements of a flipped classroom to incorporate 4C/ID and general and accounting specific research is positive in its use. While 4C/ID is not a pure PBL model it does revolve around tasks/problems. For each instructional design/element, general research, accounting research, and implications regarding the design will be discussed. At the end of the literature review, the purpose of the study and research questions will be restated.

### **Instructional Design Options**

As discussed, there is general agreement that a change to accounting education is needed (Flood, 2014; Lawson et al., 2014; Pincus et al., 2017). Lawson et al. (2014) provided the framework for accounting educators to consider and followed up some suggestions (Lawson et al., 2015). In addition, Pincus et al. (2017) suggested the Needles and Anderson (1994) model as an option for accounting educators; however, other instructional design models or interventions are better suited to achieve the goals of the earlier reports calling for change. Two of the main attributes of the desired changes are helping students become lifelong learners and develop broad skills that are integrated across accounting and general business practices. These two attributes are best achieved in a learner-focused instructional design. The next section documents four

different instructional design/elements that are used in this study to create a learner-focused design.

### **A Comprehensive Model of Accounting Education**

Needles and Anderson (1994) developed a comprehensive model of accounting education. Their model leveraged the work of Bloom et al. (1956) and his cognitive levels of learning. Needles and Anderson attempted to implement the suggestions of the earlier reports calling for a change in accounting education. They suggested action-oriented learning objectives be established with broad skills as an emphasis of development for students. As students progressed in their course or degree, they would move up Bloom's cognitive levels of learning.

Needles (2014) evaluated the accounting education in 12 countries and discovered three models: (1) integrated, (2) linear, and (3) parallel. The model used predominantly in the U.S.A. is linear with some use of an integrated model if a student completes an internship. European countries, in contrast, tend to incorporate real world experiences for their students as preparation for their careers, which represents an integrated or parallel model. Needles (2014) indicates that the focus on skills could mean the elimination of specific content from the course and that these skills will not naturally be developed without a specific focus. According to this author, Needles and Anderson's (1994) comprehensive model was an effective beginning to improve accounting education, but it lacked multiple aspects of Merrill's FPI failing to create e3 instruction that will help students transfer knowledge effectively and be motivated to construct their own learning. The instructional design and elements listed below help fix that weakness because 4C/ID does create e3 instruction.

### **Four-Component Instructional Design Model**

**General research.** The model is known as the Four-component Instructional Design (4C/ID) model. It was developed by van Merriënboer, Jelsma, and Paas (1992) to help develop complex learning. Complex learning involves integrating knowledge, skills, and attitudes in a real-world context to better prepare the knowledge workers needed in today’s environment. Van Merriënboer and Kirschner (2018) found that knowledge transfer does not occur by chance or in isolation. Components that will be used together need to be taught together to effectively transfer knowledge. Knowledge transfer, helping the learner to develop “adaptive expertise,” is best realized through whole task-centered instruction (Van Merriënboer & Kirschner, 2018). 4C/ID is one of those whole-task centered models. Table 1 lists the four components as well as descriptions for each one.

**Table 1**  
*Summary of the four components that makeup 4C/ID*

<b>Components</b>	<b>Description</b>
<b>Learning Tasks</b>	Focal aspect of design. Learner progresses through more challenging learning tasks as guidance is gradually removed.
<b>Supportive Information</b>	Information that is non-routine and helps the learner solve the learning tasks.
<b>Procedural Information</b>	While working on a task, learners are provided this information to help with recurring components of the task. It is provided “just-in-time” when needed by the learner.
<b>Part-task Practice</b>	Repetitive practice to help the learner develop automaticity with a particular skill that will assist in completing the learning task. By automating certain skills it frees the learners’ cognitive abilities to complete higher-order thinking.



**Accounting research.** An accounting educator could follow the “Ten Steps for Complex Learning,” which is a model allowing the user to implement 4C/ID based instruction. This model is the most recent, and, according to Merrill, Barclay, and van Schaak (2008) includes all of Merrill’s FPI. This model has not been tested in accounting education, but will in this study.

**Implications.** This is a whole task-centered instructional design that will be used in this experiment. When the 4C/ID model was introduced, practitioners had a difficult time systematically implementing the four components in their instruction (Van Merriënboer & Kirschner, 2018). Ten years after the 4C/ID model was introduced van Merriënboer, Clark, and De Croock (2002) published an article providing blueprints to help a practitioner incorporate 4C/ID in their program. Their article was a pre-cursor to the Ten Steps of Complex Learning, which was first published in 2007. Most of the citations for this model is from the third and most recent edition (Van Merriënboer & Kirschner, 2018). The model is to help practitioners implement steps to help learners develop complex learning. Complex learning is integrating different knowledge and skills using real-life authentic tasks to help transfer what is learned into new real-life problems (Van Merriënboer & Kirschner, 2018). Similar to the introduction of this dissertation, Van Merriënboer and Kirschner (2018) identify that new technologies are replacing routine tasks, leaving more complex tasks for humans.

### **Pebble-in-the-Pond Model**

**General research.** Merrill (2013) evaluated many instructional design models and theories in an attempt to develop some principles that would be applicable to any situation for any topic and deliver effective, efficient, and engaging (e3) instruction. He developed five principles that all effective instruction should contain: problem-centered, activation,

demonstration, application, integration. These principles are called, the First Principles of Instruction (FPI). Merrill (2013) developed the Pebble-in-the-Pond model to incorporate the FPI in instructional design. The idea is that an authentic problem is the pebble. Just as a pebble is thrown into a pond it creates ripples that stem from the pebble/authentic problem. The authentic problem is the focus of the design. The ripples/steps of the model that emanate from the pebble are: progression, component skills, enhance strategies, finalize design, and evaluation. Courses integrating FPI have been found to be successful (Hao, Susono, & Yamada, 2018)

**Accounting research.** This author could not find a study that applied FPI using the Pebble-in-the-pond approach to accounting instruction. However, Merrill (2013) used an online Excel based module to test if his designed FPI instruction was more effective than the original traditional based instruction. The research showed that the FPI instruction was superior in each category.

**Implications.** FPI is a suitable model for accounting practitioners to explore, but was not incorporated into this study. The 4C/ID model is the one that will be used in this study given its recent design, includes all aspects of FPI (Merrill, Barclay, & van Schaak, 2008), and is more prescriptive.

### **Flipped Classrooms**

**General research.** A flipped classroom is where the content is learned before class time and during class students work on problems to expand and build upon the knowledge learned before class. There is not a one-size-fits-all approach to a flipped classroom, but it generally has a focal element of being student-centered. Hamden, McKnight, McKight, and Arfstorm (2016)

and Schell and Mazur (2015) provide guidelines for implementing flipped classrooms and are consistent that active learning be incorporated into the program.

Usually pre-class content is shared via a video lecture. The use of videos has found to be helpful by some researchers (Herreid & Schiller, 2013; Pellas, 2017; Wang & Kelly, 2017). In other studies, some have discovered video to not be particularly helpful, but not detracting either, causing the video pre-class lecture to have a neutral impact (Carpenter, Wilford, Kornell, & Mullaney, 2013; DeLozier & Rhodes, 2017; Stephenson, Brown, & Griffith; 2008). The research has argued that flipped classrooms are on par with traditional classrooms (Adams, Garcia, & Traustadottir, 2016; Jensen, Kummer, & Godoy, 2015; O'Flaherty & Phillips, 2015; Thompson & Mombourquette, 2014). In some cases, it has shown to help increase student performance (Caviglia-Harris, 2016; Elliott & Winkel, 2016; Enfield, 2013; Tune, Sturek, & Basile, 2013). In summary, research consistently demonstrates that flipped classrooms do not detract from learning, but mixed research results are uncertain as to how much benefit is provided by a flipped classroom above that of a traditional classroom experience.

**Accounting research.** Aldamen, Al-Esmail, and Hollindale (2015) completed an empirical study of 254 students in an introduction to accounting course to determine if students performed better with access to recorded lectures. They reported a slight improvement in performance for those students who watched the videos. The students also reported that the videos were helpful in their performance and made the class more interesting. This is consistent with Lento (2017) who also tested video usage in an accounting course.

Du and Taylor (2013) performed a case method research study for a flipped managerial accounting class that relied on qualitative student survey data. The results were mixed as to the

effectiveness of the flipped accounting course. However, Lento (2016) completed a quasi-experimental study to measure the effectiveness of a flipped classroom in an accounting course. The results identified higher grades, exam performance, and pass rates for those students in the flipped classroom compared to the traditional classroom.

Downen and Hyde (2016) explored the effectiveness of a flipped classroom compared to a traditional classroom in a managerial accounting course. They found that exam grades were higher for students in the flipped group. They observed that flipped classrooms can be effective for application-oriented accounting courses and can help with lower performing students.

**Implications.** Flipping is moving toward learner-centered teaching, which helps create lifelong learners. However, flipping an ineffective class will not create effective experiences. Recent research has found that incorporating FPI into flipped classrooms is an effective approach (Hoffman, 2014; Lim, 2018; Lo & Hew, 2017). The use of videos does not detract from learning and can be used to introduce supporting information (e.g., van Merriënboer & Kirschner, 2018).

### **Problem-Based Learning**

**General research.** In general, problem-based learning (PBL) is the use of ill-structured problems to help learners construct their own learning. PBL has shown to be effective when scaffolding is provided (Hmelo-Silver, Duncan, & Chinn, 2007). PBL might not help with basic knowledge, but does help with clinical knowledge, knowledge application, problem solving, reasoning, and self-directed learning (Dochy, Segers, Van den Bossche, & Gijbels, 2003; Gallagher, Stepien, & Rosenthal, 1992; Hmelo, 1998; Hmelo & Linn, 2000; Vernon & Blake, 1993). PBL has even been shown to be effective in the development of soft skills like

collaboration (Bereiter & Scardamalia, 2006). Chiu and Cheng (2017) found PBL to be effective for all types of students (low, middle, or high achievers).

**Accounting specific research.** Dockter (2012) explored the benefits of problem-based learning (PBL) in accounting. He provides various types of PBL activities that could be used in an accounting program; case studies, simulations, and Microsoft Excel or other software based projects. Hansen (2006) shared that “PBL can foster students to think critically and solve complex problems, find and use learning resources, work in teams, use effective communication skills, and become continual learners.” (p. 223). These are all qualities that are needed for future accounting students.

**Implications.** PBL in its purest form is not effective and scaffolding is needed to help create e3 instruction. Educators have included problems into their curriculum without using proven design approaches, causing inconsistent results (Dolmans, Wolfhagen, & van Merriënboer, 2013). The 4C/ID and Pebble-in-the-Pond models use problems and provides scaffolding to help create e3 instruction, to close the accounting knowledge gap.

## CHAPTER 3: METHODS

An experimental design was used to determine if there is a difference between using topic-centered instructional strategy versus the use of whole task-centered instructional strategy on accounting students' performance as it relates to the rules of partnership taxation and on their ability to solve an authentic problem (Hancock-Niemic, Lin, Atkinson, Renkl, & Wittwer, 2016). This experiment manipulated the type of instruction used, the independent variable. The students' ability to learn partnership taxation concepts and solve authentic problems were the dependent variables. Experimental designs help measure the cause-and-effect relationships of the instruction and the measured outcomes (Fraenkel, Wallen, & Hyun, 2012)

The main research questions are:

Question 1. Is there a difference in accounting students' knowledge of basic tax rules, with respect to partnership taxation, when a topic-centered instructional strategy is used versus the use of whole task-centered instruction?

Question 2. Are accounting students able to solve authentic problems with respect to partnership taxation when a topic-centered instructional strategy is used versus the use of a whole task-centered instruction?

### **Instructional Design Details**

The tested module covered two weeks during the fall semester. The class is taught on Tuesday and Thursday's with 1.5 hours for each class. Three class periods were used for instruction and the fourth-class period was used to take a summative assessment, which will be called in this paper the professor prepared authentic exam. Both sections completed the same tax return on their own using tax software. This was a formative assessment and generic feedback

was given to the entire class. included authentic problems. Before every class and with every assessment data was collected in Canvas as the students self-reported the time spent on the preparation or assignments.

**Assessments.** Three assessments were used in this study to quantify the impact of the two instructional designs. Both sections took the exact same assessments mentioned. To assess the students' knowledge before beginning the module a pre-test was used. The pre-test was made up of 10 CPA exam review question selected from the Becker CPA exam course review. Becker is a leader in the CPA exam preparation business and has more than 60 years of experience. The regulation section of the CPA exam includes questions about United States taxation, including partnership taxation. The 10 questions selected relate to partnership taxation, which the tested module covers. This assessment will be called the Becker pre-test and the questions are included in Appendix A. The Becker pre-test had to be taken before the students proceeded through the module preventing them from studying before taking the Becker pre-test. The students were able to see their score, but were not able to see their answers at any time.

To assess the students' learning gains during the module each student took a post-test (Appendix B). The post-test was the same exact questions from the Becker pre-test, except any numbers included in a problem were changed to prevent any recall help from the Becker pre-test. The Becker post-test was taken after the module summative assessment was submitted. The students were shown their score, but did not have access to the answers to the questions at any time. This assessment will be called throughout the paper as the Becker post-test. Both tests were administered in the Canvas LMS.

The summative assessment to conclude the module was a 13 question in-class exam. The exam was created by the professor. In traditional tax exams a word problem with certain facts is presented to the student and they apply a learned formula/procedure to calculate an answer or describe the consequences of the result. The first 10 questions were different than traditional exam questions as the facts were provided on tax forms that are used in practice (See Appendix C for a full copy of the exam). The material the students used for the first ten questions were authentic and the problems they had to solve were a combination of multiple-choice, numerical response, and free response used in a typical exam. See Table 3 for a listing and description of each exam question. The last three questions also included authentic tax forms for the students to review, but the questions involved a skill that is typically done by someone with two to three years of experience. The students had to find mistakes made on the workpapers and returns. This required the students to act like a reviewer of a tax return. Traditionally a senior associate, or someone with two to three years of experience, reviews a tax return prepared by an associate, someone with no to two to three years of experience. As mentioned in Chapter 1, the preparation of a tax return is being automated required the associate to review returns sooner than was done in the past. These last three problems are a reflection of actual practice and are completely authentic where the students are identifying issues during their review to identify both tax and non-tax issues. The professor spent 11 years in public accounting before becoming a university professor and is deemed qualified to create an example of a reflection of actual practice. While the last three questions were prepared by the professor, the professor did use as a guide a tax case developed by PwC, one of the “Big 4” accounting firms and by most measurements the largest.



**Table 2**

*A description of each exam question in the summative assessment.*

<b>Question Number</b>	<b>Question Format</b>	<b>Question Type</b>	<b>Question Description</b>
1	Multiple Choice	Calculation	Deemed contribution calculation
2	Free Response	Application	Identify mistakes on Schedule K-1 (total possible 6)
3	Numeric Answer	Calculation	Ending basis calculation
4	Multiple Choice	Calculation	Ending basis with debt and distributions calculation
5	Numeric Answer	Calculation	Ending basis with loss suspension calculation
6	Free Response	Application	Application to generate basis question
7	Numeric Answer	Calculation	465 basis calculation
8	Numeric Answer	Calculation	Capital gain basis calculation
9	Numeric Answer	Calculation	Loss carryforward calculation
10	Free Response	Application	Application to generate 465 basis
11	Free Response	Authentic	Identify mistakes on Page 1 and Schedule K (total possible 8)
12	Free Response	Authentic	Review a complete partnership tax return and identify tax mistakes (Total possible 13)
13	Free Response	Authentic	Review a complete partnership tax return and identify non-tax issues (Total possible 4)

The tax case was prepared by an experienced PhD tax professor that is shared with the rest of the higher education community. The actual case could not be used because it was for a prior year and some of the items included in the case were not pertinent to this class. As such, the case was modified and included to help the students experience what would happen in an actual situation

for someone with two to three years of experience. The exam was printed, and a copy was provided to each student. The exam was timed equal to the hour and a half class period. The test was proctored by the professor. The students were able to use any resource, besides another person, and entered their responses in Canvas. At the conclusion of class, or before if they finished before class, the students returned their copy of the printed exam. This module summative assessment will be referred to in this paper as the “professor created summative assessment.”

**Control group instruction.** The control group was taught using a topic-centered approach, an approach similar to how tax classes are taught at this professor’s university and the one he attended. The module followed the McGraw-Hill textbook Chapter 20 covering partnership taxation and had six learning objectives (Spilker et. al., 2019). The three class periods, two classes in Week 1 and one class in Week 2, each covered two learning objectives. The students were invited to read the corresponding learning objective sections of the textbook before coming to class. During class, the professor taught the same content using a lecture-based format and also walked through examples for some of the concepts discussed in the learning objectives. The students had a homework assignment due after each class covering the learning objectives discussed during that class period. The homework problems were provided by the publisher and taken on the publisher’s website. The homework was a formative assessment. The students were allowed multiple attempts, received solutions and feedback from the publisher, and their highest grade was recorded. The flow for each class was as follows; read two learning objectives in the textbook before class, discuss those objectives in class, complete homework

problems on those objectives before the next class. This flow was repeated for three class periods.

The third class was a little different. The students had the exact same tax return, Three Guys, LLC, that the experimental group completed and the same due date; due in Week 1. The Three Guys, LLC tax return answer key was shown in class at the beginning of the third class. The students compared the tax return they completed with the answer key. They asked questions to understand why their return differed from the answer key. Once their questions were resolved, the last two learning objectives were discussed.

On Thursday of Week 2, the fourth class, the students took the summative assessment in class, which included authentic problems. It was the same exam that the experimental group took. The assessment was printed and provided to the students. They used the information to complete the exam answers in Canvas. Students used their own computers to take the exam and were able to use any resource, besides another person, to complete the problems. The exam was proctored to make sure the physical exam copy did not leave the room and that students worked independently. Each student had the same time frame, the class time of an hour and a half, to complete the exam.

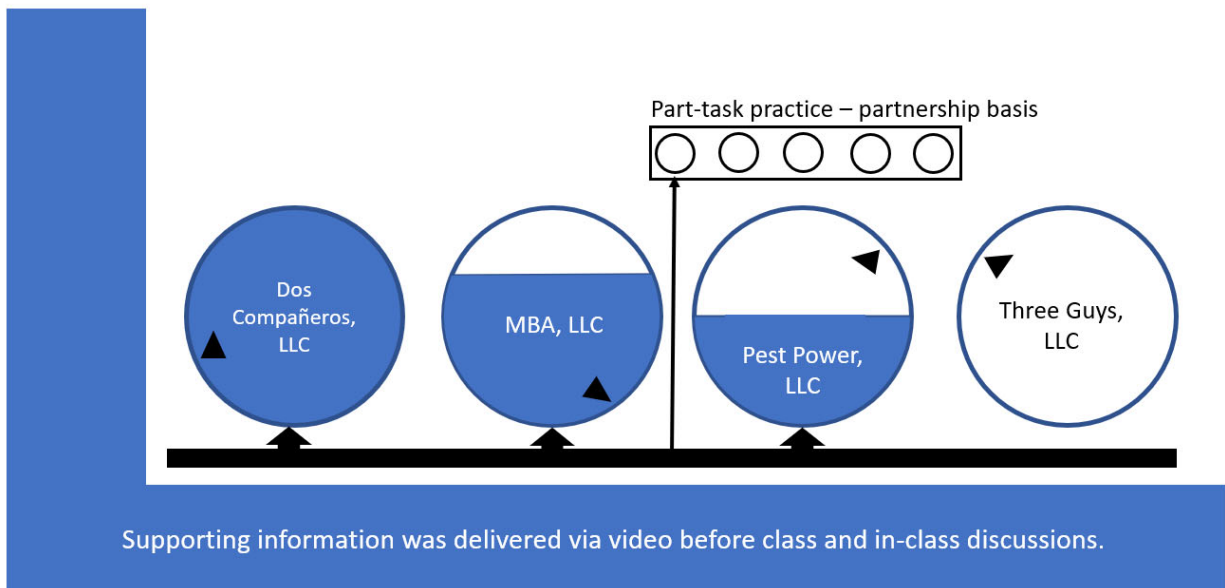
**Experimental group instruction.** The experimental group's instructional design did not use the textbook. The students still had access to the book through Canvas, but it was not referenced and the professor asked the students not to use it during this module. All of the formative and summative assignments were created by the professor. See Figure 5 below, which outlines Week 1 and Figure 6, which outlines Week 2.

The L shaped area represents supportive information to help the students solve authentic problems. The supportive information was provided via videos of instruction, which were prepared by the researcher and included content, explanation, and/or demonstrations. Instead of using the textbook to augment the videos the students used CCH AnswerConnect (CCH). CCH is a product created by Wolters Kluwer. The company and product are well known in the accounting industry and used extensively by many accounting firms. Videos provided guidance on how to use CCH and the students read various topical documents regarding partnership taxation. Students also used CCH to search for answers regarding tax questions that were new to them.

Each circle in the diagram represents a learning task that increases in complexity. The shaded area represents how much guidance is provided by the professor. The first circle labeled “Dos Compañeros” is a series of four videos demonstrating the preparation of tax workpapers and the actual tax return in the tax software. The students used Drake Tax Software, which is provided to the university for free. As suggested in the 4C/ID model the learning tasks increase in complexity. The first circle is an easy task and represents a client with a simple rental real estate investment. The second circle, labeled “MBA,” represents a slightly more advanced problem, covering commercial rental real estate that is worked on during class. The students work on the learning task in groups and guidance is provided by the instructor along the way during class time. After class, many of the students needed to complete the tax return in the tax software and their answers were reviewed at the beginning of Thursday’s class.

Four-component instructional design encourages part-task practice to help automate steps in a process to limit the cognitive load experiences by the learner. The part-task practice

represented by five small circles within a rectangular box shown in Figure 5 was a series of examples calculating a partner's basis in his/her partnership interest. A video walked the students through the calculation and then they practiced the calculations on a quiz in Canvas. They could take the quiz as many times as they wanted, and their highest score would be recorded.



**Figure 5.** Visual depiction of Week 1.

During Thursday's class period the students were introduced to another learning task with a business called Pest Power, LLC. They had to update their tax workpapers and prepare another tax return using the tax software. The tax return involved an operating business, a little more complex than the rental examples worked on previously. Guidance was provided, by the instructor, during class as they completed the assignment. This was in preparation for the Three Guys, LLC tax return due on Saturday night. This assignment was to be completed on their own and was similar, though a little more complex, than the tax return completed during Thursday's class. The lack of shade in the circle indicates that no guidance was provided for this assignment.

Table 3 provides a summary of the 4C/ID components discussed above and their depictions in the figures below.

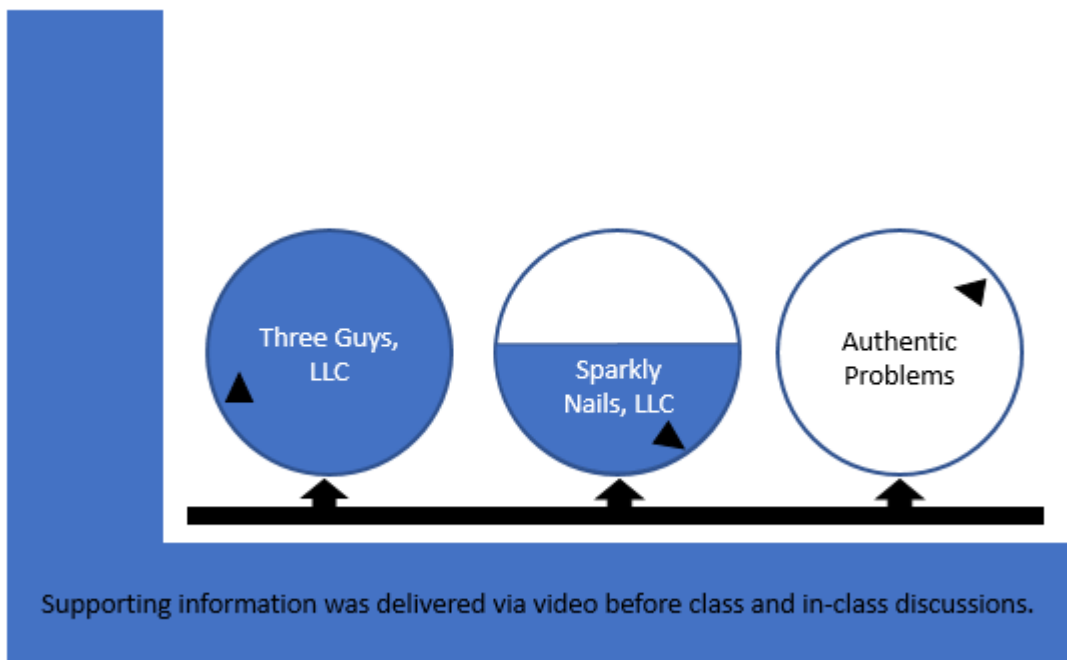
**Table 3**

*The four components and the representation in the 4C/ID figures.*

<b>Components</b>	<b>Figures</b>
<b>Learning Tasks</b>	Each learning task is represented by a circle. The shaded area of the circle represents how much guidance is provided by the professor. A full shaded circle represents a complete demonstration. A half-shaded circle represents partial guidance and the guidance lessens as the student progresses through the learning tasks. A circle with no shade signifies that the student is working on the learning task independently without any assistance. The triangles in the circles represent that each learning task is different and increasing in complexity.
<b>Supportive Information</b>	The L-shaped bar in the diagram represents supportive information. Supportive information can be provided in or outside of class. In this module the supportive information was provided outside of class through the use of videos and reading topics using the CCH resource.
<b>Procedural Information</b>	The black bar with arrows pointing towards each learning task, the circle, represents procedural information provided right when the student needs it to complete the task.
<b>Part-task Practice</b>	A rectangular box with circles inside represents part-task practice. Students work on this independently to make certain skills automatic.

Figure 6 represents Week 2 of the module. The supporting information provided for week two was a 19-minute video discussing the ability for partners to utilize allocated losses, a concept they would see in a future problem along with readings in CCH. The fully shaded circle

represents the review of the tax return they completed in Week 1, Three Guys, LLC. The review was presented via video to help them learn from mistakes they may have made on the preparation of the tax return. Another video showed them how to review workpapers and a tax return. The video walked them through a review of the return that they had just completed.



**Figure 6.** Visual depiction of Week 2.

During Tuesday's class they reviewed a new tax return, Sparkly Nails, LLC, that was similar to the Three Guys, LLC tax return. Sparkly Nails, LLC was a little more complex since it had losses and a new partner buying an ownership of the partnership. The students worked in groups to identify issues with the tax return and guidance was provided while they worked through the in-class learning task. On Thursday they took the summative assessment in class. The assessment was printed and provided to the students. They used the information to complete the exam answers in Canvas. Students used their own computers to take the exam and were able to use any resource, besides another person, to complete the problems. The exam was proctored

to make sure the physical exam copy did not leave the room and that students worked independently.

### **Population of Interest for this Study**

The population is higher education students, majoring in accounting. Convenience static-group sampling (Fraenkel, Wallen, & Hyun, 2012) was used. Students typically enroll in Accounting 322 based on their preference or fit within their schedule. The students take this course for a grade and data sources are connected to a graded assignment. There were only two students who were enrolled in the course and did not participate in the module. These students dropped the course and were not included in the study. Every student submitted all data points of the survey.

The sampled group was accounting students in an elective tax course given at a private university in the west. It is possible that the sampled group would have more accounting majors interested in tax, but this was not measured. While this could lead to students more interested in the material, accounting majors should be similar despite varying interests in different aspects of the degree. This is especially true since tax is a significant component of the regulation section of the CPA exam.

### **Study Participants**

Fifty-nine students signed up to take Accounting 322 in the Fall 2019 semester. Three of those students withdrew from the course before the school's official drop date. Two did not officially drop the course, but did not come to class or participate in the study. The drop and participation rate is comparable to prior semesters. Thirty-one students were in Section 1, the experiment group and 23 were in Section 2, the control group.



Section 1 met for class from 8:00am to 9:30am every Tuesday and Thursday. Section 2 met for class from 2:30pm to 4:00pm every Tuesday and Thursday. The self-selection of students from a morning class and an afternoon class could impact the makeup of each group. The results from the Becker pre-test was used determine if the two groups were comparable. An independent samples t-test was used to measure the similarity of the two groups. There was not a significant difference in the pre-test scores between the groups,  $t(52) = -1.15, p > .05$ . Similar to the Becker post-test Section 1, experiment group, had a lower mean ( $M=2.97, SD=1.89$ ) than Section 2, control group, ( $M=3.61, SD=2.210$ ) and results were not statistically significant. This indicates the two groups are similar and can be used to measure differences from the instructional design intervention.

### **Data Collection**

Data were mainly collected via the learning management system (LMS), Canvas, used by the university where the study took place. Student demographic information was provided by the university's internal student record system. The pre- and post-tests were administered via Canvas quizzes. The authentic problems in the final assessment were included on a paper exam. The answers to the exam were entered into a Canvas quiz. The exam had two multiple choice questions, five numerical questions (entering in a number answer), and six free response questions. The multiple choice and numerical answers were graded by the LMS. The free response grading Excel file was anonymized by assigning random numbers to each student and removing their names and identifying numbers from the spreadsheet. The free response questions were graded by the researcher using an answer key, prepared by the researcher. Another professor, who also specializes in tax, graded those same submissions following the same answer

key. The files were combined to identify discrepancies in grading. When the answers were similar the cells were marked green and the scores kept. When the answers did not match, they were marked red. If the researcher agreed with the scores provided by the tax professor specialist those cells were marked green. Cells that were still red were reviewed by both professors and the agreed upon score was used in the analysis. In summary, both experts agreed on each student's resulting score. Once the scoring was complete, the file was non-anonymized in order to analyze the data by section.

### **Data Processing**

The demographic data for the participants were manually entered into Excel by the researcher for analysis. All data from Canvas were exported into Excel. The Excel data was then imported in the statistical analyzing software SPSS. There were three main SPSS data files; one for the demographic information, one for the pre-and post-test data, and one for the module exam scores. Once the Excel files were imported in SPSS they were saved as SPSS files and the variables were properly labeled and categorized for analysis.

### **Data Analysis**

To answer RQ 1, a paired samples t-test and an independent samples t-test were calculated to measure the Becker pre- and Becker post-test results. A paired samples t-test is used to see if there is a difference in the results comparing two different groups. These different groups are the same subjects, but one group is the pre-test group. An independent variable is introduced, which in this case the method of instruction, and the second group is the same subjects' post-test results. The paired samples t-test helps measure if any change occurred as a result of the independent variable. The independent samples t-test compares the means between

two different groups to see if there is any difference between them. The two groups to compare are the experimental and control groups to determine if one group performed better than the other.

To answer RQ 2, an independent samples t-test was calculated to measure the professor created summative assessment exam scores of the two groups. The independent samples t-test compares the means between two different groups. In this case the groups are the experimental and control groups. The difference was investigated on a question by question level and on the total score of the exam.

## CHAPTER 4: RESULTS

This chapter reports the results of the experiment examining these two research questions:

Question 1. Is there a difference in accounting students' knowledge of basic tax rules, with respect to partnership taxation, when a topic-centered instructional strategy is used versus the use of whole task-centered instruction?

Question 2. Are accounting students able to solve authentic problems with respect to partnership taxation when a topic-centered instructional strategy is used versus the use of a whole task-centered instruction?

As mentioned in the previous chapters, the total number of participants in this experiment is 54. Thirty-one were subjects in the experimental group, Section 1, and 23 were in the control group, Section 2. This chapter will discuss the descriptive statistics and the statistical analysis of the research questions.

**Research Question 1. Is there a difference in accounting students' knowledge of basic tax rules, with respect to partnership taxation, when a topic-centered instructional strategy is used versus the use of whole task-centered instruction?**

As mentioned earlier, the Becker pre- and Becker post-test included CPA exam questions from a popular CPA exam review company. The questions were the same, but the numbers were different between the Becker pre-and Becker post-test. Two statistical tests were performed on the data and the  $\alpha$  was set at .05 for the Type I error rate.

The first one was a paired-samples t-test. A paired-samples t-test was conducted to compare all of the students Becker pre-test score with their Becker post-test score. There was a

significant difference in the scores for the pre-test ( $M=3.24$ ,  $SD=2.037$ ) and post-test score ( $M=6.63$ ,  $SD=1.93$ ) conditions;  $t(53) = -9.82$ ,  $p = .000$ . The results show that students increased their learning on partnership topics in both instructional approaches. In other words, the students learned partnership content from the instruction, no matter the design.

The second statistical test was an independent samples t-test. An independent samples t-test was conducted to evaluate the hypothesis that the use of a whole task-centered instruction, would not have an impact on a student's understanding of partnership taxation topics compared to topic-centered instruction. The test was not significant,  $t(51.26) = -1.28$ ,  $p > .05$ . Students who received topic-centered instruction had higher means ( $M = 3.87$ ,  $SD = 1.89$ ) than the students who receive whole-task instruction ( $M = 3.03$ ,  $SD = 2.90$ ). However, the difference was not statistically significant. The 95% confidence interval for the difference in means was  $-2.15$  to  $.475$ . Effect size estimate, expressed in Hedges  $g$ , was small to medium ( $g = .33$ ). The results indicate that the difference between the groups was not statistically significant. Hence, such findings indicate that the groups did not outperform the other. The null hypothesis is true and use the whole-task instruction did not have a negative impact on a student's ability to do well on a topic based exam.

**Research Question 2. Are accounting students able to solve authentic problems with respect to partnership taxation when a topic-centered instructional strategy is used versus the use of a whole task-centered instruction?**

All students took the professor created summative assessment at the end of the module during class time. A summary of the 13 questions and descriptions was included in a table in Chapter 3 (see also Appendix C for a copy of the exam).

An independent samples t-test was conducted to evaluate the null hypothesis that students who received whole-task instruction would not perform better than students who received topic-centered instruction on a partnership exam with authentic problems. The test was significant,  $t(52) = 3.285, p < .05$ . Students who received whole-task instruction had higher means, on their total exam score, ( $M = 11.10, SD = 4.28$ ) than those who received topic-centered instruction ( $M = 7.76, SD = 2.67$ ). The 95% confidence interval range was 1.30 to 5.37. Effect size estimate, expressed as Hedge's  $g$ , was large ( $g = .90$ ).

In Chapter 3, a detailed description of the professor created summative assessment is provided. To summarize, the first 10 questions were traditional exam questions using authentic tax forms that would be used in practice. Questions 11-13 of the professor created summative assessment, also used authentic tax forms, but tested skills that were traditionally completed by someone with 2-3 years of experience. These last three problems were a reflection of actual practice.

As stated above, there was a significant difference between the experiment and control group. The researcher wanted to explore the data further to see if the last three problems, which were a reflection of actual practice, was the main contributor for the difference or if it was all of the questions taken together. The data was put into two composite subgroups. Subgroup 1 included the total score by each student for questions 1-10, typical questions with authentic tax forms. Subgroup 2 included the total score by each student for questions 11-13, authentic tax forms and reflection of practice problems. When performing multiple comparisons, a Bonferroni correction reduces the p-value used in the analysis to decrease the likelihood of a Type I error. In this case we are comparing two means and the updated p-value will be set at .025 instead of .05.

An independent samples t-test was conducted to evaluate if Subgroup 1, questions 1-10, was a factor in the statistically significant result of the total exam score. The test was not significant,  $t(52) = 1.00$ ,  $p < .025$ . Students who received whole-task instruction had higher means, on their Subgroup 1 question score, ( $M = 5.37$ ,  $SD = 1.93$ ) than those who received topic-centered instruction ( $M = 4.87$ ,  $SD = 1.64$ ) and the result was not statistically significant. The 95% confidence interval range was  $-.50$  to  $1.50$ .

An independent samples t-test was conducted to evaluate if Subgroup 2, questions 11-13, was a factor in the statistically significant result of the total exam score. The test was significant,  $t(52) = 3.88$ ,  $p < .025$ . Students who received whole-task instruction had higher means, on their Subgroup 2 question score, ( $M = 5.73$ ,  $SD = 3.05$ ) than those who received topic-centered instruction ( $M = 2.89$ ,  $SD = 1.99$ ). The 95% confidence interval range was  $1.37$  to  $4.30$ . Effect size estimate, expressed as Hedge's  $g$ , was large ( $g = 1.05$ ). The actual p-value for this test was  $.00029$ , highlighting that the result is 86 times lower than the Bonferroni adjusted p-value of  $.025$ . The results are significant with a low p-value providing support that the main driver for the statistically significant differences in the total exam score is driven by the reflection of actual practice exam questions.

The independent samples t-test was conducted to evaluate the hypothesis that the use of a whole task-centered instruction would not have an impact on a student's performance on authentic problems. There was a significant difference on the authentic problems, which causes us to reject the null hypothesis and conclude that students who received whole-task instruction performed better on authentic tasks than students who received topic-centered instruction.

## CHAPTER 5: DISCUSSION

### **Discussion on Research Question 1. Is there a difference in accounting students' knowledge of basic tax rules, with respect to partnership taxation, when a topic-centered instructional strategy is used versus the use of whole task-centered instruction?**

Topic-centered and whole-task instruction was effective in increasing the students understanding of partnership taxation concepts as measured by the CPA exam questions included on the Becker pre- and Becker post-test. The increase in learning, for both groups, was statistically significant. In addition, there was no statistically significant difference between the two groups related to their increased learning. Both groups increased their learning at similar rates. This implies that the experimental group, those receiving whole-task instruction, was not negatively impacted from removing content in the module allowing for time to work on authentic problems. Higher education accounting educators could be concerned that removing content will not prepare their students for the CPA exam or give them the skills that their employers expect. However, the findings indicate that the incorporation of whole-task instruction might not limit their ability to perform well on the CPA exam.

To measure the reliability of the Becker pre- and Becker post-test a Cronbach's alpha test was calculated on the pre-test (Cronbach's  $\alpha = .55$ ) and the post-test (Cronbach's  $\alpha = .51$ ) (Cronbach, 1957). George and Mallery (2003) mention that a Cronbach's  $\alpha$  greater than .5 is poor level of reliability. Worthen et. al. (1999) discuss that the difficulty of the test can impact the reliability measurements, as follows, "...very difficult-tests cause scores to cluster at the bottom end of the scale-again lowering the reliability coefficient. Very difficult tests also



encourage guessing; this introduces more random error, thus lowering reliability still further” (p. 116).

It is important to note that the CPA exam has four testing areas: (1) audit, (2) regulation, (3) financial, and (4) business. Each exam takes approximately four hours to complete. A candidate sitting for the exam takes one section of the CPA exam at a time. A score of 75 or higher is needed in each of the four sections in order to pass. All four parts of the CPA exam must be successfully passed within an 18-month period. For 2019, the average pass rate on each of the four parts of the exam was the following; audit 51%, business 60%, financial 46%, and regulation 56% (AICPA, 2020). Magoosh (2016) estimates that the pass rate to successfully pass all four sections of the CPA exam on a candidate’s first attempt is approximately 10%.

In terms of CPA exam research, Bailey, Karcher, and Clevenger (1998) evaluated multiple choice questions from textbooks and the CPA exam. They found that CPA multiple choice questions were reliable and violated significantly fewer multiple-choice test rules than textbook test banks. Heagy and Lehmann (2005) found that PBL did not negatively impact a student’s performance on basic knowledge exams. As such, the use of CPA exam questions is a valid metric for content-testing.

**Discussion on Research Question 2. Are accounting students able to solve authentic problems with respect to partnership taxation when a topic-centered instructional strategy is used versus the use of a whole task-centered instruction?**

Based on the results of the professor created summative assessment, students who received whole-task instruction performed significantly better than the students who received topic-centered instruction on their total exam score. The questions in the professor created

summative assessment were broken out into two subgroups; Subgroup 1 with questions 1-10 and Subgroup 2 with questions 11-13. Subgroup 1 dealt with typical exam problems using authentic tax forms to complete those problems whereas Subgroup 2 were reflection of practice problems by reviewing actual tax returns and performing a skill typically done by someone with two to three years of experience. The results indicate the experiment group performed significantly better than the control group. This was the main cause of the statistically significant results.

Due to task automation, mentioned in Chapter 1, these responsibilities are happening sooner for graduates. The results of this study show that students instructed through whole-task instruction methods would be better prepared for their work than students who focus on topic-centered instruction.

To measure the reliability of the authentic assessment, a Cronbach's alpha test was calculated equal to  $\alpha = .58$ . If Question 1 is removed from the analysis the Cronbach  $\alpha = .61$  and removing that question from the analysis does not impact the statistically significant differences mentioned above. George and Mallery (2003) indicate that a Cronbach's  $\alpha$  greater than .6 is questionable level for reliability. The author would like to share two accounting research experiments where reliability was not-tested or had similar Cronbach alpha scores to this experiment. Larkins (2008) prepared his own assessments for one group and used a textbook assessment for another group and did not mention the reliability of the instruments used. Heagy and Lehmann (2005) noted that Cronbach alpha scores of .69, .66, and .57 on Exams 1, 2, and 3 respectively are an adequate level of reliability. On Exam 3, when the Cronbach alpha = .57, included a case at the end of the exam and it is unclear if a case created by the authors (not a multiple choice question like the rest of the exam) was included in the Cronbach alpha analysis.

The authors did include a copy of the case in the appendix, perhaps for the reader to determine the validity of the case. Based on these examples, the Cronbach alpha scores in this experiment are adequate and the copy of the exams are included in the appendices for the reader to make their own inference as to the reliability of the assessments used.

## CHAPTER 6: CONCLUSIONS & IMPLICATIONS

The calls for higher education accounting to change have gone mostly unheeded. Accounting professors have been left to introduce random cases to provide some real-world context, but an instructional design model has not been published for accounting educators since Needles and Anderson (1994) research, which is not consistent with the First Principles of Instruction. Most accounting professors are “designers by assignment” (Merrill, 2013) and do not have a road map to follow to help them design effective courses that can prepare their graduates for their future work. This study has presented that 4C/ID, whole-task instruction, can help prepare students for their future work without negatively impacting their performance on concept-based exams like the CPA exam. The Ten Steps for Complex learning can provide a professor even more guidance when designing instruction.

This study furthers the work that 4C/ID can help with complex learning while not negatively impacting a student’s ability to understand the underlying concepts. Lim, Reiser, and Olina (2008) compared a whole-task and a part-task instructional design when teachers learned how to use Microsoft Excel to create a gradebook. Both groups performed well on the skill acquisition task, concept knowledge test, but the whole-task instruction group performed significantly better than the part-task instruction group on the transfer test.

Another study of 4C/ID, Siebeck et al. (2011) compared two simulations, one considered low-fidelity and the other high-fidelity, in the medical education field. Medical students can be uncomfortable when examining private areas of the body. Performing a rectal exam involves a complex skill to diagnose the patient and understand the social implications of performing the exam. The study discovered that students exposed to the high-fidelity simulation were better

equipped to handle the social aspects of the exam, lowering their inhibition, yet still did well on their conceptual knowledge of the exam when compared to the students who used a low-fidelity simulation. 4C/ID has shown to be an effective instructional design. This study adds to that work and specifically incorporates it in the accounting curriculum, which hopefully will spur additional research in this area.

Textbooks are generally used to provide content to users and lend themselves towards a topic-centered approach. The experimental group did not use a traditional textbook, but a tax database used in industry, CCH AnswerConnect. Whole-task instruction can facilitate a course without the use of a traditional textbook. This would better prepare the students for the real world and save them money. One downside to this instructional approach is the general need to create additional materials that are not provided broadly by the professor. The instructional design is usually foreign to most students. Incorporating 4C/ID into the course could lead to some training or change management on behalf of the professor to help the students adapt to a potentially unfamiliar instructional design.

The present experiment is a good start towards additional research to solidify the use of whole-task instruction in accounting higher education. As discussed in Chapter 1, the amount of accounting rules continues to increase, and the amount of time allotted in accounting programs has not changed. Continuing to add more content to the curriculum to make sure everything is covered assumes that the students will retain the information and that the key skills often found lacking in accounting graduates, mentioned in Chapter 1, are less relevant than the content. This frame of mind is comparable to giving accounting students a bigger bucket to bail out the Titanic. They might learn more content, but it will not help them avoid the gap on the horizon.

Incorporating 4C/ID could be helpful in preparing them for their rapidly changing careers and help them stay afloat in the rapidly changing environment.

The structured approach of 4C/ID can help provide more consistent approach than PBL or case method approach. Heagy and Lehmann (2005) found that PBL was as effective as a group taught with PBL at multiple choice questions. They also mentioned that the groups were not different in their ability to solve a case. This research shows there is a difference and that 4C/ID could be more effective than a PBL course.

### **Limitations of the Study**

This experiment was designed to test the effectiveness of 4C/ID in accounting higher education to help students' complete reflection of practice tasks. The experiment indicates that 4C/ID can be more effective than traditional methods, but there are limitations to apply the results broadly. The intervention of 4C/ID was created by the researcher. It was his first time applying 4C/ID to instruction potentially limiting the intervention's effectiveness. The researcher and the professor were the same, which introduces bias into the experiment. This experiment was only done with one professor and one college. This creates a homogeneous sample, which can limit the generalizability of the results. Content was removed from the experimental group's instruction to allow for time with the learning tasks. The exclusion was determined by the professor and maybe a different result would occur had different material been omitted versus other material.

The class was a tax course and the population was accounting higher education students. The taxation course was an elective course for the students, which impacts the sample. The experiment was done in a module of the course, which lasted two weeks. The short time frame

can limit the effectiveness of the study. Another limitation is the relatively small sample size of the two groups.

The instruments used in the experiment did not have strong Cronbach alpha scores indicating a potential low reliability of the assessments. The Becker pre- and Becker post-tests had Cronbach alpha scores of .55 and .51 respectively. Becker's reputation in the market, the high quality of multiple-choice questions used in the CPA exam, and the complexity of the questions should provide comfort to the reader regarding the reliability of the Becker pre- and post-tests. The professor created summative assessment to measure authentic learning was created by the researcher. It was based on a problem provided to higher education accounting professors and sponsored by PwC, one of the big four accounting firms. Since, the problem was not updated for tax year 2018, it was updated and modified by the researcher. Another potential concern is that the Cronbach alpha score was at .6, which is not a particularly strong score. However, Cronbach alpha is not an adequate measure for complex or challenging problems and a .6 score is consistent with other accounting research mentioned in the paper.

The students were aware that they were part of an experiment. The professor encouraged the students to not discuss the class with others during the two week module. Both sections were in the same Canvas section. The assignments in Canvas were specifically assigned to each section so they could not see what the other section was doing, however all assignments show up in the Canvas gradebook even if it was not assigned to a particular section. It was also not possible to remove the online textbook link, used in other non-experimental modules, for the experimental group. If a student accessed the textbook link, they would see the homework assignments for the control group and as noted these textbook homework assignments were

included in the Canvas gradebook for all students. The students in the experimental group were told that the textbook homework assignments were not assigned to them, they should not complete them, and their grade would not be impacted by completing the homework.

Despite the ground rules that were communicated, the researcher noticed that five students accessed the homework. The time spent, as measured by the textbook publisher's online system, on the three homework assignments by those five students was a total of 130 minutes. Ninety-eight of those minutes were on the first homework assignment that had 13 problems making the average time spent on each problem was less than 2 minutes. This would not be enough time to adequately complete the problems. The professor reminded the students, in the experimental group, that they were not assigned the homework problems in the book and they should not complete them. One of the five students neglected the advice and spent less than 30 minutes on the second homework assignment, and spent 2 minutes on the last homework assignment. In both cases, this would not be sufficient time to learn the material, but answer the questions "just in case" it was graded. The researcher does not believe this activity would taint the students in the experiment group to cause a removal of their data from the analysis.

To further support this claim, the textbook does provide an online engagement indicator with respect to the book. Eighteen students were labeled as "safe" or students who used the online resources adequately and all of them were from the control group. The one student who looked at all three homework assignments had an engagement score of 4.4, which is barely above the "at risk" category. The textbook was used for other non-tested modules during the semester so some of that activity is captured here. Based on the collective low engagement score



for the experimental group, having access to the textbook did not negatively impact the results of the experiment group.

It is unclear if there are other factors that could have impacted the results of the study. Students between groups could have studied together, shared notes, or used similar resources as this was not a sterile environment, but it was discouraged by the professor.

### **Suggestions for Future Research**

The 4C/ID instructional model has been successfully used in other areas, but no research has tested the model in accounting education. More studies could apply the design to different accounting classes to determine if it applies in other accounting areas. It could be tested in purely online accounting courses or face-to-face, instead of blended as used in this experiment. The framework could be applied to different subjects/majors. The testing could be done for an entire semester.

The 4C/ID model is intended to help prepare students for the work they will actually do post class/graduation. Creating an authentic assessment and comparing the results of students who are taught using the 4C/ID and accounting practitioners with one or two years of experience could be revelatory.

A course that is meant to prepare students for the CPA exam could incorporate 4C/ID to see if it does have a negative impact on their performance on the CPA exam. Most educators do not “teach to the CPA exam,” which could make it hard to find a suitable class. A group that received 4C/ID could take a similar test one year later to see if their retention is better than the control group. This experiment specifically looked at authentic problems, but evaluating a student’s ability with other 21<sup>st</sup> century skills could be beneficial.

## **A Call to Accounting Professors**

The calls to change accounting higher education started over 30 years ago with little progress throughout the years, as mentioned in Chapter 1. This author feels passionate about the need for accounting higher education to heed the warnings and change now. This author believes that accounting educators who are hesitant to change are likely suffering from the problem of removing content that is personally valued, included in a textbook, and easy to grade. Changing aspects of their curricula requires additional work, effort, and re-training by professors who switch from primarily teaching concepts to trying to develop the whole student. It is difficult to eliminate content learned by the professors when they were students that remains in textbooks and is enjoyable to teach and efficient to grade. The general conservative nature of an accountant allows for staying the course as the safest option. Many articles, cited in this paper, identify that accountants need more than just content knowledge in this rapidly changing technology-enhanced environment. Instead of relegating this responsibility to others it is time for accounting educators to step up and help prepare their students.

Removing content from a course can feel like cutting off an arm at times. Professors often are wedded to the content that they teach and want to share that with others. Not teaching content included in a textbook from a content dispersion perspective can seem like malpractice. Making matters worse, the desired skills are often “messier.” Sometimes there is not a right answer and teaching these new skills can be foreign to most accounting professors. The hope is that caring professors might be willing to make the investment necessary to learn how to teach these skills, even if it requires some additional time.

Including too much content in a course, clutters the material for the students. How can we “de-clutter” our courses with content providing more time to incorporate 4C/ID into our courses? Marie Kondo (2014), a tidy expert, has the answer. According to Kondo (2014), to tidy up your clothes you put all of your clothes in one big pile on your bed, no matter where they are located in the house. Pick up each clothing item and ask, “Does this bring me joy?” If it does you keep it and if it does not, you thank the item and discard it. Sometimes we have trouble letting things go and this stems from either attachment to the past or a fear of the future. Two examples of attachment to the past are: I cannot discard the soccer shirt I have had since high school or the one my mom got me for my birthday 20 years ago. Fearing the future can look like this - I have not worn this shirt in 5 years, but I might need it in the future.

Now, we will apply what this would look like for our course content. Make a list of all the content in your course. Evaluate each item one-by-one and ask “Will my student use this?” If so, keep it. If not, thank it and discard it. Now when it comes to content, we cannot ask “Does this content bring me joy?” That can lead to trouble. For example, there is one concept commonly taught in partnership taxation that I learned in school however, I never saw it in practice. I thought, maybe it was a fluke. I asked another tax professor if they had used it in practice and they said, “No, but I like teaching it.” It is fun to teach and it does highlight the purpose of the rule, but the students are unlikely to ever see the rule in practice.

In this case, I could keep it because I am attached to it. I could also keep it because I am afraid that even though I did not use it one of my students might. These two concerns can prevent us from eliminating content that the students are unlikely to use in the future. We are making a choice; do we want our students to be a regurgitator of facts, but unable to apply the

concept in a real world setting? or do we want them to be life-long learners who can solve problems and learn content as needed, even if they didn't learn it in school? That is the choice we are making as educators. What do we want our students to be able to do when they graduate from our program? Do we want them to have the same capabilities of graduates from 30 years ago or be relevant in today's workforce?

Keeping the status quo cannot be sustained. This study demonstrates the importance of exploring instructional design theories that can prepare accounting students for today's technology-enhanced environments while not sacrificing their ability to learn the content. This study is a first step in applying one instructional design model, 4C/ID, in accounting higher education. The results indicate that 4C/ID can prepare students to solve authentic problems without compromising their capacity to learn content that will be important for their careers and assist in preparing them to pass the CPA exam.

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Appendix A  
Becker pre-test

1. Walker transferred property used in a sole proprietorship to the WXYZ partnership in exchange for a one-fourth interest. The property had an original cost of \$75,000, an adjusted basis to Walker of \$20,000, and a fair market value of \$50,000. The partnership has no liabilities. What is Walkers' basis in the partnership interest?
  - a. \$0
  - b. \$75,000
  - c. \$20,000
  - d. \$50,000
  
2. Barker acquired a 50% interest in Kode Partnership by contributing \$20,000 cash and a building with an adjusted basis of \$26,000 and a fair market value of \$42,000. The building was subject to a \$10,000 mortgage, which was assumed by Kode. The other partners contributed cash only. The basis of Barker's interest in Kode is:
  - a. \$52,000
  - b. \$62,000
  - c. \$41,000
  - d. \$36,000
  
3. Gray is a 50% partner in Fabco Partnership. Gray's tax basis in Fabco at the beginning of the year was \$5,000. Fabco made no distributions to the partners during the year and recorded the following:

Ordinary income	\$20,000
Tax exempt income	\$8,000
Portfolio income	\$4,000

What is Gray's tax basis in Fabco at the end of the year?
  - a. \$12,000
  - b. \$21,000
  - c. \$16,000
  - d. \$10,000
  
4. The holding period of a partnership interest acquired in exchange for a contributed capital asset begins on the date:
  - a. The partner is first credited with the proportionate share of partnership capital.
  - b. The partner transfers the asset to the partnership.
  - c. The partner's holding period of the capital asset began.
  - d. The partner is admitted to the partnership.
  
5. George and Martha are equal partners in G&M Partnership. At the beginning of the current tax year, the adjusted basis of George's partnership interest was \$32,500, which included his share of \$40,000 of partnership liabilities. During the tax year, the following information applied to G&M:

Ordinary loss	\$30,000
Interest and dividend income	\$ 8,000
Partnership liabilities at end of year	\$24,000

What was the basis of George's partnership interest at year-end?

- a. \$29,500
  - b. \$13,500
  - c. \$43,500
  - d. \$21,500
6. The method used to depreciate partnership property is an election made by:
- a. The partnership and may be any method approved by the IRS.
  - b. Each individual partner.
  - c. The "principle partner."
  - d. The partnership and must be the same method used by the "principal partner."
7. Under the Internal Revenue Code sections pertaining to partnerships, guaranteed payments are payments to partners for:
- a. Payments of principal on secured notes honored at maturity.
  - b. Sales of partners' assets to the partnership at guaranteed amounts regardless of market values.
  - c. Services or the use of capital without regard to partnership income.
  - d. Timely payments of periodic interest on bona fide loans that are not treated as partners' capital.
8. PDK, LLC had three members with equal ownership percentages. PDK elected to be treated as a partnership. For the tax year ending December 31, Year 1, PDK had the following income and expense items:

Revenues	\$120,000
Interest Income	\$ 6,000
Gain on sale of securities	\$ 8,000
Salaries	\$36,000
Guaranteed payments	\$10,000
Rent expense	\$21,000
Depreciation expense	\$18,000
Charitable contributions	\$ 3,000

What would PDK report as nonseparately stated income for Year 1 tax purposes?

- a. \$30,000
  - b. \$35,000
  - c. \$43,000
  - d. \$51,000
9. When a partner's share of partnership liabilities increases, that partner's basis in the partnership:
- a. Decreases by the partner's share of the increase.
  - b. Decreases, but not to less than zero.
  - c. Is not affected.
  - d. Increases by the partner's share of the increase.

10. When the AQR partnership was formed, partner Acre contributed land with a fair market value of \$100,000 and a tax basis of \$60,000 in exchange for a one-third interest in the partnership. The AQR partnership agreement specifies that each partner will share equally in the partnership's profits and losses. During its first year of operation, AQR sold the land to an unrelated third party for \$160,000. What is the proper tax treatment of the sale?
- a. The first \$40,000 of gain is allocated to Acre, and the remaining gain of \$60,000 is shared equally by the other two partners.
  - b. The first \$40,000 of the gain is allocated to Acre, and the remaining gain of \$60,000 is shared equally by all the partners in the partnership.
  - c. The entire gain of \$100,000 must be specifically allocated to Acre.
  - d. Each partner reports a capital gain of \$33,333.

Appendix B  
Becker post-test

1. Walker transferred property used in a sole proprietorship to the WXYZ partnership in exchange for a one-fourth interest. The property had an original cost of \$80,000, an adjusted basis to Walker of \$25,000, and a fair market value of \$60,000. The partnership has no liabilities. What is Walkers' basis in the partnership interest?
  - a. \$80,000
  - b. \$25,000
  - c. \$20,000
  - d. \$60,000
2. Barker acquired a 60% interest in Kode Partnership by contributing \$30,000 cash and a building with an adjusted basis of \$19,000 and a fair market value of \$37,000. The building was subject to a \$8,000 mortgage, which was assumed by Kode. The other partners contributed cash only. The basis of Barker's interest in Kode is:
  - a. \$49,000
  - b. \$41,000
  - c. \$67,000
  - d. \$45,800
3. Gray is a 40% partner in Fabco Partnership. Gray's tax basis in Fabco at the beginning of the year was \$7,000. Fabco made no distributions to the partners during the year and recorded the following:

Ordinary income	\$40,000
Tax exempt income	\$12,000
Portfolio income	\$3,000

What is Gray's tax basis in Fabco at the end of the year?
  - a. \$7,000
  - b. \$24,200
  - c. \$62,000
  - d. \$29,000
4. The holding period of a partnership interest acquired in exchange for a contributed capital asset begins on the date:
  - a. The partner is first credited with the proportionate share of partnership capital.
  - b. The partner transfers the asset to the partnership.
  - c. The partner's holding period of the capital asset began.
  - d. The partner is admitted to the partnership.
5. George and Martha are equal partners in G&M Partnership. At the beginning of the current tax year, the adjusted basis of George's partnership interest was \$29,800, which included his share of \$34,000 of partnership liabilities. During the tax year, the following information applied to G&M:

Ordinary loss	\$23,000
Interest and dividend income	\$10,000
Partnership liabilities at end of year	\$29,000

What was the basis of George's partnership interest at year-end?

- a. \$15,800
  - b. \$3,800
  - c. \$23,300
  - d. \$20,800
6. The method used to depreciate partnership property is an election made by:
- a. The partnership and may be any method approved by the IRS.
  - b. Each individual partner.
  - c. The "principle partner."
  - d. The partnership and must be the same method used by the "principal partner."
7. Under the Internal Revenue Code sections pertaining to partnerships, guaranteed payments are payments to partners for:
- a. Payments of principal on secured notes honored at maturity.
  - b. Sales of partners' assets to the partnership at guaranteed amounts regardless of market values.
  - c. Services or the use of capital without regard to partnership income.
  - d. Timely payments of periodic interest on bona fide loans that are not treated as partners' capital.
8. PDK, LLC had three members with equal ownership percentages. PDK elected to be treated as a partnership. For the tax year ending December 31, Year 1, PDK had the following income and expense items:

Revenues	\$115,000
Interest Income	\$12,000
Gain on sale of securities	\$ 6,500
Salaries	\$35,000
Guaranteed payments	\$10,000
Rent expense	\$23,000
Depreciation expense	\$16,000
Charitable contributions	\$ 5,000

What would PDK report as nonseparately stated income for Year 1 tax purposes?

- a. \$49,500
  - b. \$31,000
  - c. \$54,500
  - d. \$44,500
9. When a partner's share of partnership liabilities increases, that partner's basis in the partnership:
- a. Decreases by the partner's share of the increase.
  - b. Decreases, but not to less than zero.
  - c. Is not affected.
  - d. Increases by the partner's share of the increase.

10. When the AQR partnership was formed, partner Acre contributed land with a fair market value of \$130,000 and a tax basis of \$55,000 in exchange for a one-third interest in the partnership. The AQR partnership agreement specifies that each partner will share equally in the partnership's profits and losses. During its first year of operation, AQR sold the land to an unrelated third party for \$196,000. What is the proper tax treatment of the sale?
- a. \$97,000 is allocated to Acre and \$22,000 each to the other partners.
  - b. The partners are equally allocated \$47,000.
  - c. \$141,000 is allocated to Acre and nothing to the other partners.
  - d. The partners are equally allocated \$65,333 of income.

Appendix A  
Becker pre-test

1. Walker transferred property used in a sole proprietorship to the WXYZ partnership in exchange for a one-fourth interest. The property had an original cost of \$75,000, an adjusted basis to Walker of \$20,000, and a fair market value of \$50,000. The partnership has no liabilities. What is Walker's basis in the partnership interest?
  - a. \$0
  - b. \$75,000
  - c. \$20,000
  - d. \$50,000
2. Barker acquired a 50% interest in Kode Partnership by contributing \$20,000 cash and a building with an adjusted basis of \$26,000 and a fair market value of \$42,000. The building was subject to a \$10,000 mortgage, which was assumed by Kode. The other partners contributed cash only. The basis of Barker's interest in Kode is:
  - a. \$52,000
  - b. \$62,000
  - c. \$41,000
  - d. \$36,000
3. Gray is a 50% partner in Fabco Partnership. Gray's tax basis in Fabco at the beginning of the year was \$5,000. Fabco made no distributions to the partners during the year and recorded the following:

Ordinary income	\$20,000
Tax exempt income	\$8,000
Portfolio income	\$4,000

What is Gray's tax basis in Fabco at the end of the year?
  - a. \$12,000
  - b. \$21,000
  - c. \$16,000
  - d. \$10,000
4. The holding period of a partnership interest acquired in exchange for a contributed capital asset begins on the date:
  - a. The partner is first credited with the proportionate share of partnership capital.
  - b. The partner transfers the asset to the partnership.
  - c. The partner's holding period of the capital asset began.
  - d. The partner is admitted to the partnership.
5. George and Martha are equal partners in G&M Partnership. At the beginning of the current tax year, the adjusted basis of George's partnership interest was \$32,500, which included his share of \$40,000 of partnership liabilities. During the tax year, the following information applied to G&M:

Ordinary loss	\$30,000
Interest and dividend income	\$ 8,000
Partnership liabilities at end of year	\$24,000



What was the basis of George's partnership interest at year-end?

- a. \$29,500
  - b. \$13,500
  - c. \$43,500
  - d. \$21,500
6. The method used to depreciate partnership property is an election made by:
- a. The partnership and may be any method approved by the IRS.
  - b. Each individual partner.
  - c. The "principle partner."
  - d. The partnership and must be the same method used by the "principal partner."
7. Under the Internal Revenue Code sections pertaining to partnerships, guaranteed payments are payments to partners for:
- a. Payments of principal on secured notes honored at maturity.
  - b. Sales of partners' assets to the partnership at guaranteed amounts regardless of market values.
  - c. Services or the use of capital without regard to partnership income.
  - d. Timely payments of periodic interest on bona fide loans that are not treated as partners' capital.
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Gain on sale of securities	\$ 8,000
Salaries	\$36,000
Guaranteed payments	\$10,000
Rent expense	\$21,000
Depreciation expense	\$18,000
Charitable contributions	\$ 3,000

What would PDK report as nonseparately stated income for Year 1 tax purposes?

- a. \$30,000
  - b. \$35,000
  - c. \$43,000
  - d. \$51,000
9. When a partner's share of partnership liabilities increases, that partner's basis in the partnership:
- a. Decreases by the partner's share of the increase.
  - b. Decreases, but not to less than zero.
  - c. Is not affected.
  - d. Increases by the partner's share of the increase.

10. When the AQR partnership was formed, partner Acre contributed land with a fair market value of \$100,000 and a tax basis of \$60,000 in exchange for a one-third interest in the partnership. The AQR partnership agreement specifies that each partner will share equally in the partnership's profits and losses. During its first year of operation, AQR sold the land to an unrelated third party for \$160,000. What is the proper tax treatment of the sale?
- a. The first \$40,000 of gain is allocated to Acre, and the remaining gain of \$60,000 is shared equally by the other two partners.
  - b. The first \$40,000 of the gain is allocated to Acre, and the remaining gain of \$60,000 is shared equally by all the partners in the partnership.
  - c. The entire gain of \$100,000 must be specifically allocated to Acre.
  - d. Each partner reports a capital gain of \$33,333.

Appendix B  
Becker post-test

1. Walker transferred property used in a sole proprietorship to the WXYZ partnership in exchange for a one-fourth interest. The property had an original cost of \$80,000, an adjusted basis to Walker of \$25,000, and a fair market value of \$60,000. The partnership has no liabilities. What is Walker's basis in the partnership interest?
  - a. \$80,000
  - b. \$25,000
  - c. \$20,000
  - d. \$60,000
2. Barker acquired a 60% interest in Kode Partnership by contributing \$30,000 cash and a building with an adjusted basis of \$19,000 and a fair market value of \$37,000. The building was subject to a \$8,000 mortgage, which was assumed by Kode. The other partners contributed cash only. The basis of Barker's interest in Kode is:
  - a. \$49,000
  - b. \$41,000
  - c. \$67,000
  - d. \$45,800
3. Gray is a 40% partner in Fabco Partnership. Gray's tax basis in Fabco at the beginning of the year was \$7,000. Fabco made no distributions to the partners during the year and recorded the following:

Ordinary income	\$40,000
Tax exempt income	\$12,000
Portfolio income	\$3,000

What is Gray's tax basis in Fabco at the end of the year?
  - a. \$7,000
  - b. \$24,200
  - c. \$62,000
  - d. \$29,000
4. The holding period of a partnership interest acquired in exchange for a contributed capital asset begins on the date:
  - a. The partner is first credited with the proportionate share of partnership capital.
  - b. The partner transfers the asset to the partnership.
  - c. The partner's holding period of the capital asset began.
  - d. The partner is admitted to the partnership.
5. George and Martha are equal partners in G&M Partnership. At the beginning of the current tax year, the adjusted basis of George's partnership interest was \$29,800, which included his share of \$34,000 of partnership liabilities. During the tax year, the following information applied to G&M:

Ordinary loss	\$23,000
Interest and dividend income	\$10,000
Partnership liabilities at end of year	\$29,000

What was the basis of George's partnership interest at year-end?

- a. \$15,800
  - b. \$3,800
  - c. \$23,300
  - d. \$20,800
6. The method used to depreciate partnership property is an election made by:
- a. The partnership and may be any method approved by the IRS.
  - b. Each individual partner.
  - c. The "principle partner."
  - d. The partnership and must be the same method used by the "principal partner."
7. Under the Internal Revenue Code sections pertaining to partnerships, guaranteed payments are payments to partners for:
- a. Payments of principal on secured notes honored at maturity.
  - b. Sales of partners' assets to the partnership at guaranteed amounts regardless of market values.
  - c. Services or the use of capital without regard to partnership income.
  - d. Timely payments of periodic interest on bona fide loans that are not treated as partners' capital.
8. PDK, LLC had three members with equal ownership percentages. PDK elected to be treated as a partnership. For the tax year ending December 31, Year 1, PDK had the following income and expense items:

Revenues	\$115,000
Interest Income	\$12,000
Gain on sale of securities	\$ 6,500
Salaries	\$35,000
Guaranteed payments	\$10,000
Rent expense	\$23,000
Depreciation expense	\$16,000
Charitable contributions	\$ 5,000

What would PDK report as nonseparately stated income for Year 1 tax purposes?

- a. \$49,500
  - b. \$31,000
  - c. \$54,500
  - d. \$44,500
9. When a partner's share of partnership liabilities increases, that partner's basis in the partnership:
- a. Decreases by the partner's share of the increase.
  - b. Decreases, but not to less than zero.
  - c. Is not affected.
  - d. Increases by the partner's share of the increase.

10. When the AQR partnership was formed, partner Acre contributed land with a fair market value of \$130,000 and a tax basis of \$55,000 in exchange for a one-third interest in the partnership. The AQR partnership agreement specifies that each partner will share equally in the partnership's profits and losses. During its first year of operation, AQR sold the land to an unrelated third party for \$196,000. What is the proper tax treatment of the sale?
- a. \$97,000 is allocated to Acre and \$22,000 each to the other partners.
  - b. The partners are equally allocated \$47,000.
  - c. \$141,000 is allocated to Acre and nothing to the other partners.
  - d. The partners are equally allocated \$65,333 of income.

# Appendix C

## Partnership Exam

### Section 1

### Exam A

**Don't begin until directed by instructor**

Questions	Allotted Minutes	Estimated Time
1 and 2	15	8:00
3 and 4	8	8:15
5 and 6	8	8:23
7, 8, 9, 10	10	8:31
11	15	8:41
12 and 13	34	8:56
	90	9:30



**Questions 1 and 2 - ABC Partnership. Alloted time - 15 minutes**

Abraham Lincoln started the ABC Partnership 11 years ago by contributing \$90,000 of cash and land with a FMV of \$150,000 and a basis of \$120,000, which was the only capital asset sold by the partnership this year.

He has always owned an 80% partnership interest. He manages and runs the business and receives a guaranteed payment for those services of \$85,000 every year.

He is also the only partner who has guaranteed some of the partnership debt.

The partnership reported the following items for the year and his k-1 is the next page.

	<b>Total</b>	<b>80% of Total Amount</b>
Ordinary business income	68,750	55,000
Net rental real estate income	15,625	12,500
Guaranteed payments	95,000	76,000
Interest income	10,000	8,000
Net Long-term capital gain	100,000	80,000
Charitable contributions	7,750	6,200
Distributions	75,000	60,000
<b>Liabilities</b>		<b>Allocated to Abraham</b>
Nonrecourse Beginning		65,000
Nonrecourse Ending		85,000
Recourse Beginning		150,000
Recourse Ending		90,000



**Schedule K-1  
(Form 1065)**

**2018**

Department of the Treasury  
Internal Revenue Service

For calendar year 2018, or tax year

beginning  /  / 2018 ending  /  /

**Partner's Share of Income, Deductions, Credits, etc.**

▶ See back of form and separate instructions.

**Part I Information About the Partnership**

**A** Partnership's employer identification number  
12-3456789

**B** Partnership's name, address, city, state, and ZIP code  
ABC Partnership, LLC  
123 Main Street  
Rexburg, ID 83440

**C** IRS Center where partnership filed return  
Ogden, UT

**D**  Check if this is a publicly traded partnership (PTP)

**Part II Information About the Partner**

**E** Partner's identifying number  
987-65-4321

**F** Partner's name, address, city, state, and ZIP code  
Abraham Lincoln  
123 Honest Street  
Rexburg, ID 83440

**G**  General partner or LLC member-manager  Limited partner or other LLC member

**H**  Domestic partner  Foreign partner

**I1** What type of entity is this partner? Individual

**I2** If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

**J** Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	80 %	80 %
Loss	80 %	80 %
Capital	80 %	80 %

**K** Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$ 65,000	\$ 85,000
Qualified nonrecourse financing	\$	\$
Recourse	\$ 150,000	\$ 90,000

**L** Partner's capital account analysis:

Beginning capital account	\$ 600,000
Capital contributed during the year	\$
Current year increase (decrease)	76,250
Withdrawals & distributions	\$(60,000)
Ending capital account	\$ 616,250

Tax basis  GAAP  Section 704(b) book  
 Other (explain)

**M** Did the partner contribute property with a built-in gain or loss?  
 Yes  No  
If "Yes," attach statement (see instructions)

**Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items**

<b>1</b>	Ordinary business income (loss)	<b>15</b>	Credits
	55,000		
<b>2</b>	Net rental real estate income (loss)		
	12,500		
<b>3</b>	Other net rental income (loss)	<b>16</b>	Foreign transactions
<b>4</b>	Guaranteed payments		
	85,000		
<b>5</b>	Interest income		
	800		
<b>6a</b>	Ordinary dividends		
<b>6b</b>	Qualified dividends		
<b>6c</b>	Dividend equivalents		
<b>7</b>	Royalties		
<b>8</b>	Net short-term capital gain (loss)	<b>17</b>	Alternative minimum tax (AMT) items
<b>9a</b>	Net long-term capital gain (loss)		
	80,000		
<b>9b</b>	Collectibles (28%) gain (loss)		
<b>9c</b>	Unrecaptured section 1250 gain	<b>18</b>	Tax-exempt income and nondeductible expenses
<b>10</b>	Net section 1231 gain (loss)		
<b>11</b>	Other income (loss)		
		<b>19</b>	Distributions
		A	60,000
<b>12</b>	Section 179 deduction		
<b>13</b>	Other deductions		
A	6,200	A	800
<b>14</b>	Self-employment earnings (loss)		
A	85,000		
<b>C</b>	152,000		

\*See attached statement for additional information.

For IRS Use Only

**Questions 3 and 4 - DEF Partnership. Alloted time 8 minutes**

Federick Douglas has been a partner in DEF for 15 years. He owns a 50% interest and his K-1 on the next page is correct.

His basis as of January 1, 2018 is \$15,000, which includes his share of debt at the beginning of the year.

**Schedule K-1  
(Form 1065)**

**2018**

Department of the Treasury  
Internal Revenue Service

For calendar year 2018, or tax year

beginning   2018 ending

**Partner's Share of Income, Deductions, Credits, etc.**

▶ See back of form and separate instructions.

**Part I Information About the Partnership**

**A** Partnership's employer identification number  
12-3456789

**B** Partnership's name, address, city, state, and ZIP code  
DEF Partnership, LLC  
123 Main Street  
Rexburg, ID 83440

**C** IRS Center where partnership filed return  
Ogden, UT

**D**  Check if this is a publicly traded partnership (PTP)

**Part II Information About the Partner**

**E** Partner's identifying number  
987-65-4321

**F** Partner's name, address, city, state, and ZIP code  
Frederick Douglas  
123 Freedom Street  
Rexburg, ID 83440

**G**  General partner or LLC member-manager  Limited partner or other LLC member

**H**  Domestic partner  Foreign partner

**I1** What type of entity is this partner? Individual

**I2** If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

**J** Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	50 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

**K** Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$ 25,000	\$ 34,000
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

**L** Partner's capital account analysis:

Beginning capital account	\$ 19,000
Capital contributed during the year	\$
Current year increase (decrease)	\$ 5,600
Withdrawals & distributions	\$ (3,000)
Ending capital account	\$ 21,600

Tax basis  GAAP  Section 704(b) book  
 Other (explain)

**M** Did the partner contribute property with a built-in gain or loss?  
 Yes  No  
If "Yes," attach statement (see instructions)

**Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items**

<b>1</b>	Ordinary business income (loss)	<b>15</b>	Credits
	4,500		
<b>2</b>	Net rental real estate income (loss)		
<b>3</b>	Other net rental income (loss)	<b>16</b>	Foreign transactions
<b>4</b>	Guaranteed payments		
	15,000		
<b>5</b>	Interest income		
	2,000		
<b>6a</b>	Ordinary dividends		
	2,850		
<b>6b</b>	Qualified dividends		
	2,750		
<b>6c</b>	Dividend equivalents		
<b>7</b>	Royalties		
<b>8</b>	Net short-term capital gain (loss)	<b>17</b>	Alternative minimum tax (AMT) items
<b>9a</b>	Net long-term capital gain (loss)		
	300		
<b>9b</b>	Collectibles (28%) gain (loss)		
<b>9c</b>	Unrecaptured section 1250 gain	<b>18</b>	Tax-exempt income and nondeductible expenses
<b>10</b>	Net section 1231 gain (loss)	C	450
<b>11</b>	Other income (loss)		
<b>12</b>	Section 179 deduction		
<b>13</b>	Other deductions		
A	6,200	A	4,850
<b>14</b>	Self-employment earnings (loss)		
A	15,000		
C	46,000		

\*See attached statement for additional information.

For IRS Use Only

**Questions 5 and 6 - GHI Partnership. Alloted time 8 minutes**

George Washington has been a partner in GHI for 2 years. He owns a 60% interest and his K-1, on the next page, is correct. His basis as of January 1, 2018 is \$10,000.

Schedule K-1 (Form 1065)

2018

Department of the Treasury Internal Revenue Service

For calendar year 2018, or tax year

beginning / / 2018 ending / /

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 12-3456789
B Partnership's name, address, city, state, and ZIP code GHI Partnership, LLC 123 Main Street Rexburg, ID 83440
C IRS Center where partnership filed return Ogden, UT
D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 987-65-4321
F Partner's name, address, city, state, and ZIP code George Washington 123 Quarter Street Rexburg, ID 83440
G General partner or LLC member-manager Limited partner or other LLC member
H Domestic partner Foreign partner
I1 What type of entity is this partner? Individual
I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here
J Partner's share of profit, loss, and capital (see instructions):
Beginning Ending
Profit 60% 60%
Loss 60% 60%
Capital 60% 60%
K Partner's share of liabilities:
Beginning Ending
Nonrecourse \$ \$
Qualified nonrecourse financing \$ \$
Recourse \$ \$
L Partner's capital account analysis:
Beginning capital account \$ 13,000
Capital contributed during the year \$
Current year increase (decrease) \$ 1,000
Withdrawals & distributions \$(12,000)
Ending capital account \$ 2,000
M Did the partner contribute property with a built-in gain or loss? Yes No

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Other information. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Dividend equivalents, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss), and Distributions.

\*See attached statement for additional information.

For IRS Use Only

**Questions 7, 8, 9, and 10 - JKL Partnership. Alloted time 10 minutes**

Martin Luther King Jr. has been a partner in JKL for 4 years. He owns a 25% interest and his K-1, on the next page, is correct. His 704(d) basis as of January 1, 2018 is \$60,000.

Schedule K-1 (Form 1065)

2018

Department of the Treasury Internal Revenue Service

For calendar year 2018, or tax year

beginning / / 2018 ending / /

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number 12-3456789

B Partnership's name, address, city, state, and ZIP code JKL Partnership, LLC 123 Main Street Rexburg, ID 83440

C IRS Center where partnership filed return Ogden, UT

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number 987-65-4321

F Partner's name, address, city, state, and ZIP code Martin Luther King Jr. 123 Freedom Ring Street Rexburg, ID 83440

G General partner or LLC member-manager Limited partner or other LLC member

H Domestic partner Foreign partner

I1 What type of entity is this partner? Individual

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions): Table with columns Beginning and Ending, and rows Profit, Loss, Capital.

K Partner's share of liabilities: Table with columns Beginning and Ending, and rows Nonrecourse, Qualified nonrecourse financing, Recourse.

L Partner's capital account analysis: Table with rows Beginning capital account, Capital contributed during the year, Current year increase (decrease), Withdrawals & distributions, Ending capital account.

Tax basis GAAP Section 704(b) book Other (explain)

M Did the partner contribute property with a built-in gain or loss? Yes No

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 4 columns: Line number, Description, Amount, and Code. Rows include Ordinary business income (loss), Net rental real estate income (loss), Other net rental income (loss), Guaranteed payments, Interest income, Ordinary dividends, Qualified dividends, Dividend equivalents, Royalties, Net short-term capital gain (loss), Net long-term capital gain (loss), Collectibles (28%) gain (loss), Unrecaptured section 1250 gain, Net section 1231 gain (loss), Other income (loss), Section 179 deduction, Other deductions, Self-employment earnings (loss).

\*See attached statement for additional information.

For IRS Use Only

**Question 11 - MNO LLC. Allotted time 15 minutes**

Below is MNO, LLC's tax workpaper and notes prepared by an intern. In the test sheets you see Pages 1 and 4 of the return. List all the errors and questions you have, if any, that the intern should address. Be as clear as possible so the intern understands your comment and how to fix anything. Don't worry about non-financial information like missing EIN, dates, etc. - just focus on the numbers.

	Book	Adjustments	Page 1 Tax	Sch. K Tax		Asset Listing	Date placed in service	Cost	MACRS %	Book Depreciation	Tax Depreciation
Gross Receipts	350,000		350,000								
Interest Income	2,500			2,500	Line 5						
COGS	(126,000)		(126,000)								
Salaries and Wages	(54,000)		(54,000)			Forklift	2/18/2018	20,000	20.00%	5,000	4,000
Guaranteed Payments	(25,000)		(25,000)			Office furniture	4/5/2018	80,000	14.29%	8,000	11,432
Repairs	(11,500)		(11,500)								
Rent	(24,650)		(24,650)			Confirmed with client - no contributions and distributions were made this year.					15,432
Taxes and Licenses	(5,600)		(5,600)								
Investment interest expense	(2,350)		(2,350)								
Depreciation	(13,000)	2,432	(15,432)								
Other deductions											
Charitable contributions	(2,465)		(2,465)			(2,465) Line 13d					
Meals	(1,900)	(950)	(950)			These are business meals with customers					
Entertainment	(2,500)	(2,500)	-			This is normal business entertainment with clients					
Utilities	(4,500)		(4,500)								
Dues	(1,380)		(1,380)								
Total Other Deductions	(12,745)		(6,830)								
Total Deductions	(148,845)		(145,362)								
Income	77,655		78,638	78,638	Line 1						



**U.S. Return of Partnership Income**

For calendar year 2018, or tax year beginning \_\_\_\_\_, 2018, ending \_\_\_\_\_, 20\_\_\_\_\_

**2018**

▶ Go to [www.irs.gov/Form1065](http://www.irs.gov/Form1065) for instructions and the latest information.

<b>A</b> Principal business activity	<b>Type or Print</b>	Name of partnership <u>MNO, LLC</u>	<b>D</b> Employer identification number
<b>B</b> Principal product or service		Number, street, and room or suite no. If a P.O. box, see instructions.	<b>E</b> Date business started
<b>C</b> Business code number		City or town, state or province, country, and ZIP or foreign postal code	<b>F</b> Total assets (see instructions) \$ _____

- G** Check applicable boxes: (1)  Initial return (2)  Final return (3)  Name change (4)  Address change (5)  Amended return
- H** Check accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) ▶ \_\_\_\_\_
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year. ▶ \_\_\_\_\_
- J** Check if Schedules C and M-3 are attached.

**Caution:** Include **only** trade or business income and expenses on lines 1a through 22 below. See instructions for more information.

<b>Income</b>	<b>1a</b>	Gross receipts or sales . . . . .	<b>1a</b>	350,000	
	<b>b</b>	Returns and allowances . . . . .	<b>1b</b>		
	<b>c</b>	Balance. Subtract line 1b from line 1a . . . . .	<b>1c</b>		
	<b>2</b>	Cost of goods sold (attach Form 1125-A) . . . . .	<b>2</b>	126,000	
	<b>3</b>	Gross profit. Subtract line 2 from line 1c . . . . .	<b>3</b>	224,000	
	<b>4</b>	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) . . . . .	<b>4</b>		
	<b>5</b>	Net farm profit (loss) (attach Schedule F (Form 1040)) . . . . .	<b>5</b>		
	<b>6</b>	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) . . . . .	<b>6</b>		
<b>Deductions</b> <small>(see instructions for limitations)</small>	<b>7</b>	Other income (loss) (attach statement) . . . . .	<b>7</b>		
	<b>8</b>	<b>Total income (loss).</b> Combine lines 3 through 7 . . . . .	<b>8</b>	224,000	
	<b>9</b>	Salaries and wages (other than to partners) (less employment credits) . . . . .	<b>9</b>	54,000	
	<b>10</b>	Guaranteed payments to partners . . . . .	<b>10</b>	25,000	
	<b>11</b>	Repairs and maintenance . . . . .	<b>11</b>	11,500	
	<b>12</b>	Bad debts . . . . .	<b>12</b>		
	<b>13</b>	Rent . . . . .	<b>13</b>	24,650	
	<b>14</b>	Taxes and licenses . . . . .	<b>14</b>	5,600	
	<b>15</b>	Interest (see instructions) . . . . .	<b>15</b>	2,350	
	<b>16a</b>	Depreciation (if required, attach Form 4562) . . . . .	<b>16a</b>	15,432	
	<b>b</b>	Less depreciation reported on Form 1125-A and elsewhere on return . . . . .	<b>16b</b>		
	<b>16c</b>		<b>16c</b>	15,432	
<b>17</b>	Depletion ( <b>Do not deduct oil and gas depletion.</b> ) . . . . .	<b>17</b>			
<b>18</b>	Retirement plans, etc. . . . .	<b>18</b>			
<b>19</b>	Employee benefit programs . . . . .	<b>19</b>			
<b>20</b>	Other deductions (attach statement) . . . . .	<b>20</b>	6,830		
<b>21</b>	<b>Total deductions.</b> Add the amounts shown in the far right column for lines 9 through 20 . . . . .	<b>21</b>	145,362		
<b>22</b>	<b>Ordinary business income (loss).</b> Subtract line 21 from line 8 . . . . .	<b>22</b>	78,638		
<b>Tax and Payment</b>	<b>23</b>	Interest due under the look-back method—completed long-term contracts (attach Form 8697) . . . . .	<b>23</b>		
	<b>24</b>	Interest due under the look-back method—income forecast method (attach Form 8866) . . . . .	<b>24</b>		
	<b>25</b>	BBA AAR imputed underpayment (see instructions) . . . . .	<b>25</b>		
	<b>26</b>	Other taxes (see instructions) . . . . .	<b>26</b>		
	<b>27</b>	<b>Total balance due.</b> Add lines 23 through 27 . . . . .	<b>27</b>		
	<b>28</b>	Payment (see instructions) . . . . .	<b>28</b>		
	<b>29</b>	<b>Amount owed.</b> If line 28 is smaller than line 27, enter amount owed . . . . .	<b>29</b>		
	<b>30</b>	<b>Overpayment.</b> If line 28 is larger than line 27, enter overpayment . . . . .	<b>30</b>		

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

▶ \_\_\_\_\_ ▶ \_\_\_\_\_  
 Signature of partner or limited liability company member Date

May the IRS discuss this return with the preparer shown below? See instructions.  Yes  No

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Firm's EIN ▶			
Firm's address ▶	Phone no.			

<b>Schedule K Partners' Distributive Share Items</b>		<b>Total amount</b>	
<b>Income (Loss)</b>	<b>1</b> Ordinary business income (loss) (page 1, line 22) . . . . .	<b>1</b>	78,638
	<b>2</b> Net rental real estate income (loss) (attach Form 8825) . . . . .	<b>2</b>	
	<b>3a</b> Other gross rental income (loss) . . . . . <b>3a</b>		
	<b>b</b> Expenses from other rental activities (attach statement) . . . . . <b>3b</b>		
	<b>c</b> Other net rental income (loss). Subtract line 3b from line 3a . . . . . <b>3c</b>		
	<b>4</b> Guaranteed payments . . . . . <b>4</b>		
	<b>5</b> Interest income . . . . . <b>5</b>		2,500
	<b>6</b> Dividends and dividend equivalents: <b>a</b> Ordinary dividends . . . . . <b>6a</b>		
	<b>b</b> Qualified dividends . . . . . <b>6b</b>		
	<b>c</b> Dividend equivalents . . . . . <b>6c</b>		
	<b>7</b> Royalties . . . . . <b>7</b>		
<b>8</b> Net short-term capital gain (loss) (attach Schedule D (Form 1065)) . . . . . <b>8</b>			
<b>9a</b> Net long-term capital gain (loss) (attach Schedule D (Form 1065)) . . . . . <b>9a</b>			
<b>b</b> Collectibles (28%) gain (loss) . . . . . <b>9b</b>			
<b>c</b> Unrecaptured section 1250 gain (attach statement) . . . . . <b>9c</b>			
<b>10</b> Net section 1231 gain (loss) (attach Form 4797) . . . . . <b>10</b>			
<b>11</b> Other income (loss) (see instructions) Type ▶ <b>11</b>			
<b>Deductions</b>	<b>12</b> Section 179 deduction (attach Form 4562) . . . . . <b>12</b>		
	<b>13a</b> Contributions . . . . . <b>13a</b>		
	<b>b</b> Investment interest expense . . . . . <b>13b</b>		
	<b>c</b> Section 59(e)(2) expenditures: <b>(1)</b> Type ▶ <b>(2)</b> Amount ▶ <b>13c(2)</b>		
<b>d</b> Other deductions (see instructions) Type ▶ <b>13d</b>		2,465	
<b>Self-Employment</b>	<b>14a</b> Net earnings (loss) from self-employment . . . . . <b>14a</b>		
	<b>b</b> Gross farming or fishing income . . . . . <b>14b</b>		
	<b>c</b> Gross nonfarm income . . . . . <b>14c</b>		
<b>Credits</b>	<b>15a</b> Low-income housing credit (section 42(j)(5)) . . . . . <b>15a</b>		
	<b>b</b> Low-income housing credit (other) . . . . . <b>15b</b>		
	<b>c</b> Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable) . . . . . <b>15c</b>		
	<b>d</b> Other rental real estate credits (see instructions) Type ▶ <b>15d</b>		
	<b>e</b> Other rental credits (see instructions) Type ▶ <b>15e</b>		
	<b>f</b> Other credits (see instructions) Type ▶ <b>15f</b>		
<b>Foreign Transactions</b>	<b>16a</b> Name of country or U.S. possession ▶ <b>16a</b>		
	<b>b</b> Gross income from all sources . . . . . <b>16b</b>		
	<b>c</b> Gross income sourced at partner level . . . . . <b>16c</b>		
	Foreign gross income sourced at partnership level		
	<b>d</b> Section 951A category ▶ <b>e</b> Foreign branch category ▶ <b>16e</b>		
	<b>f</b> Passive category ▶ <b>g</b> General category ▶ <b>h</b> Other (attach statement) ▶ <b>16h</b>		
	Deductions allocated and apportioned at partner level		
	<b>i</b> Interest expense ▶ <b>j</b> Other ▶ <b>16j</b>		
	Deductions allocated and apportioned at partnership level to foreign source income		
	<b>k</b> Section 951A category ▶ <b>l</b> Foreign branch category ▶ <b>16l</b>		
<b>m</b> Passive category ▶ <b>n</b> General category ▶ <b>o</b> Other (attach statement) ▶ <b>16o</b>			
<b>p</b> Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/> <b>16p</b>			
<b>q</b> Reduction in taxes available for credit (attach statement) . . . . . <b>16q</b>			
<b>r</b> Other foreign tax information (attach statement) . . . . . <b>16r</b>			
<b>Alternative Minimum Tax (AMT) items</b>	<b>17a</b> Post-1986 depreciation adjustment . . . . . <b>17a</b>		
	<b>b</b> Adjusted gain or loss . . . . . <b>17b</b>		
	<b>c</b> Depletion (other than oil and gas) . . . . . <b>17c</b>		
	<b>d</b> Oil, gas, and geothermal properties—gross income . . . . . <b>17d</b>		
	<b>e</b> Oil, gas, and geothermal properties—deductions . . . . . <b>17e</b>		
	<b>f</b> Other AMT items (attach statement) . . . . . <b>17f</b>		
<b>Other Information</b>	<b>18a</b> Tax-exempt interest income . . . . . <b>18a</b>		
	<b>b</b> Other tax-exempt income . . . . . <b>18b</b>		
	<b>c</b> Nondeductible expenses . . . . . <b>18c</b>		
	<b>19a</b> Distributions of cash and marketable securities . . . . . <b>19a</b>		0
	<b>b</b> Distributions of other property . . . . . <b>19b</b>		
	<b>20a</b> Investment income . . . . . <b>20a</b>		
<b>b</b> Investment expenses . . . . . <b>20b</b>			
<b>c</b> Other items and amounts (attach statement) . . . . . <b>20c</b>			

**Questions 12 and 13 - PQR LLC . Alloted time 34 minutes**

Preacher Man, Malcom Q, and Rosa Parks formed PQR LLC in 2012. They do general contracting work and own their headquarters building. Their headquarters building has extra space so they rent it out to Malcolm's brother, who owns a painting business. Preacher and Malcolm are considered silent partners. Rosa does all of the work to make sure the business is running and doing well in her role as CEO of the company. She receives a guaranteed payment for her services. Due to an economic downturn their construction business has slowed down considerably. This year Preacher and Malcom had to guarantee the note payable to prevent the bank from calling the loan. They are not satisfied with their current CPA firm and want a fresh set of eyes to see if they are doing things correctly. They prepare their financials on a tax basis.

Your senior has asked you to make a list of any mistakes made by the prior CPA firm to help increase your chances of winning this client. Identify any non-tax questions you have regarding the company as well to show you look at more than just the tax data.

**Profit/Loss/Capital**

**Ownership**

Preacher Man	25%
Malcolm Q	25%
Rosa Parks	50%

**U.S. Return of Partnership Income**

For calendar year 2018, or tax year beginning \_\_\_\_\_, 2018, ending \_\_\_\_\_, 20 \_\_\_\_\_.

**2018**

▶ Go to [www.irs.gov/Form1065](http://www.irs.gov/Form1065) for instructions and the latest information.

<b>A</b> Principal business activity  <b>Construction</b>	<b>Type or Print</b>	Name of partnership <b>PQR LLC</b>	<b>D</b> Employer identification number  <b>45-6789123</b>
<b>B</b> Principal product or service <b>General Contrac</b>		Number, street, and room or suite no. If a P.O. box, see instructions. <b>123 Bus Street</b>	<b>E</b> Date business started <b>09-02-2012</b>
<b>C</b> Business code number  <b>236200</b>		City or town, state or province, country, and ZIP or foreign postal code <b>Rexburg, ID 83440</b>	<b>F</b> Total assets (see instructions)  \$ <b>2,039,299</b>

**G** Check applicable boxes: (1)  Initial return (2)  Final return (3)  Name change (4)  Address change (5)  Amended return

**H** Check accounting method: (1)  Cash (2)  Accrual (3)  Other (specify) ▶ \_\_\_\_\_

**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year. ▶ **3**

**J** Check if Schedules C and M-3 are attached

**Caution:** Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>Income</b>	1 a Gross receipts or sales	<b>1a</b>	1,167,250		
	b Returns and allowances	<b>1b</b>			
	c Balance. Subtract line 1b from line 1a			<b>1c</b>	1,167,250
	2 Cost of goods sold (attach Form 1125-A)			<b>2</b>	
	3 Gross profit. Subtract line 2 from line 1c			<b>3</b>	1,167,250
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			<b>4</b>	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			<b>5</b>	
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			<b>6</b>	
7 Other income (loss) (attach statement)		Statement #2.		<b>7</b>	5,780
8 <b>Total income (loss).</b> Combine lines 3 through 7				<b>8</b>	1,173,030
<b>Deductions</b>	9 Salaries and wages (other than to partners) (less employment credits)			<b>9</b>	245,670
	10 Guaranteed payments to partners			<b>10</b>	95,000
	11 Repairs and maintenance			<b>11</b>	
	12 Bad debts			<b>12</b>	
	13 Rent			<b>13</b>	
	14 Taxes and licenses			<b>14</b>	
	15 Interest (see instructions)			<b>15</b>	38,400
	16 a Depreciation (if required, attach Form 4562)	<b>16a</b>	100,000		
	b Less depreciation reported on Form 1125-A and elsewhere on return	<b>16b</b>		<b>16c</b>	100,000
	17 Depletion ( <b>Do not deduct oil and gas depletion.</b> )			<b>17</b>	
	18 Retirement plans, etc.			<b>18</b>	
19 Employee benefit programs			<b>19</b>		
20 Other deductions (attach statement)		Statement #4.		<b>20</b>	897,985
21 <b>Total deductions.</b> Add the amounts shown in the far right column for lines 9 through 20.				<b>21</b>	1,377,055
22 <b>Ordinary business income (loss).</b> Subtract line 21 from line 8				<b>22</b>	(204,025)
<b>Tax and Payment</b>	23 Interest due under the look-back method - completed long-term contracts (attach Form 8697)			<b>23</b>	
	24 Interest due under the look-back method - income forecast method (attach Form 8866)			<b>24</b>	
	25 BBA AAR imputed underpayment (see instructions)			<b>25</b>	
	26 Other taxes (see instructions)			<b>26</b>	
	27 <b>Total balance due.</b> Add lines 23 through 27			<b>27</b>	
	28 Payment (see instructions)			<b>28</b>	
	29 <b>Amount owed.</b> If line 28 is smaller than line 27, enter amount owed.			<b>29</b>	
	30 <b>Overpayment.</b> If line 28 larger than line 27, enter overpayment			<b>30</b>	

**Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of partner or limited liability company member \_\_\_\_\_ Date \_\_\_\_\_

May the IRS discuss this return with the preparer shown below? See instructions.  Yes  No

**Paid Preparer Use Only**

Print/Type preparer's name <b>Student</b>	Preparer's signature	Date <b>11-05-2019</b>	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶ <b>Interns LLC</b>	Firm's EIN ▶			
Firm's address ▶ <b>123 Intern Street Rexburg, ID 83440</b>	Phone no.			

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:
a Domestic general partnership
b Domestic limited partnership
c Domestic limited liability company
d Domestic limited liability partnership
e Foreign partnership
f Other

2 At the end of the tax year:
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership?
b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership?

3 At the end of the tax year, did the partnership:
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below.

Table with 4 columns: (i) Name of Corporation, (ii) Employer Identification Number (if any), (iii) Country of Incorporation, (iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below.

Table with 5 columns: (i) Name of Entity, (ii) Employer Identification Number (if any), (iii) Type of Entity, (iv) Country of Organization, (v) Maximum Percentage Owned in Profit, Loss, or Capital

4 Does the partnership satisfy all four of the following conditions?
a The partnership's total receipts for the tax year were less than \$250,000.
b The partnership's total assets at the end of the tax year were less than \$1 million.
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.
d The partnership is not filing and is not required to file Schedule M-3. If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1.

5 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?

6 During the tax year, did the partnership have any debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?

7 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?

8 At any time during calendar year 2018, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). If "Yes," enter the name of the foreign country.

9 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt or Certain Foreign Gifts. See instructions.

10a Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election.

b Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions.

**Schedule B** Other Information (continued)

	Yes	No
<b>c</b> Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," attach a statement showing the computation and allocation of the basis adjustment. See instructions . . . . .		<b>X</b>
<b>11</b> Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly owned by the partnership throughout the tax year) . . . . . <input type="checkbox"/>		
<b>12</b> At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property? . . . . .		<b>X</b>
<b>13</b> If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, (FDEs) and Foreign Branches (FBs) enter the number of Forms 8858 attached. See instructions . . . . . ▶		
<b>14</b> Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ▶		<b>X</b>
<b>15</b> Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶ 0		
<b>16a</b> Did you make any payments in 2018 that would require you to file Form(s) 1099? See instructions . . . . .	<b>X</b>	
<b>b</b> If "Yes," did you or will you file required Form(s) 1099? . . . . .	<b>X</b>	
<b>17</b> Enter the number of Form(s) 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, attached to this return. ▶		
<b>18</b> Enter the number of partners that are foreign governments under section 892. ▶		
<b>19</b> During the partnership's tax year, did the partnership make any payments that would require it to file Form 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)? . . . . .		<b>X</b>
<b>20</b> Was the partnership a specified domestic entity required to file Form 8938 for the tax year? See the Instructions to Form 8938 . . . . .		<b>X</b>
<b>21</b> Is the partnership a section 721(c) partnership, as defined in Treasury Regulations section 1.721(c)-1T(b)(14)? . . . . .		<b>X</b>
<b>22</b> During the tax year, did the partnership pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions. If "Yes," enter the total amount of the disallowed deductions. ▶ \$		
<b>23</b> Did the partnership have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions . . . . .		<b>X</b>
<b>24</b> Does the partnership satisfy one of the following conditions and the partnership does not own a pass-through entity with current year, or prior year, carryover excess business interest expense? See instructions . . . . .		<b>X</b>
<b>a</b> The partnership's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year do not exceed \$25 million, and the partnership is not a tax shelter, or		
<b>b</b> The partnership only has business interest expense from (1) an electing real property trade or business, (2) an electing farming business, or (3) certain utility businesses under section 163(j)(7). If "No," complete and attach Form 8990.		
<b>25</b> Is this partnership electing out of the centralized partnership audit regime under section 6221(b)? See instructions . . . . . If "Yes," the partnership must complete Schedule B-2 (Form 1065). Enter the total from Schedule B-2, Part III, line 3. ▶ _____ If "No," complete Designation of Partnership Representative below.		<b>X</b>

**Designation of Partnership Representative** (see instructions)

Enter below the information for the partnership representative (PR) for the tax year covered by this return.

Name of PR ▶	<b>Preacher Man</b>	U.S. taxpayer identification number of PR ▶	<b>123-45-6789</b>
U.S. address of PR ▶	<b>123 Preaching Street Rexburg ID 83440</b>	U.S. phone number of PR ▶	
If the PR is an entity, name of the designated individual for the PR ▶		U.S. taxpayer identification number of the designated individual ▶	
U.S. address of designated individual ▶		U.S. phone number of designated individual ▶	

<b>26</b> Is the partnership attaching Form 8996 to certify as a Qualified Opportunity Fund? . . . . .		<b>X</b>
If "Yes," enter the amount from Form 8996, line 13. ▶ \$		

Schedule K		Partners' Distributive Share Items		Total amount	
Income (Loss)	1	Ordinary business income (loss) (page 1, line 22)		1	( 204,025 )
	2	Net rental real estate income (loss) (attach Form 8825)		2	( 152,714 )
	3 a	Other gross rental income (loss)	3a		
	b	Expenses from other rental activities (attach statement)	3b		
	c	Other net rental income (loss). Subtract line 3b from line 3a		3c	
	4	Guaranteed payments		4	95,000
	5	Interest income		5	520
	6	Dividends and dividend equivalents:		6a	
		a Ordinary dividends			
		b Qualified dividends	6b		
		c Dividend equivalents	6c		
7	Royalties		7		
8	Net short-term capital gain (loss) (attach Schedule D (Form 1065))		8		
9 a	Net long-term capital gain (loss) (attach Schedule D (Form 1065))		9a		
b	Collectibles (28%) gain (loss)	9b			
c	Unrecaptured section 1250 gain (attach statement)	9c			
10	Net section 1231 gain (loss) (attach Form 4797)		10		
11	Other income (loss) (see instructions) Type ▶		11		
Deductions	12	Section 179 deduction (attach Form 4562)		12	
	13 a	Contributions		13a	
	b	Investment interest expense		13b	
	c	Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶		13c(2)	
d	Other deductions (see instructions) Type ▶		13d		
Self-Employment	14 a	Net earnings (loss) from self-employment		14a	( 54,513 )
	b	Gross farming or fishing income		14b	
	c	Gross nonfarm income		14c	586,515
Credits	15 a	Low-income housing credit (section 42(j)(5))		15a	
	b	Low-income housing credit (other)		15b	
	c	Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)		15c	
	d	Other rental real estate credits (see instructions) Type ▶		15d	
	e	Other rental credits (see instructions) Type ▶		15e	
	f	Other credits (see instructions) Type ▶		15f	
Foreign Transactions	16 a	Name of country or U.S. possession ▶			
	b	Gross income from all sources		16b	
	c	Gross income sourced at partner level		16c	
		Foreign gross income sourced at partnership level			
	d	Section 951A category ▶ e Foreign branch category ▶		16e	
	f	Passive category ▶ g General category ▶ h Other (attach statement) ▶		16h	
		Deductions allocated and apportioned at partner level			
	i	Interest expense ▶ j Other ▶		16j	
		Deductions allocated and apportioned at partnership level to foreign source income			
	k	Section 951A category ▶ l Foreign branch category ▶		16l	
	m	Passive category ▶ n General category ▶ o Other (attach statement) ▶		16o	
	p	Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>		16p	
q	Reduction in taxes available for credit (attach statement)		16q		
r	Other foreign tax information (attach statement)				
Alternative Minimum Tax (AMT) Items	17 a	Post-1986 depreciation adjustment		17a	
	b	Adjusted gain or loss		17b	
	c	Depletion (other than oil and gas)		17c	
	d	Oil, gas, and geothermal properties - gross income		17d	
	e	Oil, gas, and geothermal properties - deductions		17e	
	f	Other AMT items (attach statement)		17f	
Other Information	18 a	Tax-exempt interest income		18a	
	b	Other tax-exempt income		18b	
	c	Nondeductible expenses	Statement #18c	18c	1,150
	19 a	Distributions of cash and marketable securities		19a	200,000
	b	Distributions of other property		19b	
	20 a	Investment income		20a	520
b	Investment expenses		20b		
c	Other items and amounts (attach statement)				

**Analysis of Net Income (Loss)**

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16p . . . . .						1	(261,219)
2 Analysis by partner type:		(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other
a General partners . . . . .							
b Limited partners . . . . .			(261,219)				

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash . . . . .		845,000		161,681
2a	Trade notes and accounts receivable . . . . .	450,220		690,150	
b	Less allowance for bad debts . . . . .		450,220		690,150
3	Inventories . . . . .				
4	U.S. government obligations . . . . .				
5	Tax-exempt securities . . . . .				
6	Other current assets (attach statement) . . . . .				
7a	Loans to partners (or persons related to partners) . . . . .				
b	Mortgage and real estate loans . . . . .				
8	Other investments (attach statement) . . . . .				
9a	Buildings and other depreciable assets . . . . .	1,360,000		1,480,000	
b	Less accumulated depreciation . . . . .	464,328	895,672	592,532	887,468
10a	Depletable assets . . . . .				
b	Less accumulated depletion . . . . .				
11	Land (net of any amortization) . . . . .		300,000		300,000
12a	Intangible assets (amortizable only) . . . . .				
b	Less accumulated amortization . . . . .				
13	Other assets (attach statement) . . . . .				
14	<b>Total assets</b> . . . . .		<b>2,490,892</b>		<b>2,039,299</b>
<b>Liabilities and Capital</b>					
15	Accounts payable . . . . .		187,640		145,920
16	Mortgages, notes, bonds payable in less than 1 year . . . . .				
17	Other current liabilities (attach statement) . . . . .	Statement #31	20,654	Statement #31	25,630
18	All nonrecourse loans . . . . .				
19a	Loans from partners (or persons related to partners) . . . . .				
b	Mortgages, notes, bonds payable in 1 year or more . . . . .		845,000		837,520
20	Other liabilities (attach statement) . . . . .	Statement #32	275,000	Statement #32	425,000
21	Partners' capital accounts . . . . .		1,162,598		605,229
22	<b>Total liabilities and capital</b> . . . . .		<b>2,490,892</b>		<b>2,039,299</b>

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

Note: The partnership may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books . . . . .	(357,369)	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): _____		a	Tax-exempt interest \$ _____	
3	Guaranteed payments (other than health insurance) . . . . .	95,000	7	Deductions included on Schedule K, lines 1 through 13d, and 16p, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16p (itemize):		a	Depreciation \$ _____	
a	Depreciation \$ _____		8	Add lines 6 and 7 . . . . .	
b	Travel and entertainment \$ 1,150	1,150	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5 . . . . .	(261,219)
5	Add lines 1 through 4 . . . . .	(261,219)			

**Schedule M-2 Analysis of Partners' Capital Accounts**

1	Balance at beginning of year . . . . .	1,162,598	6	Distributions:	
2	Capital contributed:		a	Cash . . . . .	200,000
a	Cash . . . . .		b	Property . . . . .	
b	Property . . . . .		7	Other decreases (itemize): _____	
3	Net income (loss) per books . . . . .	(357,369)	8	Add lines 6 and 7 . . . . .	200,000
4	Other increases (itemize): _____		9	Balance at end of year. Subtract line 8 from line 5	605,229
5	Add lines 1 through 4 . . . . .	805,229			



2018

Final K-1

Amended K-1

Schedule K-1 (Form 1065)

Department of the Treasury Internal Revenue Service

For calendar year 2018, or tax year

beginning \_\_\_\_\_, 2018 ending \_\_\_\_\_, 20

Partner's Share of Income, Deductions, Credits, etc.

See page 2 of form and separate instructions.

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Table with 3 columns: Line number, Description, and Amount. Includes rows for Ordinary business income, Net rental real estate income, Other net rental income, Guaranteed payments, Interest income, Dividends, Royalties, Capital gains, and Section 179 deduction.

Part I Information About the Partnership

Form section for Part I containing fields A through D: Partnership's employer identification number, name, address, IRS Center, and public trading status.

Part II Information About the Partner

Form section for Part II containing fields E through M: Partner's identifying number, name, address, partnership type, entity type, profit/loss/capital share, liabilities, and capital account analysis.

\*See attached statement for additional information. For IRS Use Only

**Schedule K-1  
(Form 1065)**

Department of the Treasury  
Internal Revenue Service

**2018**

For calendar year 2018, or tax year

beginning \_\_\_\_\_, 2018 ending \_\_\_\_\_, 20

**Partner's Share of Income, Deductions, Credits, etc.**

▶ See page 2 of form and separate instructions.

Part I Information About the Partnership																	
<b>A</b>	Partnership's employer identification number 45-6789123																
<b>B</b>	Partnership's name, address, city, state, and ZIP code PQR LLC  123 Bus Street Rexburg, ID 83440																
<b>C</b>	IRS Center where partnership filed return Ogden																
<b>D</b>	<input type="checkbox"/> Check if this is a publicly traded partnership (PTP)																
Part II Information About the Partner																	
<b>E</b>	Partner's identifying number 987-65-4321																
<b>F</b>	Partner's name, address, city, state, and ZIP code Malcolm Q Q Street Rexburg, ID 83440																
<b>G</b>	<input type="checkbox"/> General partner or LLC member-manager <input checked="" type="checkbox"/> Limited partner or other LLC member																
<b>H</b>	<input checked="" type="checkbox"/> Domestic partner <input type="checkbox"/> Foreign partner																
<b>I1</b>	What type of entity is this partner? <u>INDIVIDUAL</u>																
<b>I2</b>	If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here <input type="checkbox"/>																
<b>J</b>	Partner's share of profit, loss, and capital (see instructions):																
	<table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Beginning</th> <th></th> <th style="text-align: center;">Ending</th> </tr> </thead> <tbody> <tr> <td>Profit</td> <td style="text-align: right;">25.0000000</td> <td style="text-align: center;">%</td> <td style="text-align: right;">25.0000000 %</td> </tr> <tr> <td>Loss</td> <td style="text-align: right;">25.0000000</td> <td style="text-align: center;">%</td> <td style="text-align: right;">25.0000000 %</td> </tr> <tr> <td>Capital</td> <td style="text-align: right;">25.0000000</td> <td style="text-align: center;">%</td> <td style="text-align: right;">25.0000000 %</td> </tr> </tbody> </table>		Beginning		Ending	Profit	25.0000000	%	25.0000000 %	Loss	25.0000000	%	25.0000000 %	Capital	25.0000000	%	25.0000000 %
	Beginning		Ending														
Profit	25.0000000	%	25.0000000 %														
Loss	25.0000000	%	25.0000000 %														
Capital	25.0000000	%	25.0000000 %														
<b>K</b>	Partner's share of liabilities:																
	<table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Beginning</th> <th></th> <th style="text-align: center;">Ending</th> </tr> </thead> <tbody> <tr> <td>Nonrecourse</td> <td style="text-align: right;">\$ 52,074</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">42,888</td> </tr> <tr> <td>Qualified nonrecourse financing</td> <td style="text-align: right;">\$ 211,250</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">209,380</td> </tr> <tr> <td>Recourse</td> <td style="text-align: right;">\$ 68,750</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">106,250</td> </tr> </tbody> </table>		Beginning		Ending	Nonrecourse	\$ 52,074	\$	42,888	Qualified nonrecourse financing	\$ 211,250	\$	209,380	Recourse	\$ 68,750	\$	106,250
	Beginning		Ending														
Nonrecourse	\$ 52,074	\$	42,888														
Qualified nonrecourse financing	\$ 211,250	\$	209,380														
Recourse	\$ 68,750	\$	106,250														
<b>L</b>	Partner's capital account analysis:																
	<table style="width:100%; border-collapse: collapse;"> <tbody> <tr> <td>Beginning capital account</td> <td style="text-align: right;">\$ 290,650</td> </tr> <tr> <td>Capital contributed during the year</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Current year increase (decrease)</td> <td style="text-align: right;">\$ (89,343)</td> </tr> <tr> <td>Withdrawals &amp; distributions</td> <td style="text-align: right;">\$ (50,000)</td> </tr> <tr> <td>Ending capital account</td> <td style="text-align: right;">\$ 151,307</td> </tr> </tbody> </table>	Beginning capital account	\$ 290,650	Capital contributed during the year	\$	Current year increase (decrease)	\$ (89,343)	Withdrawals & distributions	\$ (50,000)	Ending capital account	\$ 151,307						
Beginning capital account	\$ 290,650																
Capital contributed during the year	\$																
Current year increase (decrease)	\$ (89,343)																
Withdrawals & distributions	\$ (50,000)																
Ending capital account	\$ 151,307																
<input checked="" type="checkbox"/>	Tax basis																
<input type="checkbox"/>	GAAP																
<input type="checkbox"/>	Section 704(b) book																
<input type="checkbox"/>	Other (explain)																
<b>M</b>	Did the partner contribute property with a built-in gain or loss?																
<input type="checkbox"/>	Yes																
<input checked="" type="checkbox"/>	No																
	If "Yes," attach statement (see instructions)																

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items			
<b>1</b>	Ordinary business income (loss) ( 51,006 )		<b>15</b> Credits
<b>2</b>	Net rental real estate income (loss) ( 38,179 )		
<b>3</b>	Other net rental income (loss)		<b>16</b> Foreign transactions
<b>4</b>	Guaranteed payments 23,750		
<b>5</b>	Interest income 130		
<b>6a</b>	Ordinary dividends		
<b>6b</b>	Qualified dividends		
<b>6c</b>	Dividend equivalents		
<b>7</b>	Royalties		
<b>8</b>	Net short-term capital gain (loss)		<b>17</b> Alternative minimum tax (AMT) items
<b>9a</b>	Net long-term capital gain (loss)		
<b>9b</b>	Collectibles (28%) gain (loss)		
<b>9c</b>	Unrecaptured section 1250 gain		<b>18</b> Tax-exempt income and nondeductible expenses
<b>10</b>	Net section 1231 gain (loss)		C 288
<b>11</b>	Other income (loss)		
<b>12</b>	Section 179 deduction		<b>19</b> Distributions
<b>13</b>	Other deductions		A 50,000
<b>14</b>	Self-employment earnings (loss)		<b>20</b> Other information
			A 130
*See attached statement for additional information.			
For IRS Use Only			

**Schedule K-1  
(Form 1065)**

Department of the Treasury  
Internal Revenue Service

**2018**

For calendar year 2018, or tax year

beginning \_\_\_\_\_, 2018 ending \_\_\_\_\_, 20

**Partner's Share of Income, Deductions, Credits, etc.**

▶ See page 2 of form and separate instructions.

Part I Information About the Partnership																																											
<p><b>A</b> Partnership's employer identification number 45-6789123</p> <p><b>B</b> Partnership's name, address, city, state, and ZIP code PQR LLC 123 Bus Street Rexburg, ID 83440</p> <p><b>C</b> IRS Center where partnership filed return Ogden</p> <p><b>D</b> <input type="checkbox"/> Check if this is a publicly traded partnership (PTP)</p>																																											
Part II Information About the Partner																																											
<p><b>E</b> Partner's identifying number 456-12-3789</p> <p><b>F</b> Partner's name, address, city, state, and ZIP code Rosa Parks 123 Bus Ride Street Rexburg, ID 83440</p> <p><b>G</b> <input checked="" type="checkbox"/> General partner or LLC member-manager <input type="checkbox"/> Limited partner or other LLC member</p> <p><b>H</b> <input checked="" type="checkbox"/> Domestic partner <input type="checkbox"/> Foreign partner</p> <p><b>I1</b> What type of entity is this partner? <u>INDIVIDUAL</u></p> <p><b>I2</b> If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here <input type="checkbox"/></p> <p><b>J</b> Partner's share of profit, loss, and capital (see instructions):</p> <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Beginning</th> <th></th> <th style="text-align: center;">Ending</th> </tr> </thead> <tbody> <tr> <td>Profit</td> <td style="text-align: right;">50.0000000</td> <td style="text-align: center;">%</td> <td style="text-align: right;">50.0000000 %</td> </tr> <tr> <td>Loss</td> <td style="text-align: right;">50.0000000</td> <td style="text-align: center;">%</td> <td style="text-align: right;">50.0000000 %</td> </tr> <tr> <td>Capital</td> <td style="text-align: right;">50.0000000</td> <td style="text-align: center;">%</td> <td style="text-align: right;">50.0000000 %</td> </tr> </tbody> </table> <p><b>K</b> Partner's share of liabilities:</p> <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Beginning</th> <th></th> <th style="text-align: center;">Ending</th> </tr> </thead> <tbody> <tr> <td>Nonrecourse</td> <td style="text-align: right;">\$ 104,147</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">85,775</td> </tr> <tr> <td>Qualified nonrecourse financing</td> <td style="text-align: right;">\$ 422,500</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">418,760</td> </tr> <tr> <td>Recourse</td> <td style="text-align: right;">\$ 137,500</td> <td style="text-align: center;">\$</td> <td style="text-align: right;">212,500</td> </tr> </tbody> </table> <p><b>L</b> Partner's capital account analysis:</p> <table style="width:100%; border-collapse: collapse;"> <tbody> <tr> <td>Beginning capital account</td> <td style="text-align: right;">\$ 581,298</td> </tr> <tr> <td>Capital contributed during the year</td> <td style="text-align: right;">\$</td> </tr> <tr> <td>Current year increase (decrease)</td> <td style="text-align: right;">\$ (178,685)</td> </tr> <tr> <td>Withdrawals &amp; distributions</td> <td style="text-align: right;">\$ (100,000)</td> </tr> <tr> <td>Ending capital account</td> <td style="text-align: right;">\$ 302,613</td> </tr> </tbody> </table> <p><input checked="" type="checkbox"/> Tax basis <input type="checkbox"/> GAAP <input type="checkbox"/> Section 704(b) book <input type="checkbox"/> Other (explain)</p> <p><b>M</b> Did the partner contribute property with a built-in gain or loss? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach statement (see instructions)</p>		Beginning		Ending	Profit	50.0000000	%	50.0000000 %	Loss	50.0000000	%	50.0000000 %	Capital	50.0000000	%	50.0000000 %		Beginning		Ending	Nonrecourse	\$ 104,147	\$	85,775	Qualified nonrecourse financing	\$ 422,500	\$	418,760	Recourse	\$ 137,500	\$	212,500	Beginning capital account	\$ 581,298	Capital contributed during the year	\$	Current year increase (decrease)	\$ (178,685)	Withdrawals & distributions	\$ (100,000)	Ending capital account	\$ 302,613	
	Beginning		Ending																																								
Profit	50.0000000	%	50.0000000 %																																								
Loss	50.0000000	%	50.0000000 %																																								
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Ending capital account	\$ 302,613																																										

<input type="checkbox"/> Final K-1	<input type="checkbox"/> Amended K-1		OMB No. 1545-0123
Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items			
<b>1</b>	Ordinary business income (loss) (102,013)		<b>15</b> Credits
<b>2</b>	Net rental real estate income (loss) (76,357)		
<b>3</b>	Other net rental income (loss)		<b>16</b> Foreign transactions
<b>4</b>	Guaranteed payments 47,500		
<b>5</b>	Interest income 260		
<b>6a</b>	Ordinary dividends		
<b>6b</b>	Qualified dividends		
<b>6c</b>	Dividend equivalents		
<b>7</b>	Royalties		
<b>8</b>	Net short-term capital gain (loss)		<b>17</b> Alternative minimum tax (AMT) items
<b>9a</b>	Net long-term capital gain (loss)		
<b>9b</b>	Collectibles (28%) gain (loss)		
<b>9c</b>	Unrecaptured section 1250 gain		<b>18</b> Tax-exempt income and nondeductible expenses
<b>10</b>	Net section 1231 gain (loss)		C 575
<b>11</b>	Other income (loss)		
<b>12</b>	Section 179 deduction		<b>19</b> Distributions
<b>13</b>	Other deductions		A 100,000
<b>14</b>	Self-employment earnings (loss) A (54,513) C 586,515		<b>20</b> Other information
			A 260
*See attached statement for additional information.			
For IRS Use Only			

# Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to your tax return.

▶ Go to [www.irs.gov/Form4562](http://www.irs.gov/Form4562) for instructions and the latest information.

Name(s) shown on return <b>PQR LLC</b>	Business or activity to which this form relates <b>FORM 1065</b>	Identifying number <b>45-6789123</b>
---	---	---

**Part I Election To Expense Certain Property Under Section 179**

**Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2017 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	
13	Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12	13	

**Note:** Don't use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)**

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	100,000
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Don't include listed property. See instructions.)**

**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2018	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here	<input type="checkbox"/>	

**Section B - Assets Placed in Service During 2018 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only-see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

**Section C - Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System**

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	30-year		30 yrs.	MM	S/L	
d	40-year		40 yrs.	MM	S/L	

**Part IV Summary (See instructions.)**

21	Listed property. Enter amount from line 28	21	
22	<b>Total.</b> Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	100,000
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

**For Paperwork Reduction Act Notice, see separate instructions.**

# Depreciation and Amortization (Including Information on Listed Property)

Department of the Treasury  
Internal Revenue Service (99)

▶ Attach to your tax return.

▶ Go to [www.irs.gov/Form4562](http://www.irs.gov/Form4562) for instructions and the latest information.

Name(s) shown on return <b>PQR LLC</b>	Business or activity to which this form relates <b>123 HQ Street</b>	Identifying number <b>45-6789123</b>
---	---	---

### Part I Election To Expense Certain Property Under Section 179

**Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2017 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	
13	Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12	13	

**Note:** Don't use Part II or Part III below for listed property. Instead, use Part V.

### Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

### Part III MACRS Depreciation (Don't include listed property. See instructions.)

#### Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2018	17	28,204
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here	<input type="checkbox"/>	

#### Section B - Assets Placed in Service During 2018 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only-see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	
				MM	S/L	

#### Section C - Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

20a	Class life				S/L	
b	12-year		12 yrs.		S/L	
c	30-year		30 yrs.	MM	S/L	
d	40-year		40 yrs.	MM	S/L	

### Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	<b>Total.</b> Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instructions	22	28,204
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

**For Paperwork Reduction Act Notice, see separate instructions.**

**Federal Supporting Statements**

**2018 PG01**

Name(s) as shown on return

Tax ID Number

PQR LLC

45-6789123

Form 1065 - Schedule L - Line 19b

STMT

Mortgages/Notes/Bonds payable 1 year or more

Description	Beg Of Year	End Of Year
Building Secured NP	<u>845,000</u>	<u>837,520</u>
<b>Total</b>	<b><u>845,000</u></b>	<b><u>837,520</u></b>

Form 1065 - Line 7 - Other Income(Loss) **PG01**  
Statement #2

Description	Amount
Dividend income from business investments	<u>5,780</u>
<b>Total</b>	<b><u>5,780</u></b>

Form 1065 - Line 20 - Other Deductions **PG01**  
Statement #4

<u>Description</u>	<u>Amount</u>
Accounting	11,250
Advertising	13,960
Bank Charges	2,470
Independent Contractor	672,460
Insurance	26,250
Legal and professional	26,290
Office expense	10,460
Supplies	68,460
Travel	29,420
Utilities	24,375
Web design and hostng	<u>12,590</u>
<b>Total</b>	<b><u>897,985</u></b>

**Federal Supporting Statements**

**2018 PG01**

Name(s) as shown on return

Tax ID Number

PQR LLC

45-6789123

**Schedule K - Line 18c - Nondeductible Expenses** Statement #18c

<b><u>Description</u></b>	<b><u>Amount</u></b>
Entertainment - Nondeductible	<u>1,150</u>
<b>Total</b>	<b><u>1,150</u></b>

Form 1065 - Schedule L - Line 17

**PG01**  
Statement #31

Other Current Liabilities

Description	Beg Of Year	End Of Year
Payroll Tax Liabilit	<u>20,654</u>	<u>25,630</u>
<b>Total</b>	<b><u>20,654</u></b>	<b><u>25,630</u></b>

Form 1065 - Schedule L - Line 20

**PG01**  
Statement #32

Other Liabilities

Description	Beg Of Year	End Of Year
2018 Recourse NP	<u>275,000</u>	<u>425,000</u>
<b>Total</b>	<b><u>275,000</u></b>	<b><u>425,000</u></b>

# Depreciation Detail Listing

**2018**

PAGE 1

FORM 1065

**For your records only**

\* Item is included in UBIA for Section 199A calculations. See "UBIA" in lower right corner. Name(s) as shown on return

Social security number/EIN

45-6789123

PQR, LLC

No.	Description	Date	Cost	Basis Adjustment	Business percentage	Section 179	Bonus depreciation	Depreciable Basis	Life	Method	Rate	Prior Depreciation	Current Depreciation	Accumulated Depreciation	AMT Current
2	Old Assets	10012012	260,000*		100.00			260,000	5		0	260,000		260,000	
3	New Assets	04012018	100,000*		100.00		CY 100,000	0	5	200 DB HY	20			100,000	
<b>Totals</b>															
			360,000				CY 100,000	260,000				260,000		360,000	

Land Amount 360,000  
 Net Depreciable Cost 360,000  
 CY 179 and CY Bonus 100,000  
 TOTAL CY Depr including 179/bonus 100,000  
 ST ADJ: 80,000  
 UBIA: 360,000



\* Item is included in UBIA for Section 199A calculations. See "UBIA" in lower right corner. Name(s) as shown on return

### Depreciation Detail Listing

FORM 8825 - 123 HQ Street Rexburg

2018

PAGE 1

For your records only

Social security number/EIN

PQR LLC  
45-6789123

No.	Description	Date	Cost	Basis Adjustment	Business percentage	Section 179	Bonus depreciation	Depreciable Basis	Life	Method	Rate	Prior Depreciation	Current Depreciation	Accumulated Depreciation	AMT Current
1	HQ Building	09292012	1,100,000*		100.00			1,100,000	39	SL	2.564		28,204	28,204	28,204
1	LAND	09292012	300,000		100.00				0	NDA					
<b>Totals</b>															
			1,400,000					1,100,000					28,204	28,204	28,204

ST ADJ: 1,100,000  
UBIA: 1,100,000

CY 179 and CY Bonus  
TOTAL CY Depr including 179/bonus

Land Amount 300,000  
Net Depreciable Cost 1,100,000

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## PATRICK WALSH, CPA

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### EXPERIENCE

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PROFESSOR August 2015 – Present  
*Brigham Young University - Idaho* Rexburg, ID

- Teach ACCT 201 (Financial Accounting) and ACCT 322 (Taxation II)
- Sponsor yearly Washington, DC expedition for students seeking internships
- Receive positive student and faculty reviews

ADJUNCT PROFESSOR June 2008 – May 2012  
*George Mason University* Fairfax, VA

- Created lesson plans, assignments, exams, and instructed the following courses:
  - ACCT 301 - Financial Accounting & Managerial Decision Making (3 Semesters)
  - ACCT 351 - Taxation and Managerial Decision Making (2 Semesters)
  - MBA 742 - Corporate Governance and Ethics (4 Semesters)

TAX DIRECTOR July 2004 – August 2015  
*Private Company Services, PricewaterhouseCoopers, LLP* McLean, VA

- Reviewed tax provisions (ASC 740) prepared by PwC and third parties
- Reviewed C corporation, S corporation, partnership, and individual tax returns
- Served as lead engagement director over client book of approximately \$2 million
- Advised variety of clients; government contractors, inbounds, multinational, construction, retail, service, and hospitality
- Identified tax planning opportunities for current and prospective clients
- Reviewed tax memos documenting tax positions taken by clients
- Worked at two Fortune 100 companies assisting with federal, international, and state compliance issues
- Co-instructed two two-week associate tax trainings
- Created and implemented PCS University tax curriculum
- Audited private and public companies for three months
- Effectively used technology to work with staff at off-site locations

GENESIS PARK PARTICIPANT January 2014 – October 2014  
*PricewaterhouseCoopers, LLP* Shanghai, China and Noordwijk, Netherlands

- Leadership development program for the top performing Directors in the firm
- Worked with globally diverse team to solve internal firm initiatives

ROTATION WITH NATIONAL TAX  
*PricewaterhouseCoopers, LLP*

July 2007 –July 2009  
*Washington, DC*

- Selected as a high performer eligible for a rotation with PwC's National Tax Practice spending time with three groups for eight months each:
  - Mergers and Acquisitions - Researched and consulting on M&A transactions, assisted with Section 382 transactions, partnership allocations, and published articles in internal newsletter
  - IRS Service Team - Assisted clients with IRS mediation, corrected check the box elections, learned how to effectively communicate with the IRS, researched foreign withholding issues
  - Federal Tax Services - Analyzed various accounting methods, prepared various Forms 3115, researched specific tax treatment for a variety of transactions

**PUBLISHED ARTICLES**

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- Walsh, Patrick and Smith, Greg “Is the Time Right to Blow Up Your S Corporation Election?” *Business Entities*, November/December 2012

**EDUCATION**

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DOCTOR OF EDUCATION  
*Indiana University*

May 2020  
*Online-Bloomington, IN*

- Minor in Learning Sciences
- 4.0 GPA

MASTER OF ACCOUNTANCY (TAX)  
BACHELOR OF SCIENCE  
*Brigham Young University*

April 2004  
*Provo, UT*

- Graduated Magna Cum Laude (3.93 GPA)
- Graduation Student Speaker
- Dean’s list and academic scholarship recipient

**GROUP AFFILIATIONS**

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- Current
  - American Institute of Certified Public Accountants
- Former
  - Construction Financial Management Association – *Secretary and Board of Directors*
  - BYU Management Society DC Chapter - *Treasurer*
  - Virginia Society of CPAs
  - The Northern Chapter of Virginia Society of CPAs

## **LANGUAGES**

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- Spanish – fluent in speech, comprehension, reading, and writing