

# Tax-Basis Financial Statements and Other Special Purpose Frameworks

## Course Description

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The objective of this course is to discuss the general rules and applications used in the preparation of and reporting on tax-basis financial statements and other bases of accounting found within the special purpose frameworks (also referred to as other comprehensive bases of accounting).

Updated for changes made by the Tax Cuts and Jobs Act, the CARES Act, and the Consolidated Appropriations Act, topics include an overview of the types of special purpose frameworks, advantages and disadvantages of using tax-basis financial statements, tax-basis accrual versus cash basis, reviewing the key differences between GAAP and tax-basis revenue and expenses and other differences, tax-basis disclosures, reporting options for tax-basis financial statements, unusual reporting and presentation issues related to tax-basis financial statements, an overview of other types of special purpose frameworks including pure cash basis, modified cash basis, regulatory basis, contractual basis, and the other basis of accounting, and more.

The course also addresses the presentation and disclosures for PPP loans, Employee Retention Credit (ERC) and the Pass-Through Entity (PTE) tax.

**Completion Deadline & Exam:** This course, including the examination, must be completed within one year of the date of purchase.

**Course Level:** Overview. This program is appropriate for professionals at all organizational levels.

**CPE Credits:** 10 (CPA)

**Field of Study:** Accounting

**Prerequisite:** General understanding of U.S. GAAP, compilation and review and auditing standards, and federal income taxation

**Advanced Preparation:** None

## Course Learning Objectives

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### Chapter 1 - Overview

1. Identify an accounting standard that exempts non-public entities from its application
2. Recall a disadvantage of the AICPA's Financial Reporting Framework for SMEs

## **Chapter 2 - Scope of Tax-Basis Financial Statements**

1. Recognize the type of criteria on which the other basis of accounting is based
2. Recall whether a one-member LLC is permitted to issue tax-basis financial statements

## **Chapter 3 - Advantages and Disadvantages of Tax-Basis**

1. Identify the best use for tax-basis accrual financial statements
2. Recognize an example of a permanent difference
3. Recall an example of a GAAP disclosure that can be eliminated by using tax-basis financial statements
4. Identify a situation in which tax-basis financial statements might be misleading

## **Chapter 4 - Key Differences Between Tax Basis and GAAP**

1. Recall ways in which nontaxable revenues and nondeductible expenses can be presented in tax-basis financial statements
2. Recognize which type of exchange of assets no longer qualifies for like-kind treatment in tax-basis financial statements
3. Recall how to account for the installment sales method under GAAP as compared with tax-basis financial statements.
4. Recognize how an entity accounts for a change in accounting method in the tax-basis of accounting
5. Identify how to account for certain transactions in tax-basis financial statements

## **Chapter 5 - Financial Statement Formats**

1. Recognize whether supplementary information is part of the financial statements
2. Identify titles that are appropriate and not appropriate for tax-basis financial statements
3. Recall types of legends that might be included on pages of tax-basis financial statements
4. Recall how a statement of cash flows should be accounted for and presented in tax-basis financial statements
5. Recognize the rules for presenting a statement of comprehensive income in tax-basis financial statements

## **Chapter 6 - Tax-Basis Disclosures**

1. Identify categories of disclosures that should be included in tax-basis financial statements
2. Recognize elements that are and are not relevant to tax-basis financial statements in preparing a summary of significant accounting policies
3. Recall how certain GAAP disclosures should be handled in tax-basis financial statements
4. Recall how to account for the pass-through entity (PTE) tax under tax-basis financial statements

## **Chapter 7 - Tax-Basis Reports**

1. Recognize the reporting requirement for preparation and compilation of tax-basis financial statements engagements under SSARS Nos. 21-25
2. Recall the appropriate title for a review report on tax-basis financial statements
3. Identify certain language that should be included in an audit report on tax-basis financial statements

## **Chapter 8 - Converting to Tax-Basis Financial Statements**

1. Identify the reporting option when an entity changes from GAAP to tax-basis financial statements

## **Chapter 9 - Unusual Practice Issues: Tax-Basis Financial Statements**

1. Recognize how an accountant should report on a grantor trust or one-member LLC's tax-basis financial statements
2. Identify the disclosures that are required if an accountant issues a report on a tax return
3. Recall the rules to issue a compilation report on a tax return

## **Chapter 10 - Other Special Purpose Frameworks**

1. Identify disclosures that are and are not relevant to cash-basis financial statements
2. Recognize an element that is included in a summary of significant accounting policies for the modified cash basis
3. Identify other types of special purpose frameworks other than tax basis