# Introduction to Course

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**Office Hours:** Tuesday 2:00 p.m. to 2:50 p.m.  
Wednesday 2:30 p.m. to 3:20 p.m.  
Thursday 1:30 p.m. to 2:20 p.m.

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**Class Times:** Tuesday and Thursday 3:00 p.m. to 5:00 p.m.  
**Location:** 207 BAB

## Course Objectives

ACCTG 550 offers a general framework for thinking about how tax rules affect business decisions. The framework aids in understanding the effects of taxes on business decisions, and devising effective tax planning strategies.

The following groups will profit from this course:

- investment bankers and consultants who want a competitive advantage in understanding how taxes impact the structure and value of deals,
- managers and analysts who need to understand how firms respond strategically to tax incentives, and
- high-income individuals (and those who plan to become high-income individuals) who want to structure their affairs in a tax-advantaged manner.

Specific applications of the framework covered in the course include:

- tax aspects of mergers, acquisitions, and LBOs;
- tax arbitrage;
- compensation policy (e.g., stock options, stock appreciation rights, deferred compensation, fringe benefits);
- taxation of competing organizational forms (e.g., limited partnerships and pass-through entities);
– taxation of investments; and,
– international tax planning strategies.

This framework has two principal advantages. First, it is designed to have value long after the next change in tax rules. Second, the framework is portable: it can be applied to the tax laws of the United States or any other country.

This course will not make you an expert at filling out tax forms. ACCTG 550 differs from traditional tax courses because it does NOT emphasize the rote application of tax rules to specific situations. Instead, ACCTG 550 focuses on principles that guide the manner in which corporations and individuals can best structure their affairs in the face of an uncertain and changing environment. You need not have taken a prior tax course to take this one. On the other hand, I think you will benefit from taking this course even if you have already taken a traditional tax course.

ACCTG 550 integrates concepts from finance, economics, and accounting and has two parts. The first part lays the conceptual foundation: we adopt a contractual perspective and emphasize the importance of considering the tax positions of all parties to a contract, both at the time of contracting and in the future. In the second part, we apply these concepts to specific business decisions. Many aspects of U.S. tax law will be covered along the way.

My objective in the classroom is to:
- apply the framework to actual situations;
- clarify key arguments;
- present empirical evidence related to the conceptual framework; and
- illustrate how to predict future behavior.


Class Organization

The course outline lists readings from the text, problems, caselets and cases to be prepared for each class. Reading the assigned text material in advance is essential for each class. The illustrations are practical situations that highlight tax planning practices. Usually there are some brief articles in the course reader that are related to the illustrations to be covered in class. It is very helpful to review these materials before class.

It is my philosophy that our time in class together should fall in the middle of the process by which you master a given topic in this course. I think it is very important that you develop a reasoned opinion on the issues before class. Independent thinking before class is a very low-risk opportunity to practice your analytical skills and develop a manager’s perspective on important business issues. In class, perspectives on the day’s topic that differ from your own will emerge. You may find your view of a situation changing as class progresses. I think this is the most productive learning experience I can help create. I recommend you spend time after class reviewing and organizing in your own mind the substance of our discussion.

I suggest dividing your time outside class on a given topic as follows: 70% before class and 20% after class. Resist the temptation to neglect the last 20%. It is easy to overinvest before class and underinvest after class because you want to get a jump on the next topic.1 Reviewing the material from the last class is essential to mastering that topic. Also, review is often excellent preparation for the next topic.

It is normal to flounder a bit in preparing for class. Be strict with yourself about the amount of time you invest in a topic before class. Recognizing where you got stuck and why you got stuck is a big step in tackling the problems and the cases. Give yourself credit for this. Do not spend globs of time perfecting an analysis for next class if you have yet to internalize the last class.

I often start class by asking many questions. Partly, I do this to gauge your understanding of the issues, what you found easy about the day’s assignment, and what you found hard. Based on your answers, I decide (on the fly and somewhat imprecisely) the issues to emphasize in the discussion. Please recognize that your responses are critical to “steering” the class. The more you contribute, the more the class is tailored to suit your interests and needs.

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1 You may tell yourself that you can catch up on the last topic when there is more time. Probably, there won’t be more time.
Workload and Performance Evaluation

The course outline indicates daily reading assignments. In addition, there will be:

- 3 assignments each contributing 15% to your grade.
- a take-home final exam for 30% of your grade.
- class participation and contribution to the development of course materials determines the remaining 25% of your grade.

Your learning is enhanced by applying the underlying principles to specific situations and contexts. In most classes, some time will be devoted to the solution of problems. You should prepare all assigned problems in advance. Since the problems are tough, few of you will have completely solved the problem before class. Everyone should have attempted the problem. I expect each of you to be willing to lead the class to the point where you got stuck and explain why you got stuck.

While I am responsible for “teaching” the course, I also intend to learn both with you and from you. This distinction between teaching and learning underscores the importance of teamwork—all of us are responsible for establishing the proper ambiance for learning. Accordingly, the class participation portion of your grade is 25%. My hope is that this extrinsic motivation will be unnecessary; that is, I hope a high level of enthusiasm for the material will evolve.

To facilitate stimulating classroom discussions, I plan to reward you for bringing tax-planning-related institutional material to my attention, especially so if the material is closely related to the conceptual framework. When you submit materials, attach a brief cover memo indicating:

- why you think it is interesting and pertinent;
- what you see as the basic points;
- how it relates to the conceptual framework;
- whether you believe the analysis is correct; and
- any other comments you feel are appropriate.

The material may come from:

- journal articles
• trade magazines
• research reports written by analysts and consultants
• published financial statements, prospectuses, proxy statements, etc.

My interest in encouraging you to track down relevant institutional material is to prompt you to make the connection between the framework presented in the course and real activities that are taking place in the economy.

Your participation grade is based on my subjective assessment of your contributions to class discussions and the tax-related material and cover-memo(s) you bring me.

Assignments

Some assignments are to be done in groups and some are to be done individually. For group assignments, you need turn in only one solution per group. To insure that all group members contribute to the assignments, group members will be asked to evaluate the effort of the other members of the group at the end of the term. This evaluation will be taken into account when assigning grades.

The tentative schedule for assignments is as follows:

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Date Handed Out</th>
<th>Date Due</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>in coursepack</td>
<td>Thursday, November 11</td>
<td>Financial planning: choosing among alternative strategies</td>
</tr>
<tr>
<td>B</td>
<td>in coursepack</td>
<td>depends on project selected</td>
<td>Analyze a tax plan</td>
</tr>
<tr>
<td>C</td>
<td>in coursepack</td>
<td>Thursday, December 9</td>
<td>Mergers and acquisitions</td>
</tr>
</tbody>
</table>

Note to students whose mother tongue is not English. I think you deserve recognition for succeeding in a rigorous academic program in what, for you, is a foreign language. In order for this distinction to be real and meaningful to you and your eventual employers, I do not make accommodations for the added difficulties you may face in class participation, written assignments, and examinations except as follows: while I expect your written assignments to be free of misspellings and grammatical errors, I do not penalize you for mistakes of idiom (i.e., I expect your written English to be clear and
correct, but this does not mean that you must use the same turns of phrase and expressions as a native speaker of American English). I encourage the formation of student groups composed of native and non-native English speakers.

**Academic Integrity**

The learning process requires that you (as enrolled students, collectively) work through the course material independently of others who have studied or are studying this same material. The learning process also requires that you complete individual assignments independently of others, and group assignments independently of people not in your group. In preparing for class and in reviewing after class, I encourage you to discuss the course material with classmates currently enrolled in this course subject to certain limitations. I consider:

- cribbing answers to course assignments prepared by other students, presented in another section, or gathered from any other unattributed source,

- receiving lecture notes, case approaches, case analyses, solutions and the like from persons not currently enrolled in my sections of this course,

- distributing answers to course assignments where such distribution facilitates academic dishonesty by another student,

- distributing lecture notes, case approaches, case analyses, solutions and the like to persons not currently enrolled in my sections of this course,

- submitting for course credit an assignment containing analysis, discussion or calculations that are the product of someone whose name does not appear on the assignment, or

- submitting for course credit in this class work done for credit in another class

to be violations of the the University Faculty Senate Policies for Students. **It is also a violation of these policies to know of a violation and not report it.** This means you have a positive obligation to report cheating.

If you are in doubt whether a particular act or omission would violate these policies, ask me.

You may read the University Faculty Senate Policies for Students §49–20 “Academic Integrity” on line at:
http://www.psu.edu/ufs/policies/47-00.html#49-20.

More on Academic Integrity from the Dean’s Office

According to the Penn State Principles and University Code of Conduct:

Academic integrity is a basic guiding principle for all academic activity at Penn State University, allowing the pursuit of scholarly activity in an open, honest, and responsible manner. In accordance with the University’s Code of Conduct, you must not engage in or tolerate academic dishonesty. This includes, but is not limited to cheating, plagiarism, fabrication of information or citations, facilitating acts of academic dishonesty by others, unauthorized possession of examinations, submitting work of another person, or work previously used without informing the instructor, or tampering with the academic work of other students.

Any violation of academic integrity will be investigated, and where warranted, punitive action will be taken. For every incident when a penalty of any kind is assessed, a report must be filed. All penalties and procedures must be reported to the Associate Dean for Undergraduate Programs.

Affirmative Action & Sexual Harassment

The Pennsylvania State University is committed to a policy that all persons shall have equal access to programs, facilities, admission, and employment without regard to personal characteristics not related to ability, performance, or qualifications as determined by University policy or by Commonwealth or Federal authorities. Penn State does not discriminate against any person because of age, ancestry, color, disability or handicap, national origin, race, religious creed, sex, sexual orientation, or veteran status. Direct all inquiries to the Affirmative Action Office, 211 Willard Building.
Americans with Disabilities Act

The Smeal College of Business Administration welcomes persons with disabilities to all of its classes, programs, and events. If you need accommodations, or have questions about access to buildings where Smeal College activities are held, please contact us in advance of your participation or visit. If you need assistance during a class, program, or event, please contact the member of our staff or faculty in charge. Access to accounting courses should be arranged by contacting the Accounting Department Office: (814) 865-1809.

An Invitation to Students with Learning Disabilities

It is Penn State’s policy to not discriminate against qualified students with documented disabilities in its educational programs. If you have a disability-related need for modifications in your testing or learning situation, your instructor should be notified during the first week of classes so that your needs can be accommodated. You will be asked to present documentation from the Office of Disability Services (located in 116 Boucke Building, 863-1807) that describes the nature of your disability and the recommended remedy. You may refer to the Nondiscrimination Policy in the Student Guide to University Policies and Rules.