

Accredited Business Accountant (ABA) Practice 2

Domain 2: Business Consulting

Task 1: Cost-Volume-Profit – Analyze sales volume and costs to make business decisions.

Knowledge of:

- a. Basic CVP (cost-volume-profit) formula
- b. Breakeven point of sales for single-product and multiproduct companies
- c. Contribution margin, contribution margin ratio, margin of safety, and operating leverage
- d. Fixed and variable costs

Task 2: Department Analysis – Calculate departmental performance.

Knowledge of:

- a. Cost centers, profit centers, and investment centers
- b. Segmented income statement
- c. Return on investment and residual income

Task 3: Time Value of Money – Calculate the value of a single sum or a series of sums to measure present and future value.

Skill in:

- a. Calculating the future and present value (e.g., leases, notes, amortization of premiums and discounts, annuities, pensions, post-retirement benefits and obligations, long-term assets, sinking funds, business combinations)

Task 4: Capital Budgeting/Capital Investment – Compute return on investment to determine the value of a long-term investment.

Knowledge of:

- a. Accounting rate of return, payback period, net present value, internal rate of return, incremental cost, and total
- b. Depreciation (e.g., modified accelerated cost recovery system [MACRS], straight line)
- c. Payback periods, simple rates of return, and profitability indexes

Skill in:

- a. Computing after-tax cost of taxable cash expense and taxable cash received
- b. Computing after-tax present value for investment proposals

Task 5: Budgets/Cash Budget – Prepare a projected statement of revenues and expenses using estimates and knowledge of the business to plan activities for the year.

Knowledge of:

- a. Economic order quantity (EOQ)
- b. Reorder point

Skill in:

- a. Gathering financial reports including information on sales, production, direct materials, direct labor, manufacturing, finished goods inventory, and selling and administrative expenses
- b. Using management tools for planning future expenses

Task 6: Internal Control – Evaluate operating procedures using management’s policies to discourage fraud and encourage compliance with applicable laws and regulations.

Knowledge of:

- a. Segregation of duties, monitoring, risk assessment, and control procedures
- b. Cost and benefits of control

Task 7: Employee Benefits – Define indirect compensation.

Knowledge of:

- a. Costs and control of employee benefits (e.g., health insurance, paid time off, retirement programs)
- b. Legally required benefits

Task 8: Managerial Decisions – Define the problem, identify alternative solutions, select the best alternative, and monitor the results.

Skill in:

- a. Determining relevant and irrelevant costs
- b. Analyzing whether to keep or replace a product line and equipment
- c. Analyzing whether to make or buy a product
- d. Analyzing whether to accept or refuse a special order

Domain 3: Taxation

Task 1: Individual Tax Returns (1040) – Collect information from the taxpayer using data to prepare a complete and accurate return.

Knowledge of:

- a. Taxable entities (e.g., individuals, partnerships, corporations [S&C], trusts, estates, nonprofits, limited liability companies)

Task 2: Determine the appropriate filing status of taxpayers through inquiry.

Knowledge of:

- a. IRS Publication 17 – Filing Status

Skill in:

- a. Identifying more than one filing status
- b. Identifying tax rates
- c. Determining injured spouse or innocent spouse (e.g., spousal debt)

Task 3: Report all income received except items specifically excluded from tax by law.

Knowledge of:

- a. Compensation income including fringe benefits
- b. Education (e.g., scholarships, fellowships, teaching stipends)
- c. Interest, dividends, and capital gains
- d. Taxable state and local refunds
- e. Alimony
- f. Business income from self-employment activities
- g. Farming activities
- h. Rental activities and pass-through entities

i. Investment activities
j. Other income (e.g., debt relief, gambling income, hobby income, prizes, jury duty)
k. Social Security
l. Unemployment compensation
m. Retirement distributions
n. Income exclusions (e.g., life insurance, disability, VA benefits)
Task 4: Determine deductions to be subtracted from income to arrive at adjusted gross income.
Knowledge of:
a. Educator expenses
b. Alimony
c. Self-employment health insurance or health savings account (HSA) deductions
d. Keogh/Self-employment plan (SEP)/individual retirement account (IRA) contributions
e. Self-employment tax deduction
f. Moving expense
g. Penalty on early savings withdrawal
h. Student loan interest and tuition and fees
i. Domestic production deduction
Task 5: Determine whether to use the standard deduction or itemized deductions to calculate the lowest taxable income.
Knowledge of:
a. Medical expense (e.g., payments to hospitals, doctors, prescriptions, mileage, insurance)
b. Tax expense (e.g., state and local income tax, real estate, personal property, sales tax)
c. Interest expense (e.g., mortgage interest, points, mortgage insurance premiums, investment interest)
d. Charitable contributions
e. Miscellaneous subject to 2% limitation (e.g., investment expenses, tax preparation, safe deposit box) vs. not subject to 2% (e.g., gambling losses, estate tax on income in respect of a decedent, impairment-related work expenses of persons with disabilities)
f. Unreimbursed employee expenses (e.g., job travel, union dues, education, licenses)
g. Casualty or theft
h. Reduction in total Schedule A
Task 6: Determine the taxpayer's taxable income by subtracting deductions and exemptions from adjusted gross income.
Knowledge of:
a. U.S. income tax – Form 1040 and instructions
Task 7: Determine if the taxpayer is subject to alternative minimum tax (AMT) or excess premium tax credit repayment.
Knowledge of:
a. IRS Forms 6251 and 8962 and instructions
Task 8: Determine reductions to income tax by using tax credits to reduce the taxpayer's tax liability (e.g. foreign tax credit, child and dependent care, education, retirement savings, child tax credit, energy credits).

Knowledge of:
a. Forms 1116, 2441, 8863, 8880, 8812, 5695 and instructions
Task 9: Determine additional taxes to complete calculating the proper income tax liability (e.g., self-employment tax, unreported Social Security and Medicare tax, additional retirement tax, household employment tax, first-time home buyer credit repayment, net investment income tax, shared responsibility payment).
Knowledge of:
a. Schedules SE and H, and Forms 4137, 5329, 5405, 8959, and 8960, and instructions
Task 10: Apply payments and refundable credits to tax liability to calculate total payments.
Knowledge of:
a. Payments, estimated tax credits, and extension payments (Publication 17 – Part Six)
b. Credits (e.g., earned income credit [EIC], additional child tax credit, American opportunity tax credit, net premium tax credit, excess Social Security withheld) (Publication 17 – Part Six)
Task 11: Specialty Topics – Review unusual topics to determine how they affect tax returns.
Knowledge of:
a. Taxation of gifts
b. Taxation of insurance
c. Investment taxation
d. Divorce issues
e. Like-kind exchanges
f. Roth conversions
Task 12: Partnerships (1065) – Collect information from the taxpayer to prepare a complete and accurate partnership return.
Knowledge of:
a. Basis – inside and outside
b. Capital accounts
c. Elections
d. Limited liability companies
e. K-1 preparation
Skill in:
a. Applying the at-risk and passive activity rules
Task 13: S Corporations (1120S) – Collect information from the taxpayer to prepare a complete and accurate S corporation return.
Knowledge of:
a. Basis
b. Built-in gains tax
c. Shareholder compensation
d. S corporation election and revocation
e. Shareholder benefits

f. Shareholder loans and distributions
g. Eligible owners and requirements
h. K-1 and separately stated items
Skill in:
a. Applying at-risk and passive activity rules
Task 14: Limited Liability Companies/Disregarded Entities – Determine the best method of reporting client income and expenses for limited liability companies and disregarded entities.
Knowledge of:
a. Single-member/multimember LLC tax law
Task 15: Corporations (1120) – Collect information from the taxpayer to prepare a complete and accurate corporate return.
Knowledge of:
a. Corporate tax law
Task 16: Trust and Estates Income Tax (1041) – Collect information from the taxpayer to prepare a complete and accurate fiduciary return.
Knowledge of:
a. Trust document
b. Will
c. Asset ownership
d. Roles of trustees, executor, beneficiary, and surviving spouse
Task 17: Federal Estate Tax Return (706) – Collect information from the taxpayer to prepare a complete and accurate estate return.
Knowledge of:
a. Will
b. Trust document
c. Probate
d. Gift tax returns filed by decedent prior to death
e. Estate tax law
f. Roles of trustees, executor (personal representative), beneficiaries, and surviving spouse
Task 18: Federal Gift Tax Return (709) – Collect information from the taxpayer to prepare a complete and accurate gift tax return.
Knowledge of:
a. Limits on annual gift exclusion
b. Transfer of assets to reduce estate tax
Task 19: Not-for-profit Issues (990) – Collect information from the taxpayer to prepare a complete and accurate nonprofit return.
Knowledge of:

a. Type of nonprofit (e.g., churches, veterans organizations, hospitals, member organizations, schools) and related tax code section

b. Nonprofit tax law

Domain 4: Business Law

Task 1: Recognize different forms of business and business transactions to advise clients (e.g., partnership, corporation, trust, limited liability company).

Knowledge of:

a. Contracts

b. Uniform Commercial Code

c. Agency

Domain 5: Ethics

Task 1: Determine best practices and procedures for accounting and tax professionals.

Knowledge of:

a. ACAT Code of Ethics

b. Practice procedures

c. Due diligence