



TAX 650 Milestone Two Guidelines and Rubric

In this short paper, after differentiating between accrual accounting and cash basis methods, you will recommend an accounting method for the client described in the final project. Based on your recommendation, determine when revenue would be recognized on the sale of inventory and how this impacts the client’s financial situation.

Specifically, the following **critical elements** must be addressed:

- A. Differentiate between **accrual accounting and cash basis**. Based on the type of business and the client’s accounting system, what is the impact when revenue is recognized? Which option would you recommend for the client?
- B. Based on the decision of accrual vs. cash basis, describe when **revenue** would be **recognized on the sale** of inventory, and how the accrual reporting differs from cash basis.
- C. Determine the **economic impact** on the client’s financial situation. Based on your decision, determine the potential tax liability, keeping in mind appropriate Internal Revenue Code and Treasury regulations.
- D. Summarize **the cash or accrual accounting method** in relation to the selected business entity.

Guidelines for Submission: Your paper must be submitted as a 2–3-page Microsoft Word document with double spacing, 12-point Times New Roman font, one-inch margins, and at least three sources cited in APA format.

Instructor Feedback: This activity uses an integrated rubric in Blackboard. Students can view instructor feedback in the Grade Center. For more information, review [these instructions](#).

Critical Elements	Proficient (100%)	Needs Improvement (75%)	Not Evident (0%)	Value
Accrual Accounting vs. Cash Basis	Differentiates between accrual accounting and cash basis and identifies the impact of the revenue	Differentiates between accrual accounting and cash basis and identifies the impact of the revenue, but the details are inaccurate or cursory	Does not differentiate between accrual accounting and cash basis or does not identify the impact of the revenue	25
Revenue Recognized on the Sale	Describes when revenue would be recognized and how the reporting differs for accrual accounting vs. cash basis	Describes when revenue would be recognized and how the reporting differs but details are inaccurate or cursory	Does not describe when revenue would be recognized or how the reporting differs	25
Economic Impact	Determines the economic impact on the client’s financial situation and potential tax liability, and determinations are consistent with Internal Revenue Code and Treasury regulations	Determines the economic impact on the financial situation and potential tax liability, but either the referenced Internal Revenue Code and regulations are inaccurate or details are cursory	Does not determine the economic impact on the financial situation and potential tax liability	20

<p>Summary: Cash or Accrual Basis Accounting System</p>	<p>Summarizes cash or accrual basis accounting systems in relation to the selected business entity consistent with appropriate Internal Revenue Code and Treasury regulations</p>	<p>Summarizes cash or accrual basis accounting systems in relation to the selected business entity, but details either are cursory or contain inaccuracies</p>	<p>Does not summarize cash or accrual basis accounting systems in relation to the selected business entity</p>	<p style="text-align: center;">20</p>
<p>Articulation of Response</p>	<p>Submission has no major errors related to citations, grammar, spelling, syntax, or organization</p>	<p>Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas</p>	<p>Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas</p>	<p style="text-align: center;">10</p>
Earned Total				100%