CASH METHOD OF ACCOUNTING

Accounting 580T - Lecture 4
Gertzman: Chapter 3
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Prepayments

- Basic Issues
  - Character of payment
  - Capitalization and the one-year rule

Availability of Cash Method

- Limitations under the 1986 changes
  - Gross receipts test
  - Qualified personal service corporations
  - Effective date and required change from the cash method
Required Use of the Cash Method

- Where the taxpayer doesn't keep books
- Where the accrual method doesn't clearly reflect income

Clear Reflection of Income

- Amount of deferral
- Existence of Accrual Basis Information
- Accrual Basis Financial Reporting

Clear Reflection of Income

- Generally Accepted Accounting Principles
- Mismatching of Income and Expense
- Consolidated Group