

## ACC 700 Final Project Guidelines and Rubric

### Overview

As the final step in your journey toward earning your Master of Science degree in Accounting, you will complete a capstone that integrates the knowledge and skills you have developed in previous coursework and over the duration of the term by creating a portfolio that is representative of your growth in the Accounting program. You will also reflect on your journey through the Accounting program and how you plan to position yourself professionally.

A portfolio can provide you with advantages in both career and academic settings. Whether you are seeking employment or admission to a school or program, a portfolio can help you verify the claims that you make about yourself and provide tangible evidence that you are qualified for the position or school you are seeking. A well-done portfolio will help convey the impression that you are strongly motivated, well organized, and accomplished in your field.

In this assignment, you will demonstrate your mastery of the following course outcomes:

- Employ discipline-specific research strategies to appraise the effectiveness and limitations of financial accounting and reporting practices in a global economy
- Evaluate and generate complex financial statements for internal and external users including effective compliance with full disclosure and in accordance with applicable governing rules and regulations
- Apply IRS rules for tax planning to minimize the tax liability of individuals and organizations
- Analyze, interpret, and communicate to all stakeholders the significance of accounting information as it relates to an organization's strategic plans
- Prepare components of financial statements in accordance with both US GAAP and IFRS reporting requirements
- Assess an audit plan for compliance with PCAOB audit standards

### Prompt

Imagine that you are a new employee at the fictitious CPA firm Swanson, Nelson, Hamilton, Ulrich, & Co., LLC (S.N.H.U., LLC). In your new role, your supervisor has made you responsible for three sets of tasks for three different clients.

#### Client One – Chester, Inc. (Financial Statements and Analysis)

Chester, Inc. is a large, publicly traded client at S.N.H.U., LLC. Your task is to develop a comprehensive, professional report for the board of directors. To do this, you will use Chester, Inc.'s trial balance to compose comparative financial statements, analyze data, and interpret results. These financial statements must be in good form in accordance with Generally Accepted Accounting Principles (GAAP). Next, you will assess the performance of Chester, Inc. using the financial statements you created, along with industry performance data and the financial statements of a competitor. In addition, Chester, Inc. is considering expanding into the global market. They would like you to highlight key areas of the financial statements you have prepared and identify how they would be reported differently if composed under International Financial Reporting Standards (IFRS) rather than GAAP.



Chester, Inc. is a large, publicly traded client operating in athletic wear including clothing, shoes, and accessories. Direct competitors include Columbia Sportswear Company (COLM – NYSE) and Under Armour, Inc. (UA – NYSE). All these companies operate in the textile-apparel clothing industry. Chester Inc. operates on a calendar year.

Reference the [Milestone One Chester Inc. Trial Balance spreadsheet](#) for the past three years' financials (2013, 2014, and 2015).

Additional information:

- Land with the land improvements were sold at book value (no gain or loss) in 2014. (Note: To evaluate the sale, use the following accounts: land, building and land improvements, and Other Noncurrent Assets)
- New equipment purchased with cash for \$2,739,067
- New storage building purchased with cash for \$135,000
- No investments have been sold in 2013, 2014, or 2015

There are currently 8,275,000 shares of common stock outstanding. No additional common stock has been sold or repurchased in any of the aforementioned years.

### **Client Two – Newham (Sample Audit Program)**

#### **General Information:**

Newham Company is a publicly traded company operating in the “personal product” industry. Your task is to create a professional audit program based on PCAOB audit standards. Newham manufactures cosmetic and body-care products. These products are sold to large department chain stores, such as Target and Walmart, to be sold and distributed to the final consumer. Competitors include Revlon, Inc. (REV – NYSE) and Avon Products, Inc. (AVP - NYSE).

Newham Company has experienced steady growth over the past several years. Recently, there has been a change in executive management including the CEO and CFO. The change was sparked by questionable bonus payments that were paid to the executive management team based on the company's performance. In addition, a recent lawsuit has been filed based on claims that a new product was not properly advertised, leading many customers to experience allergic reactions.

#### **Sales and Accounts Receivable**

A sample of weekly sales invoices shall be analyzed from the sales report by product category. All sales are on account. Sales are classified into four product categories: cosmetics, skin care, fragrance, and personal care. Charges to customer accounts should be dated with the date of shipment.

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Sales invoices are prepared in batches on a daily basis using numbered sales invoices. Sales invoice numbers are automatically generated by the company's computer system. The accounts receivable clerk does not have appropriate computer rights to override the computer-generated invoice number. Upon preparing sales invoices, the accounts receivable clerk verifies that the first invoice number of batch is consistent with the last invoice number of the previous batch. Inconsistencies or skipped sales invoice numbers are investigated and resolved before new sales invoices are prepared. The items shipped are compared to the items billed for proper quantity, price, and other sales order terms.

The accounting department supervisor compares and reconciles a copy of the daily sales invoice batch report to the daily accounts posting report indicating the individual accounts. The daily account posting report is prepared and sent by the accounts receivable department. Discrepancies are investigated and resolved to help assure that the customer subsidiary accounts are posted for the same total amount posted to the control account.

At the end of each month, the total of the trial balance of customer account balances (prepared by the accounts receivable department) are reconciled to the general ledger control account by the accounting department supervisor.

Sales invoice batches are dated with the date of shipment, and totals of each batches are accumulated each month and recorded in the accounts receivable control and sales revenue accounts. The accounting department supervisor approves all monthly summary entries before posting to the general ledger.

The controller approves all cash refunds and allowance credit memos for sales returns, after initiation by customer service.

## **Cash Management**

The monthly bank statements are mailed to the controller's office. Duplicate deposit slips are retained and used when bank deposits are made, the cash receipts journal listing, and the cash disbursements listing to reconcile the general bank accounts. The payroll bank account is also reconciled, utilizing the payroll register retained by the controller's office.

The assistant controller oversees all cash management and activity, including the performance of the bank account reconciliation for each bank account held by the company. The assistant controller compares the cash receipts journal and daily deposit records with the bank deposits and duplicate deposit slips during the bank account reconciliation.

Internal auditors will randomly review the bank account reconciliations.



### **Cash Receipts and Accounts Receivable Processing**

All cash receipts from customers related to sales are credited to accounts receivable individual and control accounts. Cash receipts are received by mail and opened by the office secretary. The office secretary prepares the cash receipt listing and daily deposit. A copy of the cash receipt listing and duplicate deposit slip is sent to the controller's office. Another copy of the cash receipt listing and the remittance advice are sent to the accounts receivable clerk for posting.

The accounts receivable department posts credits to individual customer accounts, dating the entries with the date of the remittance advice and cash receipt listing received.

Statements of accounts receivable balances are mailed to customers each month by the accounts receivable accounting department. Customers' reports of disputes or differences shall be handled by customer service.

### **Cash Disbursements**

All disbursements are made by check, signed by the controller.

### **Client Three – Ms. Emma Shire (Tax Memo)**

Ms. Emma Shire is a client at S.N.H.U., LLC. Your task is to develop a comprehensive, professional tax memo and appendix for her by analyzing business and individual tax situations. Ms. Shire has questions and concerns about her personal income taxes, as well as taxes as they relate to her role in a partnership with Marlene Anderson. She also works at Clifford Co., a large organization set up as a corporation, and has questions about their tax preparation. You will work with Ms. Emma Shire to provide her with guidance on her questions related to personal, partnership, and corporate tax situations. You will need to apply income tax regulations in solving problems and recommending courses of action that will comply with regulations and, at the same time, result in the best economic solution for Ms. Emma Shire.

Throughout the term, you will build a series of artifacts for the three clients described above at S.N.H.U., LLC. These artifacts will be organized into a professional portfolio that is designed to increase your employability and be used as a tool in your job search and future academic endeavors. You will build your portfolio one piece at a time, completing three artifacts in component one and refining your work with feedback from your instructor as you move through the term.

Following the development of the artifacts for your professional portfolio, you will create a professional self-assessment. To do this, you will reflect on what you have learned and the importance of professional integrity and ethics in accounting. Your professional self-assessment will eventually become the introduction to your portfolio.

## Capstone Component One: Portfolio

For the first of two capstone components, you will develop a comprehensive, professional portfolio by creating three artifacts: financial statements and analysis, a sample audit program, and a tax memo. These artifacts that you create for your clients at S.H.N.U., LLC will demonstrate your mastery of accounting concepts. This professional portfolio will provide tangible evidence of your knowledge, skills, and expertise in the field of accounting by displaying examples of your work. This portfolio should be representative of your growth, achievement, and professional attributes developed throughout your time in the Master of Science in Accounting program. Effectively showcasing your professional knowledge and skills in the field of accounting serves a very practical purpose: to assist you in seeking and sustaining employment.

Before submitting your final version in the portfolio, make sure to incorporate the feedback from your instructor. Remember that you want this portfolio to demonstrate your strengths as an accountant and your mastery in the field of accounting.

The following artifacts should be included in your portfolio:

### Artifact One: Financial Statements and Analysis

The first artifact that you will include in your portfolio is the comprehensive, professional report that you create for the board of directors of Chester, Inc.—a large publicly traded client at S.N.H.U., LLC. The report should contain your findings with the financial statements package as an appendix (Excel attachment). Incorporate the feedback that you receive from your instructor and peers during the development of this artifact.

**Appendix:** These sections should be completed first, before you write your report. Use the proper format for each section in accordance with Generally Accepted Accounting Principles (GAAP) and noting and explaining differences under International Financial Reporting Standards (IFRS) where appropriate:

- Income statement
- Balance sheet
- Statement of retained earnings
- Statement of cash flows
- Ratio analysis
  - Liquidity – minimum of three key ratios with supporting calculations with a minimum of three years of data
  - Profitability – minimum of three key ratios with supporting calculations with a minimum of three years of data
  - Solvency – minimum of three key ratios with supporting calculations with a minimum of three years of data
- Vertical and horizontal analysis
  - Both vertical and horizontal for the income statement with a minimum of three years of data
  - Both vertical and horizontal for the balance sheet with a minimum of three years of data

**Report of Findings and Recommendations:** The report is the key section of this artifact and will be written after you complete the analysis in the sections in the appendix above. The report will demonstrate your understanding of financial statements, what they contain, what they mean, and how they are used in strategic decision making.

As you know, numbers are useless if we do not know what they mean and how to use them. The financial statements, ratios, and vertical/horizontal analysis should be analyzed and interpreted in order to assess and explain the performance of the organization. In your report, you must:

- Address all three key ratios in each ratio category. Include what each ratio indicates and how the organization performed against its key competitor and industry averages.
- Address all key findings in the vertical and horizontal analysis of the income statement and balance sheet. As a general rule, anything over 10% warrants addressing.

**Guidelines for Submission:** Each portfolio artifact should be submitted as an organized package in a business context, written in APA format and including a title page or table of contents where appropriate. The title page, reference page, or any graphs, charts, or illustrations do not count towards the total page count. The financial statements and analysis must contain completed financial statements in an Excel spreadsheet. The report of findings and recommendations must be 8–10 pages in length. Use double spacing, 12-point Times New Roman font, and one-inch margins. Include at least five references cited in APA format.

### **Artifact Two: Sample Audit Program**

Your second portfolio artifact will be the comprehensive, professional audit program based on PCAOB audit standards that you create for Newham, an influential client at S.N.H.U, LLC. Make sure to incorporate the feedback you receive from your instructor and peers while developing this audit program. The following sections should be included:

- **Business Risk Analysis:** Identifying risk in an organization and the environment in which it operates is the first step in approaching a potential audit and designing an effective audit program. To analyze business risk, you must:
  - Gain an understanding of Newham
  - Investigate the industry in which Newham operates
  - Analyze and assess the risk, including fraud, involved in the company and industry
  - Identify the relevant PCAOB audit standards and address their relevance to the Newham audit risk assessment
- **Sample Audit Program:** An audit program involves compiling a list (program) of procedures for the auditors to perform in order to obtain evidence and reasonable assurance that internal controls are operating properly and thus producing accurate financial statements. To compile a sample audit program, you have been provided with tests of control in revenue and inventory.

You must identify the relevant PCAOB audit standards and address their relevance to the Newham audit program. Include other elements as applicable to Newham.

- **Report of Recommendations:** Based on an auditor's experiences and knowledge of accounting, finance, and common errors or pitfalls, it is common for an auditor to provide recommendations. The sample audit program addressed here is merely a small sample, not a comprehensive program. Thus, recommendations for further risk analysis, sample methods, and other concerns should be offered. In your report of recommendations to the head of the new audit team, include the following sections:
  - Explanation of findings in the risk analysis
  - Sarbanes–Oxley concerns or requirements
  - Recommendations on appropriate sampling methods
  - Recommendations for preparation and success in the external audit

**Guidelines for Submission:** Your sample audit program must be four to five pages in length. Each portfolio artifact should be submitted as an organized package in a business context, written in APA format and including a title page or table of contents where appropriate. Use double spacing, 12-point Times New Roman font, and one-inch margins. Include at least seven references cited in APA format.

### **Artifact Three: Tax Memo I**

Ms. Shire has provided you the following information to prepare her personal income tax return for 2014.

Emma Shire lives at 5258 Mountain Skies Road, College Park, MD 20742. She is a human resource manager at Clifford Company, 896 Western Avenue, College Park, MD 20742 (employer identification number XX-1111111). She also is a 50/50 partner in a local clothing boutique. Ms. Shire is divorced and has two small children, Kelly Shire (DOB 2/3/2012) and Jordan Shire (DOB 5/19/2006).

Ms. Shire was born on January 14, 1976, and her Social Security number is 123-45-6789. She does not want to contribute \$3 to the Presidential Election Campaign Fund.

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The following information is shown on Ms. Shire's 2014 Wage and Tax Statement (Form W-2):

Line	Description	Amount
1	Wages, tips, other compensation	\$65,000.00
2	Federal income tax withheld	10,500.00
3	Social Security wages	65,000.00
4	Social Security tax withheld	4,030.00
5	Medicare wages and tips	65,000.00
6	Medicare tax withheld	942.50
15	State: Maryland	
16	State wages, tips, etc.	65,000.00
17	State income tax withheld	1,650.00

## Additional Information:

- Received interest of \$1,750 from Maryland Federal Savings and Loan Association and \$250 from Maryland State Bank. Each financial institution reported the interest income on a Form 1099-INT.
- Received qualified dividends of \$600 from Blue Corporation, \$750 from Green Corporation, and \$368 from Orange Corporation. Each corporation reported dividend payments on a Form 1099-DIV.
- Received child support of \$15,000 during the year.
- Received a \$900 income tax refund from the state of Maryland on April 29, 2014.
- Reported total itemized deductions of \$10,200 on 2013 Federal income tax return, which included \$2,200 of state income tax withheld by her employer.
- Received K-1 indicating her share of the clothing boutique's ordinary business income (loss) – Line 1 is \$23,580. No guaranteed payments were made or dividends were received by the partnership.
- Acquired 100 shares of Ace Corporation common stock for \$30 a share on January 12, 2014. She sold the stock on December 19 for \$55 a share.
- Paid \$1,300 for prescription medicines and \$1,875 in physician and hospital bills. Medical insurance premiums were paid by her employer.
- Paid real property taxes of \$1,675 on her personal residence and interest on her home mortgage was \$4,285, and interest paid to credit card companies totaled \$360.
- Contributed \$25 each week to her church and \$15 each week to United Way.
- Paid \$1,500 in estimated Federal income taxes throughout the year.



### Artifact Three: Tax Memo II Corporation Issue

Clifford Company has encountered the following issue:

The company would like to make a property distribution (dividend) of the three machines that it uses in its business. It no longer needs two of these machines. All three machines have a fair market value of \$20,000 each. The basis of each machine is as follows: Machine A, \$27,000; Machine B, \$20,000; and Machine C, \$12,000. The corporation has asked you for advice. What do you recommend?

#### Prompt: Tax Memo

Your final portfolio artifact is the comprehensive, professional tax memo and appendix that you develop for Ms. Emma Shire, another client at S.N.H.U., LLC. As you did with the previous two artifacts, make sure to incorporate the feedback that you receive from your instructor and peers.

**Memo:** You will justify recommendations and explain potential issues and future decisions relating to Ms. Shire's tax situations. Given that Ms. Shire is not well versed in accounting, make sure that your memo addresses her concerns in language that she can understand.

- Address Ms. Shire's questions pertaining to personal tax planning. Based on her given information, what actions can Ms. Shire take throughout the year to effectively reduce her tax liability? Provide specific recommendations, defend them with tax regulations, and explain the tax consequences or savings in conceptual and dollar value terms.
- Address Ms. Shire's questions pertaining to her partnership income. Based on the given information, what actions can Ms. Shire take throughout the year to effectively reduce her tax liability from the partnership? What are the tax consequences to Ms. Shire if she and her partner choose to change their business to a corporation? Provide specific recommendations, defend them with tax regulations, and explain the tax consequences or savings in conceptual and dollar value terms.
- Address Ms. Shire's questions pertaining to Clifford Co.'s tax preparation. Provide specific recommendations, defend them with tax regulations, and explain the tax consequences or savings in conceptual and dollar value terms.

Supporting documents should include, but are not limited to: a completed tax return, tax schedules, and tax forms.

**Guidelines for Submission:** Tax Memo I must be two to three pages in length. Tax Memo II must be one to two pages in length. Each portfolio artifact should be submitted as an organized package in a business context, written in APA format and including a title page or table of contents where appropriate. Use double spacing, 12-point Times New Roman font, and one-inch margins. Include at least three to four credible sources, formatted as a tax memo, not as a report/paper.

### Capstone Component Two: Professional Self-Assessment

Now that you have completed the three sets of tasks for S.N.H.U., LLC, you will write a professional self-assessment for the final component of your capstone. In this professional self-assessment, you will reflect on the capstone and your experience in the MS Accounting program as a whole. The professional self-

assessment will serve as the formal introduction to your portfolio. This means that you should use the self-assessment as an opportunity to emphasize your strengths and employability. In addition, the professional self-assessment is an opportunity to explain how the portfolio artifacts that you developed showcase your superior accounting knowledge, skills, and expertise.

Remember that when prospective employers or admissions counselors view your portfolio, the professional self-assessment is the first thing they will see. It should be well organized, thoughtful, and effectively communicate your strengths in the field of accounting.

Some of the issues that you could address in the final component of this capstone may include:

- Ethics are a crucial component of the accounting profession. How can you relate ethics to your capstone and MS Accounting program experience? How can you maintain ethical principles in your future accounting career?
- What have you learned throughout the MS Accounting program and the capstone experience that prepares you for a job in an accounting firm or for further education?
- How did you apply accounting best practices in your capstone experience?
- How will you apply what you have learned in the capstone and in the program to your future academic and/or professional life? In other words, how does this capstone fit into the big picture of your academic and/or professional goals?
- What unforeseen problems or obstacles did you encounter during your capstone experience? What challenges did you face? How did you address these problems?

There are no milestones for Capstone Component Two: Professional Self-Assessment. However, you are strongly encouraged to post any questions or concerns for your instructor to the General Questions discussion forum.

**Guidelines for Submission:** Your professional self-assessment should be one to two pages in length and should be included as the introduction to your portfolio, whether your portfolio is presented online or in person. Each portfolio artifact should be submitted as an organized package in a business context, written in APA format and including a title page or table of contents where appropriate. Round all answers up to the nearest dollar value in any calculations. Use double spacing, 12-point Times New Roman font, and one-inch margins.

## Milestones

Milestone One: *Financial Statements and Analysis*

In **Module Three**, you will submit a rough draft of the first artifact for your professional portfolio, financial statements and analysis. You will complete a set of financials for a fictitious company called Chester Inc. You will then submit a report of your findings and recommendations. **This milestone will be graded with the Milestone One Rubric.**

Milestone Two: Sample Audit Program

In **Module Five**, you will submit a rough draft of the second artifact for your professional portfolio, a sample audit. The sample audit will consist of three main parts: the business risk analysis, the sample audit program, and the report of recommendations. **This milestone will be graded with the Milestone Two Rubric.**

Milestone Three: Tax Memo

In **Module Seven**, you will submit a rough draft of the third artifact for your professional portfolio, a tax memo. The tax memo will cover three concerns: tax planning, partnership income, and tax preparation. **This milestone will be graded with the Milestone Three Rubric.**

Final Submission: Professional Portfolio and Self-Assessment

In **Module Nine**, you will submit your final project. It should be a complete, polished artifact containing **all** of the critical elements of the final product. It should reflect the incorporation of feedback gained throughout the course. **This submission will be graded with the Final Project Rubric.**

### Deliverables

Milestone	Deliverable	Module Due	Grading
1	Financial Statements and Analysis	3	Graded separately; Milestone One Rubric
2	Sample Audit Program	5	Graded separately; Milestone Two Rubric
3	Tax Memo	7	Graded separately; Milestone Three Rubric
	Final Submission: Professional Portfolio and Self-Assessment	9	Graded separately; Final Project Rubric

## Final Project Rubric

**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](#).

This rubric will be applied to all components as a whole, and no component will be assessed on its own. The “Possible Indicators of Success” are examples for you and the instructor of the types of concepts to look for to demonstrate proficiency. They are neither exhaustive nor proscriptive and should be used as guides for illustrating how your capstone embodies the outcome. All outcomes are weighted equally.

<b>ACC-700-01:</b> Employ discipline-specific research strategies to appraise the effectiveness and limitations of financial accounting and reporting practices in a global economy	<b>Proficient 100%</b>	<b>Not Proficient 0%</b>
<i>Possible Indicators of Success</i>		
Does the capstone demonstrate the student’s ability to research and apply the FASB codification to complex accounting issues?		
Does the capstone demonstrate the student’s ability to effectively research and apply International Financial Reporting Standards (IFRS) to complex accounting issues?		
Does the capstone demonstrate the student’s ability to evaluate key limitations of Generally Accepted Accounting Principles (GAAP) reporting standards?		
Does the capstone demonstrate the student’s ability to decipher and apply appropriate and effective financial strategies designed to reach and maintain success?		
<b>ACC-700-02:</b> Evaluate and generate complex financial statements for internal and external users including effective compliance with full disclosure and in accordance with applicable governing rules and regulations	<b>Proficient 100%</b>	<b>Not Proficient 0%</b>
<i>Possible Indicators of Success</i>		
Does the capstone demonstrate the student’s ability to apply GAAP and IFRS effectively for generating accurate financial statements?		
Does the capstone demonstrate the student’s ability to accurately comply with applicable governing rules and regulations when evaluating and generating financial statements?		
Does the capstone demonstrate the student’s ability to accurately evaluate organizational performance and compliance through financial statement analysis?		
<b>ACC-700-03:</b> Apply IRS rules for tax planning to minimize the tax liability of individuals and organizations	<b>Proficient 100%</b>	<b>Not Proficient 0%</b>
<i>Possible Indicators of Success</i>		
Does the capstone demonstrate the student’s ability to apply relevant IRS rules for varied types of tax planning and tax form preparation?		
Does the capstone demonstrate the student’s ability to provide sound recommendations on strategic actions for minimizing tax liability?		
<b>ACC-700-04:</b> Analyze, interpret, and communicate to all stakeholders the significance of accounting information as it relates to an organization’s strategic plans	<b>Proficient 100%</b>	<b>Not Proficient 0%</b>
<i>Possible Indicators of Success</i>		
Does the capstone demonstrate the student’s ability to analyze accounting data for use in the strategic decision-making process?		
Does the capstone demonstrate the student’s ability to effectively communicate tax, auditing, and accounting information to others?		

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Does the capstone demonstrate the student's ability to assess the organization's performance for informing the strategic decision-making process?		
<b>ACC-700-05:</b> Prepare components of financial statements in accordance with both US GAAP and IFRS reporting requirements	<b>Proficient</b> <b>100%</b>	<b>Not Proficient</b> <b>0%</b>
<i>Possible Indicators of Success</i>		
Does the capstone demonstrate the student's ability to effectively communicate IFRS reporting requirements to stakeholders?		
Does the capstone demonstrate the student's ability to investigate and evaluate key differences between GAAP and IFRS for preparing financial statements?		
Does the capstone demonstrate the student's ability to assess the presentation and validity of financial statements?		
<b>ACC-700-06:</b> Assess an audit plan for compliance with PCAOB audit standards	<b>Proficient</b> <b>100%</b>	<b>Not Proficient</b> <b>0%</b>
<i>Possible Indicators of Success</i>		
Does the capstone demonstrate the student's ability to effectively assess and apply PCAOB audit standards?		
Does the capstone demonstrate the student's ability to effectively communicate PCAOB audit standards to stakeholders?		
Does the capstone demonstrate the student's ability to utilize appropriate PCAOB audit standards in creating an audit plan?		