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## 01. Accounting

University of Central Oklahoma

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## **Abstracts from the 2014 Oklahoma Research Day**

**Held at the University of Central Oklahoma**

### **01. Business Administration**

#### **01. Accounting**

##### **01.01.01 Oil and Gas Accounting and Taxation**

**Richard, Alltizer , Leah Gary**

*University of Central Oklahoma*

ABSTRACT This paper examines accounting and taxation as they relate to the oil and gas industry. The specific focus will be on entities organized as partnerships. Very often the partnership form of doing business is used in the oil and gas industry since it is a convenient means of bringing a large number of widely scattered investors or owners into one joint business undertaking (Internal Revenue Manual 4.41, 2005). Generally Accepted Accounting Procedures (GAAP) allow for two approaches to oil and gas accounting: successful efforts (SE) and full cost (FC). While both of these are discussed in this paper, successful efforts will be discussed in more detail because the majority of the oil and gas produced in the United States comes from companies employing this particular method of accounting. The primary source for the information contained herein is the Internal Revenue Code (IRC). Part 4.41 of the Interna

##### **01.01.02 Hobby or Business**

**Richard, Alltizer , Gia Madole**

*University of Central Oklahoma*

ABSTRACT Every taxpayer has a different tax situation. Some situations are simple and easy to interpret, while others are complex and can have different interpretations depending on how the situation is viewed. One issue that frequently comes up in this situation is whether an activity an individual is engaged in is a hobby or a business. When an activity is a hobby, the taxpayer can only deduct expenses up to the income generated by the activity. Whereas, when the activity is a business, the taxpayer can deduct all expenses, regardless of activity income for that year. The Tax Court has developed nine guidelines to decide if a taxpayer activity should be classified as a hobby or a business. Most activities will not pass or fail every guideline, so the court will look at the big picture to see if the activity passes or fails the guidelines overall. Taxpayers can learn what the court is looking for by viewing past cases and analyzing why the court ruled that activity as a hobby or a business.

### **01.01.03 Image Manipulation in the Media: a One Sided Story**

**Austin, Kendrix**

*Cameron University*

The media today publishes stories many times with their own viewpoints hidden within the message. Often, one would not notice without further research into the topic. Images can be edited and adjusted to show only one side of the story. Image manipulation is not new, though mass upgrades to technology has greatly increased and enhanced this issue. In a recent survey regarding this topic, the majority of people felt very strongly about image manipulation. Should the media be allowed to edit images to any extent? No, this brings about a distorted reality or false perception. Though some felt it was okay to edit the image as long as the main idea or message was still present. How does image editing affect the nation? It is misleading and can bring about negative social expectations. It damages the credibility of the news and media as well as the government. Others took it more personal and felt it destroyed their trust. If you have had a similar experience with the media how did it make you feel? Many felt fooled and wanted to get the word out of what the story is really about. This generation desires authenticity; they desire a sense of genuineness. I believe that the media editing images to carry their own hidden agendas is immoral and should not be allowed. It is all a ploy to meet sales quotas. Personally, I never take any news without doing my own research first.

### **01.01.04 Fraud and the American Opportunity Tax Credit**

**Mary, Sheets , Douglas Yost, Thomas Austin**

*University of Central Oklahoma*

Congress has enacted a multitude of tax incentives for students over the years. Some of the incentives that provide the most benefits to student taxpayers are those that take the form of credits. These include the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit. Both are used extensively among students. The AOTC, however, is a refundable credit which makes it more susceptible to fraud than the Lifetime Learning Credit or other incentives such as deductions allowed for qualified education expenses. The AOTC allows students to receive credit for amounts paid for qualifying education expenses. This credit is more expansive in terms of qualifying expenses than any other education credit. It also provides for the greatest tax benefit to students in terms of dollar amount. While the credit was enacted to both stimulate the economy by increasing the size of tax refunds people receive and to motivate students to study and complete their degrees more quickly by providing a refundable credit for a limited number of years, it has been widely manipulated due to a lack of clarity in the rules of the credit and due to the fact that the IRS does not verify the information provided by taxpayers relating to requirements and qualifications for the credit.

## **01.01.05 The Tax Treatment of Dividends**

**Mary, Sheets , Fnu Ricky, Lynna Ho**

*University of Central Oklahoma*

Dividends are distributions from a corporation's earnings and profits to its shareholders. Corporations may distribute dividends for many reasons. A corporation may want to reward its owners, increase demand for its stocks, show stability, or simply get rid of excess cash. Distributions can take the form of cash, property, or stocks. Prior to 2003, dividend income was mainly taxed at the individual income tax rate. In 2003, the Bush tax cuts lowered qualified dividends tax rates to 15%, same as capital gains tax rates. Corporate shareholders receive some relief through the dividends received deduction. Corporations are subject to double taxation. Double taxation has both positive and negative effects on the economy. Double taxation may arguably hinder America's competitiveness in a global economy. Most other developed countries have lower integrated tax rates on dividends and capital gains on corporate profits. Corporations often come up with creative ways to avoid double taxation. In these situations, if the IRS determines the transaction to be unreasonable, the IRS may reclassify it so that constructive dividend is recognized. There are many ways to legally avoid double taxation. One way is to choose a different form of conducting business entity, such as sole proprietorship, partnership, LLC, or S Corporation. Of course other factors, both nontax and tax, should be considered when determining which type of business entity to form.

## **01.01.06 Committing Tax Fraud**

**Mary, Sheets , Leah Tomlin, Sasha Mathura**

*University of Central Oklahoma*

Taxation has been a point of success and demise in the United States. This country's vitality is based on the revenue created by its citizens. Many law-abiding citizens pay taxes, but some prey on those who lack knowledge and are gullible. These civil crimes often come in the form of tax frauds, and create major headaches for our government and citizens. Offshore banking, identity theft, faking W-2 income, and tax evasion claims are just a few areas of fraudulent tax crimes. Some criminals choose to use offshore accounts to hide income and not report earnings to the IRS. The IRS has taken steps to work with offshore banks and allow voluntary disclosure of past habits of hiding income. Thieves will steal personal information to purchase good or prepare fake returns to take any refunds owed from the IRS. Some criminals create false W-2 statements, and try to obtain large refunds. These refunds can amount up to \$5000 in some cases. Often tax preparers catch those attempting to commit W-2 fraud through the client interview. Lastly, there is tax evasion, a crime committed by people who do not want to report all of their income. The IRS is working with the Obama administration to narrow the widening tax gap. These frauds indicate the lack of trust that taxpayers have in the tax system. Currently, the IRS is working to build trust in our tax system, this would ultimately ease the minds of honest taxpayers, and put fear into future criminals.

## **01.01.07 Nonresident Aliens vs Citizen Taxpayers**

**Mary, Sheets , Di Lin, Roger Malin**

*University of Central Oklahoma*

The US has typically been known for being a place of opportunity and prosperity. It leads the world in computer technology, medical technology, finance, higher education and many other fields. The US typically has a better business environment than Europe and other top countries, and has the largest market in the world. People come to the US for the freedoms offered, for the affordable housing, jobs offered and even education. The people who come to the states for business and education and are still citizens of their home countries are considered nonresident aliens. Nonresident students seek the degrees offered by the US over their own countries because most colleges within the US are recognized higher than the colleges within their own countries. Upon gaining a degree from with the US, a graduate may have better opportunities for employment from their home country. Businesses find that the market in the US is rich with opportunities and can decide to open from within hoping to capture some of the vast market while continuing to live in their homeland. Nonresident aliens can obtain many different types of visas which are defined by their purpose of travel. For tax purposes resident aliens are taxed the same as US citizens but nonresident aliens are taxed according to the special withholding rules that apply to nonresidents.

## **01.01.08 Value Added Tax**

**Mary, Sheets , Allan Eastham, Rachel Koester, Ryan Thomas**

*University of Central Oklahoma*

Since the economic recession of 2008, U.S. politician and bureaucrats have been searching for a new source of revenue to tackle the rising deficit. One solution would be the implementation of a value added tax. From its inception following World War I to today, countries around the world have successfully adopted some form of a value added tax system to generate revenues. As with any tax system there are pros and cons, as well as political implications with using a value added tax. Countries with a value added tax have found that the pros far out way the cons of the tax. In the United States, political partisanship is a major hindrance to proposing a value added tax. The U.S. would be wise to adopt a form of the value added tax.

## **01.01.09 Tax Refund Fraud in the United States**

**Mary, Sheets , Austin Foust, Kathy Tholen**

*University of Central Oklahoma*

Tax fraud is defined by the Internal Revenue Service Manual 25.1.1 as “an intentional wrongdoing on the part of a taxpayer, with the specific purpose of evading a tax known or believed to be owing.”. The manual states that in order to be considered tax fraud two requirements must be met. First, a tax must be due and owed and second the taxpayer must possess fraudulent intent. Identity-theft tax refund fraud, a type of tax fraud, does not meet the first requirement although the perpetrator definitely has fraudulent intent. This type of fraud occurs when a thief files a false claim for a refund using a stolen Social Security number. As shown in Figure 1 (top) the number of refund fraud investigations initiated by the IRS for the fiscal year of 2013 as of January is more than double that for the entire fiscal year of 2010. Accordingly, the number of the criminals sentenced for refund fraud also doubled for fiscal year 2013 from the fiscal year 2010. IRS Acting Commissioner Steven Miller commented on behalf of the IRS stating “we have aggressively stepped up our effort to pursue and prevent refund fraud and identity theft, and we will continue to intensely focus on this area...this is part of a much wider effort underway for the 2013 tax season to stop fraud.”

## **01.01.10 Researching the Codification**

**Charles, Gray**

*University of Central Oklahoma*

It may be desirable for accounting educators to incorporate more research exercises into their curriculums. Financial Accounting Statement No 168 established the Codification as the source of authoritative GAAP recognized by the Financial Accounting Standards Board (FASB) to be applied by nongovernmental entities. Rules and interpretive releases issued by the Securities and Exchange Commission (SEC) related to financial reporting requirements of publicly held companies are also included in the Codification. One effective method for accounting instructors is to incorporate case studies which require researching the Codification to determine the proper accounting treatment. A short video presentation describing the methods to research the codification can be found at <http://www.screencast.com/t/K8gruSHTv>.

### **01.01.11 Does the Use of Program Accounting Affect the Market Capitalization of Companies in the Aerospace Industry?**

**Edward, Walker , Charles Gray**

*University of Central Oklahoma*

Program accounting is a method of accounting for costs of certain products manufactured for delivery under production-type contracts. Under this method, costs are accumulated and accounted for by programs rather than by individual units or individual contracts. A program consists of the estimated number of units of a product to be produced by an entity in a continuing, long-term production effort for delivery under existing and anticipated contracts. The program is used as the accounting cost center for accumulating costs and allocating costs to cost of goods sold. The Boeing Company uses program accounting which is allowed under U.S. Generally Accepted Accounting Principles, while its major competitor, the European Aeronautic and Space Company EADS N.V follows International Financial Reporting Standards, which does not allow program accounting. This research will investigate, the impact, if any, on the market capitalization of the reporting method used to record the cost of goods sold in the commercial aircraft manufacturing industry.

### **01.01.12 The Natural Gas Industry**

**Edward, Walker**

*University of Central Oklahoma*

When the average person thinks about natural gas and the natural gas industry, they do not think of an extremely dynamic marketplace where the commodities produced from natural gas production are traded and sold like stocks. They do not think of multi-billion dollar construction projects to build the infrastructure necessary to support and grow Fortune 500 companies that are at the forefront of this natural gas industry revolution. All of these aforementioned facts however are true. Deregulation efforts, onset by federal and state regulators over the past 20 to 30 years, have caused the delivered cost to residential customers to fall by 32% and for industrial customers by 57%. With these deregulation efforts, the new developments within the computer industry for real-time measurement, and the innovative new ways to gather and process commodities, this industry is rapidly evolving into a leader in the global economy.

### **01.01.13 Bridging the Gap Between Theory and Practice: How to Make the AIS Course Relevant**

**Edward, Walker , Katherene Terrell, Robert Terrell**

*University of Central Oklahoma*

There are several viewpoints regarding what content should be included in the AIS curriculum. Because of the complexity of the course topics and time constraints, professors must choose carefully which topics to cover. In addition to the theoretical content common to all AIS courses, some professors include a relational database project, while others incorporate an accounting software package or an analysis of an organization's accounting information system. Ideally, the topics covered should match the needs of prospective employers. In this study we present the pros and cons of each approach; additionally, we present an analysis of AIS curriculum from several universities to determine if there is a relationship between the characteristics of the university's accounting program and the focus of the AIS curriculum

## **01.01.14 The Migration And Academic Tenure Of Marketing Phds: A Review Of 11 Years Of The “Who Went Where” Report**

**Trevor, Sutton**

*East Central University*

This research paper examines over 1,000 marketing PhDs in the United States from 2003 to 2013 based on the “Who Went Where” report given by the American Marketing Association. The goal is to discover possible trends in the movement of professors from their doctoral university to their hiring university. One of the focal topics in the research will be the relationship between the university that granted degrees to doctoral students and the university that hired the respective doctoral students. The paper will provide statistical data on the PhD faculty that remained at their degree-granting universities along with data on the PhD faculty that have transferred to other universities or jobs. Other areas that will be covered in this research include promotions, tenures, titles, and salaries of PhD marketing faculty.