

UCLA-ALIGNED COURSE FIELD NOTES

MGMT 1B

Principles of Accounting II

Debt, equity, present value, cash flows, partnerships, tax, and analytical judgment

How these notes are written. I wrote each chapter the way I wish the material had been explained the first time: the real idea, the point where I usually get stuck, the simplest mental model that still stays honest, and a worked decision instead of a polished answer appearing from nowhere. Every chapter closes with practice and a fully written solution. If a sentence sounds impressive but does not help me solve or explain something, it does not belong here.

Daniel Mastick

Curriculum map, working notes, practice, and solutions

Course map

Week	Core thread	What should be solid by the end
1	Time value of money and present-value measurement	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
2	Notes, bonds, premiums, and discounts	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
3	Owners' equity and corporate transactions	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
4	Statement of cash flows	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
5	Partnership formation, allocation, and liquidation	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
6	Individual income tax foundations	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
7	Investments, fair value, and consolidated thinking	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
8	Integrated analysis, ethics, and reporting judgment	Reconstruct the model, work an application, test its assumptions, and explain the result in ordinary language.
9	Integration studio	Combine several chapters in one case, preserve their assumptions, and reconcile the result across representations.
10	Cumulative review	Retrieve the full course map from memory and solve mixed problems without chapter labels.

Scope anchor: <https://catalog.registrar.ucla.edu/course/2026/MGMT1B?year=2026>. The sequence is aligned to the official catalog description and expanded into a practical ten-week study plan.

How I would use this packet

Treat each numbered section as one chapter. Read the formal explanation, pause at the student interpretation, and see whether the easy version still says the same thing. Rework the example without looking, then cover the solution in the chapter practice box. The cumulative set at the end is deliberately mixed: knowledge becomes durable when I have to choose the tool instead of being told which chapter I am in.

Contents

1	Time value of money and present-value measurement	5
1.1	Rebuild the chapter from first principles	5
1.2	Details I would refuse to skip	5
1.3	How this chapter connects	6
1.4	The full working model	6
2	Notes, bonds, premiums, and discounts	7
2.1	Rebuild the chapter from first principles	7
2.2	Details I would refuse to skip	8
2.3	How this chapter connects	8
2.4	The full working model	8
3	Owners' equity and corporate transactions	10
3.1	Rebuild the chapter from first principles	10
3.2	Details I would refuse to skip	10
3.3	How this chapter connects	11
3.4	The full working model	11
4	Statement of cash flows	12
4.1	Rebuild the chapter from first principles	12
4.2	Details I would refuse to skip	13
4.3	How this chapter connects	13
4.4	The full working model	14
5	Partnership formation, allocation, and liquidation	15
5.1	Rebuild the chapter from first principles	15
5.2	Details I would refuse to skip	16
5.3	How this chapter connects	16
5.4	The full working model	16
6	Individual income tax foundations	18
6.1	Rebuild the chapter from first principles	18
6.2	Details I would refuse to skip	18
6.3	How this chapter connects	19

6.4	The full working model	19
7	Investments, fair value, and consolidated thinking	20
7.1	Rebuild the chapter from first principles	20
7.2	Details I would refuse to skip	21
7.3	How this chapter connects	21
7.4	The full working model	21
8	Integrated analysis, ethics, and reporting judgment	23
8.1	Rebuild the chapter from first principles	23
8.2	Details I would refuse to skip	24
8.3	How this chapter connects	24
8.4	The full working model	24

CHAPTER 1 Time value of money and present-value measurement

The idea

A dollar today and a dollar later are not equivalent because capital has an opportunity cost. Present and future value, annuities, compounding frequency, effective rates, and discounting support debt, lease, investment, and valuation decisions.

Rebuild the chapter from first principles

The claim I need to own is this: A dollar today and a dollar later are not equivalent because capital has an opportunity cost. Present and future value, annuities, compounding frequency, effective rates, and discounting support debt, lease, investment, and valuation decisions. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of time value of money and present-value measurement. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach time value of money and present-value measurement on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from the course foundations to notes, bonds, premiums, and discounts. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** A dollar today and a dollar later are not equivalent because capital has an opportunity cost.
- **What moves.** Present and future value, annuities, compounding frequency, effective rates, and discounting support debt, lease, investment, and valuation decisions.
- **What keeps the answer honest.** The model becomes useful only when I can apply time value of money and present-value measurement to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I draw the cash-flow timeline before choosing a formula; most mistakes are timing mistakes disguised as arithmetic.

The easy version

A dollar today and a dollar later are not equivalent because capital has an opportunity cost.

Worked example

Question. What is the present value of 1100 received in one year at a 10 percent discount rate?
Walkthrough. Present value is 1100 divided by 1.10, or 1000. At 10 percent, 1000 today grows to the promised 1100 in one year.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. What is the present value of 1100 received in one year at a 10 percent discount rate?

Solution. Present value is 1100 divided by 1.10, or 1000. At 10 percent, 1000 today grows to the promised 1100 in one year.

Practice 2. Explain time value of money and present-value measurement to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct time value of money and present-value measurement from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a time value of money and present-value measurement problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 2 Notes, bonds, premiums, and discounts

The idea

Debt accounting separates face amount, stated cash interest, market yield, issue price, and effective interest. A premium or discount reconciles contractual cash flows with the market return and amortizes over the debt's life.

Rebuild the chapter from first principles

The claim I need to own is this: Debt accounting separates face amount, stated cash interest, market yield, issue price, and effective interest. A premium or discount reconciles contractual cash flows with the market return and amortizes over the debt's life. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of notes, bonds, premiums, and discounts. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach notes, bonds, premiums, and discounts on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from time value of money and present-value measurement to owners' equity and corporate transactions. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Debt accounting separates face amount, stated cash interest, market yield, issue price, and effective interest.
- **What moves.** A premium or discount reconciles contractual cash flows with the market return and amortizes over the debt's life.

- **What keeps the answer honest.** The model becomes useful only when I can apply notes, bonds, premiums, and discounts to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I keep the cash coupon and interest expense on separate lines because they coincide only at par.

The easy version

Debt accounting separates face amount, stated cash interest, market yield, issue price, and effective interest.

Worked example

Question. A 100000 bond pays 5 percent but the market requires 6 percent. Is it issued above or below par?

Walkthrough. Below par. Investors need a 6 percent yield while contractual cash interest is only 5000, so they pay less than 100000; discount amortization raises effective-interest expense.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. A 100000 bond pays 5 percent but the market requires 6 percent. Is it issued above or below par?

Solution. Below par. Investors need a 6 percent yield while contractual cash interest is only 5000, so they pay less than 100000; discount amortization raises effective-interest expense.

Practice 2. Explain notes, bonds, premiums, and discounts to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct notes, bonds, premiums, and discounts from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a notes, bonds, premiums, and discounts problem but never states a model or checks the result. Write the shortest useful

review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 3 Owners' equity and corporate transactions

The idea

Corporate equity includes contributed capital, retained earnings, accumulated other comprehensive income, and treasury stock. Issuance, dividends, splits, repurchases, and earnings per share change different parts of that structure.

Rebuild the chapter from first principles

The claim I need to own is this: Corporate equity includes contributed capital, retained earnings, accumulated other comprehensive income, and treasury stock. Issuance, dividends, splits, repurchases, and earnings per share change different parts of that structure. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of owners' equity and corporate transactions. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical

example. If one representation disagrees with another, that disagreement is useful evidence.

- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach owners' equity and corporate transactions on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from notes, bonds, premiums, and discounts to statement of cash flows. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Corporate equity includes contributed capital, retained earnings, accumulated other comprehensive income, and treasury stock.
- **What moves.** Issuance, dividends, splits, repurchases, and earnings per share change different parts of that structure.
- **What keeps the answer honest.** The model becomes useful only when I can apply owners' equity and corporate transactions to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I ask whether value came from owners, operations, or a reclassification inside equity.

The easy version

Corporate equity includes contributed capital, retained earnings, accumulated other comprehensive income, and treasury stock.

Worked example

Question. A company declares a 10000 cash dividend. What happens at declaration?

Walkthrough. Debit Retained Earnings or Dividends 10000 and credit Dividends Payable 10000. Equity falls and a liability begins; cash falls later on the payment date.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. A company declares a 10000 cash dividend. What happens at declaration?

Solution. Debit Retained Earnings or Dividends 10000 and credit Dividends Payable 10000. Equity falls and a liability begins; cash falls later on the payment date.

Practice 2. Explain owners' equity and corporate transactions to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct owners' equity and corporate transactions from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a owners' equity and corporate transactions problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 4 Statement of cash flows**The idea**

The cash-flow statement reconciles beginning and ending cash through operating, investing, and financing sections. The indirect method starts with accrual net income and removes noncash items plus timing differences in working capital.

Rebuild the chapter from first principles

The claim I need to own is this: The cash-flow statement reconciles beginning and ending cash through operating, investing, and financing sections. The indirect method starts with accrual net income and removes noncash items plus timing differences in working capital. I do not count that as learned just

because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of statement of cash flows. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach statement of cash flows on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from owners' equity and corporate transactions to partnership formation, allocation, and liquidation. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** The cash-flow statement reconciles beginning and ending cash through operating, investing, and financing sections.
- **What moves.** The indirect method starts with accrual net income and removes noncash items plus timing differences in working capital.
- **What keeps the answer honest.** The model becomes useful only when I can apply statement of cash flows to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I translate every adjustment as 'cash happened before or after accounting income' instead of memorizing plus and minus signs.

The easy version

The cash-flow statement reconciles beginning and ending cash through operating, investing, and financing sections.

Worked example

Question. Accounts receivable rises by 7000. How does the indirect operating section adjust net income?

Walkthrough. Subtract 7000. Revenue recognized exceeded cash collected by 7000, so accrual net income is higher than operating cash flow by that amount.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Accounts receivable rises by 7000. How does the indirect operating section adjust net income?

Solution. Subtract 7000. Revenue recognized exceeded cash collected by 7000, so accrual net income is higher than operating cash flow by that amount.

Practice 2. Explain statement of cash flows to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct statement of cash flows from a blank page. Include the central

definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a statement of cash flows problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 5 Partnership formation, allocation, and liquidation

The idea

Partnership accounting tracks each partner's capital and applies the partnership agreement to income, loss, drawings, admission, withdrawal, and liquidation. Economic rights, legal obligations, and book capital are related but not identical.

Rebuild the chapter from first principles

The claim I need to own is this: Partnership accounting tracks each partner's capital and applies the partnership agreement to income, loss, drawings, admission, withdrawal, and liquidation. Economic rights, legal obligations, and book capital are related but not identical. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of partnership formation, allocation, and liquidation. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach partnership formation, allocation, and liquidation on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from statement of cash flows to individual income tax foundations. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Partnership accounting tracks each partner's capital and applies the partnership agreement to income, loss, drawings, admission, withdrawal, and liquidation.
- **What moves.** Economic rights, legal obligations, and book capital are related but not identical.
- **What keeps the answer honest.** The model becomes useful only when I can apply partnership formation, allocation, and liquidation to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I write the allocation agreement before dividing profit; equal ownership does not imply every item splits equally.

The easy version

Partnership accounting tracks each partner's capital and applies the partnership agreement to income, loss, drawings, admission, withdrawal, and liquidation.

Worked example

Question. Partners A and B split income 60/40. Profit is 50000. Allocate it.

Walkthrough. Credit A's capital 30000 and B's capital 20000, assuming no salary, interest, or special allocation terms override the simple 60/40 agreement.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Partners A and B split income 60/40. Profit is 50000. Allocate it.

Solution. Credit A's capital 30000 and B's capital 20000, assuming no salary, interest, or special allocation terms override the simple 60/40 agreement.

Practice 2. Explain partnership formation, allocation, and liquidation to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct partnership formation, allocation, and liquidation from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a partnership formation, allocation, and liquidation problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 6 Individual income tax foundations

The idea

Individual tax accounting distinguishes gross income, exclusions, deductions, taxable income, credits, marginal rates, and payments. Timing, character, filing status, basis, and documentation determine consequences beyond a headline tax rate.

Rebuild the chapter from first principles

The claim I need to own is this: Individual tax accounting distinguishes gross income, exclusions, deductions, taxable income, credits, marginal rates, and payments. Timing, character, filing status, basis, and documentation determine consequences beyond a headline tax rate. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of individual income tax foundations. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach individual income tax foundations on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from partnership formation, allocation, and liquidation to investments, fair value, and consolidated thinking. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Individual tax accounting distinguishes gross income, exclusions, deductions, taxable income, credits, marginal rates, and payments.
- **What moves.** Timing, character, filing status, basis, and documentation determine consequences beyond a headline tax rate.
- **What keeps the answer honest.** The model becomes useful only when I can apply individual income tax foundations to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I separate deductions from credits: one reduces the tax base, the other reduces the computed tax.

The easy version

Individual tax accounting distinguishes gross income, exclusions, deductions, taxable income, credits, marginal rates, and payments.

Worked example

Question. At a 24 percent marginal rate, compare a 1000 deduction with a 1000 nonrefundable credit.

Walkthrough. The deduction saves about 240 of tax if fully usable at that margin. The credit reduces tax by up to 1000, subject to the credit's specific limitations.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. At a 24 percent marginal rate, compare a 1000 deduction with a 1000 nonrefundable credit.

Solution. The deduction saves about 240 of tax if fully usable at that margin. The credit reduces tax by up to 1000, subject to the credit's specific limitations.

Practice 2. Explain individual income tax foundations to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct individual income tax foundations from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a individual income tax foundations problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 7 Investments, fair value, and consolidated thinking

The idea

Investment accounting depends on influence, control, instrument type, holding purpose, and measurement category. Fair-value changes, equity-method income, dividends, and consolidation answer different economic relationships.

Rebuild the chapter from first principles

The claim I need to own is this: Investment accounting depends on influence, control, instrument type, holding purpose, and measurement category. Fair-value changes, equity-method income, dividends, and consolidation answer different economic relationships. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of investments, fair value, and consolidated thinking. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach investments, fair value, and consolidated thinking on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from individual income tax foundations to integrated analysis, ethics, and reporting judgment. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Investment accounting depends on influence, control, instrument type, holding purpose, and measurement category.

- **What moves.** Fair-value changes, equity-method income, dividends, and consolidation answer different economic relationships.
- **What keeps the answer honest.** The model becomes useful only when I can apply investments, fair value, and consolidated thinking to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

I ask how much influence the investor actually has before I choose an accounting method.

The easy version

Investment accounting depends on influence, control, instrument type, holding purpose, and measurement category.

Worked example

Question. Why are dividends not equity-method income?

Walkthrough. Under the equity method, the investor recognizes its share of the investee's income as the investment grows. A dividend is a distribution that reduces the investment carrying amount rather than creating new income.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Why are dividends not equity-method income?

Solution. Under the equity method, the investor recognizes its share of the investee's income as the investment grows. A dividend is a distribution that reduces the investment carrying amount rather than creating new income.

Practice 2. Explain investments, fair value, and consolidated thinking to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct investments, fair value, and consolidated thinking from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains

why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a investments, fair value, and consolidated thinking problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

CHAPTER 8 Integrated analysis, ethics, and reporting judgment

The idea

Accounting choices affect timing, estimates, ratios, covenants, compensation, and market narratives. High-quality analysis reconciles statements, normalizes unusual items, tests estimate sensitivity, and distinguishes legal compliance from faithful representation.

Rebuild the chapter from first principles

The claim I need to own is this: Accounting choices affect timing, estimates, ratios, covenants, compensation, and market narratives. High-quality analysis reconciles statements, normalizes unusual items, tests estimate sensitivity, and distinguishes legal compliance from faithful representation. I do not count that as learned just because the sentence looks familiar. I should be able to name the objects, state what changes and what stays fixed, recover the rule from the definitions, and explain why the result is allowed.

The move

My working sequence

1. **Translate.** Rewrite the prompt in the language of integrated analysis, ethics, and reporting judgment. List the known quantities, the unknown, the units or types, and any hidden constraint.
2. **Choose.** State the theorem, model, algorithm, accounting rule, or physical law before substituting values. This is where I make the assumption visible.
3. **Execute.** Work one justified step at a time and keep intermediate state readable enough that I can audit it later.
4. **Verify.** Check a boundary case, sign, unit, invariant, order of magnitude, or alternative derivation. Then translate the result back into an ordinary sentence.

Details I would refuse to skip

- **Definitions:** I should be able to define every technical noun in the chapter without using that same noun in the definition.
- **Assumptions:** I write the condition that makes the method legal beside the method itself. A correct procedure under the wrong assumptions is still a wrong answer.
- **Representation:** I move freely among words, equations or code, a diagram, and a small numerical example. If one representation disagrees with another, that disagreement is useful evidence.
- **Failure modes:** I keep the nearest counterexample in mind: the boundary where the rule changes, the invariant breaks, or the model stops matching reality.
- **Communication:** My final answer names what the result means and what it does not establish. I do not let notation do the explanatory work for me.

Sanity check

Closed-note check. Can I teach integrated analysis, ethics, and reporting judgment on a blank page, derive or reconstruct its main rule, work a fresh example, and diagnose a deliberately broken solution? If I can only recognize the finished work, I am not done.

How this chapter connects

I read this chapter as the bridge from investments, fair value, and consolidated thinking to the cumulative course model. The earlier material supplies the language and constraints; this chapter adds a new reasoning move; the later material asks me to use that move without being told its name. That connection matters because exams and real projects mix chapters on purpose.

The full working model

- **Core claim.** Accounting choices affect timing, estimates, ratios, covenants, compensation, and market narratives.
- **What moves.** High-quality analysis reconciles statements, normalizes unusual items, tests estimate sensitivity, and distinguishes legal compliance from faithful representation.
- **What keeps the answer honest.** The model becomes useful only when I can apply integrated analysis, ethics, and reporting judgment to an unfamiliar case and defend the assumptions.
- **Mastery standard.** I can define the objects, rebuild the rule, work a fresh case, compare alternatives, and diagnose a broken solution without relying on recognition.

How I actually think about it

If one estimate makes every target land perfectly, I treat that neatness as a reason to investigate.

The easy version

Accounting choices affect timing, estimates, ratios, covenants, compensation, and market narratives.

Worked example

Question. Management extends an asset's useful life only to avoid missing an earnings target. What is the analytical issue?

Walkthrough. The estimate may be biased rather than based on new economic evidence. Recalculate depreciation under supportable lives, quantify the earnings effect, examine controls and incentives, and evaluate disclosure and ethics.

Common miss

The fastest way to get this chapter wrong is to use the visible procedure without naming its assumption, units, time period, reference group, or boundary. I put that condition beside the work and verify the result independently.

Solved chapter practice

Practice 1. Management extends an asset's useful life only to avoid missing an earnings target. What is the analytical issue?

Solution. The estimate may be biased rather than based on new economic evidence. Recalculate depreciation under supportable lives, quantify the earnings effect, examine controls and incentives, and evaluate disclosure and ethics.

Practice 2. Explain integrated analysis, ethics, and reporting judgment to a classmate using one definition, one concrete example, one assumption, and one failure mode.

Solution. Begin with the core claim above, use the worked case as the concrete example, state the condition highlighted by the warning, and choose a failure where that condition does not hold. A complete explanation connects all four pieces instead of listing them.

Mastery practice A. Reconstruct integrated analysis, ethics, and reporting judgment from a blank page. Include the central definition, the governing rule, one required assumption, and one boundary case.

Solution. Start from the blue idea box, but rewrite it in my own words. Identify the objects and state, name the rule before using it, copy the relevant assumption from the details audit, and choose a boundary where that assumption becomes equality or fails. A complete solution explains why each part belongs; a list of vocabulary is not enough.

Mastery practice B. A classmate gets a polished-looking answer to a integrated analysis, ethics, and reporting judgment problem but never states a model or checks the result. Write the shortest useful review of that solution.

Solution. I would ask four concrete questions: What exactly are the inputs and desired output? Which rule licenses the main step? Which assumption could invalidate it? Which independent check supports the conclusion? If the answer cannot survive those four questions, I treat the numerical or verbal result as unverified.

Cumulative study plan

I use this packet in three passes. First I reconstruct each model and work its examples without looking. Second I mix chapters so the tool is no longer named for me. Third I explain a complete case aloud, including assumptions, units, uncertainty, failure modes, and what evidence would change my conclusion.