

Question 1

For gift tax purposes, a \$13,000 annual exclusion per donee is permitted.

Answer: <https://biology-forums.com/index.php?topic=532227>

Question 2

Mark and his brother, Rick, each own farms. Rick is experiencing severe financial difficulties and cannot afford to buy feed for his cattle. Mark purchases \$2,000 of feed and gives Rick one-half of the feed. Mark tells Rick that there is no need to repay him and to consider the feed a gift. Which of the following statements is true?

- A) Mark can deduct \$2,000 for the feed.
- B) Mark can deduct \$1,000 for the feed.
- C) Rick can deduct \$1,000 for the feed.
- D) Rick must report \$1,000 as income.

Answer: <https://biology-forums.com/index.php?topic=532843>

Question 3

Topaz Corporation had the following income and expenses during the current year:

Revenues \$80,000

Expenses 30,000

Gains on sale of capital assets 5,000

Losses on sale of capital assets (25,000)

What is Topaz's taxable income?

- A) \$30,000
- B) \$50,000
- C) \$52,000
- D) \$20,000

Answer: <https://biology-forums.com/index.php?topic=532762>

Question 4

The primary liability for payment of the gift tax is imposed upon the donee.

Answer: <https://biology-forums.com/index.php?topic=532226>

Question 5

The recipient of a taxable stock dividend includes the value of the stock received in gross income and that amount becomes the basis for the stock received.

Answer: <https://biology-forums.com/index.php?topic=532470>

Question 6

Gifts between spouses are generally exempt from transfer taxes.

Answer: <https://biology-forums.com/index.php?topic=532225>

Question 7

Itemized deductions are deductions for AGI.

Answer: <https://biology-forums.com/index.php?topic=532787>

Question 8

The following are gains and losses recognized in 2010 to Ann's business assets that were held for more than one year. The assets qualify as Sec. 1231 property.

Gain due to insurance reimbursement for casualty \$20,000

Gain due to a condemnation 30,000

Loss due to the sale of Sec. 1231 property 17,000

A summary of Ann's net Sec. 1231 gains and losses for the previous five-year period is as follows:

Cumulative Nonrecaptured

Year Sec. 1231 Gain Sec. 1231 Loss Net 1231 Losses

2006 \$5,000 \$-0-

2007 \$3,000 \$3,000

2008 \$7,000 \$10,000

2009 \$12,000 \$-0-

2010 \$10,000 \$10,000

Describe the specific tax treatment of each of these transactions.

Answer: <https://biology-forums.com/index.php?topic=533631>

Question 9

When a donee disposes of appreciated gift property, the recapture amount for the donee is computed by including the recapture amount attributable to the donor.

Answer: <https://biology-forums.com/index.php?topic=533571>

Question 10

Corporations that are members of a brother-sister affiliated group may file a consolidated return if the proper election is made.

Answer: <https://biology-forums.com/index.php?topic=533907>

Question 11

Which of the following statements regarding Circular 230 is correct?

- A) Circular 230 applies to all tax return preparers.
- B) Circular 230 are ethical standards for tax practice.
- C) Circular 230 prescribes sanctions and disciplinary proceedings for violations.
- D) Circular 230 defines licensing requirements for CPAs.

Answer: <https://biology-forums.com/index.php?topic=533838>

Question 12

Paul makes the following property transfers in the current year:

- \$22,000 cash to his wife
- \$34,000 cash to a qualified charity
- \$220,000 house to his son
- \$3,000 computer to an unrelated friend

The total of Paul's taxable gifts, assuming he does not elect gift splitting with his spouse, subject to the unified transfer tax is

- A) \$207,000.
- B) \$223,000.
- C) \$245,000.
- D) \$279,000.

Answer: <https://biology-forums.com/index.php?topic=532256>

Question 13

In the current year, Drew paid \$6,500 for a piece of equipment to be used in his business. In addition, he had to pay a state sales tax of \$500 on the purchase. How should Drew handle the sales tax?

- A) as an itemized deduction on Schedule A
- B) as a tax expense deduction on Schedule C
- C) Add the tax to the basis of the equipment.
- D) Disregard sales tax as it is no longer deductible.

Answer: <https://biology-forums.com/index.php?topic=532980>

Question 14

Generally, if inventories are an income-producing factor to the business, the accrual method must be used for sales and cost of goods sold.

Answer: <https://biology-forums.com/index.php?topic=533357>

Question 15

A newly married person may change tax years to conform to that of his or her spouse so that a joint return may be filed.

Answer: <https://biology-forums.com/index.php?topic=533352>

Question 16

All the following are types of pass-through entities except

- A) LLP.
- B) LLC.
- C) C corporations.
- D) S corporations.

Answer: <https://biology-forums.com/index.php?topic=534034>

Question 17

Limited liability company members (owners) are responsible for the liabilities of their limited liability company.

Answer: <https://biology-forums.com/index.php?topic=532242>

Question 18

Fines and penalties are tax deductible if related to the taxpayer's trade or business.

Answer: <https://biology-forums.com/index.php?topic=532800>

Question 19

What type of property should be transferred to heirs at a decedent's death and why? Should estate planning also mean that some property is transferred prior to death? Why?

Answer: <https://biology-forums.com/index.php?topic=532782>

Question 20

Discuss why the distinction between deductions for AGI and from AGI is important to individuals.

Answer: <https://biology-forums.com/index.php?topic=532902>