

Question 1

Five years ago, George and Jerry (his brother) provide \$40,000 and \$60,000, respectively, to purchase realty titled in the names of George and Jerry as joint tenants with right of survivorship. George dies in the current year and is survived by Jerry. At the time of George's death, the realty is valued at \$300,000. What is the value of the realty in George's gross estate?

Answer: <https://biology-forums.com/index.php?topic=561675>

Question 2

When a Sec. 444 fiscal-year election is made, the S corporation makes required payments to the IRS in order to continue to use the fiscal year as its tax year. Which of the following statements about the tax year is correct?

- A) The Sec. 444 payment is deductible by the S corporation as an income tax.
- B) The Sec. 444 payment is allocated ratably to each shareholder and claimed as a tax payment on their own tax return(s).
- C) The Sec. 444 payments are refundable if the S election is terminated.
- D) The Sec. 444 payments must be made quarterly on the same dates that the S corporation's estimated tax payments are otherwise due.

Answer: <https://biology-forums.com/index.php?topic=561417>

Question 3

How do intercompany transactions affect the calculation of capital gains/losses?

Answer: <https://biology-forums.com/index.php?topic=561150>

Question 4

Grand Corporation transfers 40% of its assets having an adjusted basis of \$600,000 and an FMV of \$800,000 to New Corporation in exchange for 75% of its single class of stock. Grand Corporation is owned equally by Annie and Betsy who are unrelated. Annie's basis for her Grand stock is \$300,000 and Betsy's basis is \$400,000. Annie exchanges all of her Grand stock for all of the New stock received in the exchange. Which of the following statements is correct concerning these transactions?

- A) Grand Corporation does not recognize a gain on the asset transfer to New Corporation or the stock distribution to Annie.
- B) Annie recognizes a \$500,000 capital gain on the exchange of the Grand stock for the New stock.
- C) Annie's basis in the New stock is \$300,000.
- D) Grand's basis for the New assets is \$600,000.

Answer: <https://biology-forums.com/index.php?topic=561002>

Question 5

The tax disadvantages of the C corporation form of doing business include "double taxation." What is meant by the term "double taxation" as used in this context?

Answer: <https://biology-forums.com/index.php?topic=560476>

Question 6

Phoenix Corporation is a controlled foreign corporation (CFC) incorporated in Country X. It is 100% owned by its U.S. parent corporation. Phoenix has \$80,000 of taxable income from the sale of widgets that were purchased from their U.S. parent corporation. All widgets have the same gross profit. Sixty percent of the widgets were sold through a Country Y wholesaler that is 100% owned by Phoenix, and are destined for use in Country Y. The remaining 40% are sold through unrelated Country X wholesalers and are destined for use in Country X. What amount of profits will be constructively distributed as foreign-base company sales income to the U.S. parent company?

- A) \$0
- B) \$32,000
- C) \$48,000
- D) \$80,000

Answer: <https://biology-forums.com/index.php?topic=561964>

Question 7

S shareholders cannot increase the basis of their stock by a ratable share of the general S corporation liabilities.

T or F?

Answer: <https://biology-forums.com/index.php?topic=561387>

Question 8

Briefly discuss how inter vivos gifts can be used to reduce the size of the estate tax base.

Answer: <https://biology-forums.com/index.php?topic=561689>

Question 9

Identify which of the following statements is true.

- A) If both the current and accumulated E&P have deficit balances, a corporate distribution cannot be characterized as a dividend.
- B) The shareholder's basis in property received in a nonliquidating distribution is the property's FMV reduced by liabilities assumed by the shareholder.
- C) A corporation recognizes gain when distributing money as a dividend to its shareholders.
- D) All of the above are false.

Answer: <https://biology-forums.com/index.php?topic=560648>

Question 10

In February of the current year, Tom dies. Two years and nine months before the date of death, Tom made a gift of stock valued at \$2 million. Gift taxes paid on the transfer by Tom were \$435,000 after reduction for a \$345,800 unified credit (\$780,800 - \$345,800). At the time of his death, the gifted stock was valued at \$2.3 million. The amount included in Tom's gross estate from this transfer is

- A) \$2,000,000.
- B) \$2,300,000.
- C) \$435,000.
- D) none of the above

Answer: <https://biology-forums.com/index.php?topic=561620>

Question 11

Which of the following characteristics is not used by the U.S. government to determine the tax treatment accorded foreign-related transactions?

- A) the taxpayer's country of citizenship
- B) the taxpayer's country of residence
- C) the taxpayer's type of business
- D) the type of income earned

Answer: <https://biology-forums.com/index.php?topic=561922>

Question 12

Identify which of the following statements is true.

- A) If a partnership asset with a deferred precontribution gain is distributed in a nonliquidating distribution to the partner who contributed the asset, the precontribution gain must be recognized by the partner.
- B) The partner's basis in the partnership interest is normally reduced by the FMV of property distributed in a nonliquidating distribution.
- C) When a current distribution from a partnership reduces the basis of the partnership interest to zero, the partner's interest in the partnership is terminated.
- D) All of the above are false.

Answer: <https://biology-forums.com/index.php?topic=561291>

Question 13

Trusts that can own S corporation stock include all of the following except

- A) charitable remainder unitrusts.
- B) QSSTs.
- C) grantor trusts.
- D) testamentary trusts.

Answer: <https://biology-forums.com/index.php?topic=561394>

Question 14

One consequence of a property distribution by a corporation to a shareholder is that

- A) the amount of the distribution is increased by any liability assumed by the shareholder.
- B) the holding period of the distributed property includes the holding period of the distributing corporation.
- C) the shareholder's basis in the distributed property is the same as the distributing corporation's basis.
- D) any liabilities assumed by the shareholder do not reduce the shareholder's basis.

Answer: <https://biology-forums.com/index.php?topic=560651>

Question 15

Ball Corporation owns 80% of Net Corporation's stock and Jack owns the remaining 20% of Net Corporation's stock. Ball's basis in the Net stock is \$200,000 and Jack's basis in the Net stock is \$100,000. Under a plan of complete liquidation, Ball Corporation receives property with an adjusted basis of \$400,000 and an FMV of \$800,000 and Jack receives property with an adjusted basis of \$50,000 and an FMV of \$200,000. Ball and Jack's

recognized gains on the liquidation are:

- A)
Ball Jack
\$0 \$0
- B)
Ball Jack
\$0 \$100,000
- C)
Ball Jack
\$200,000 \$50,000
- D)
Ball Jack
\$600,000 \$100,000

Answer: <https://biology-forums.com/index.php?topic=560886>

Question 16

Identify which of the following statements is true.

- A) An affiliated group member incurring an NOL in a separate return year that is available as a carryback or carryforward to a consolidated return year is subject to a limit on the use of the NOL when the loss year is designated a separate return limitation year (SRLY).
- B) A consolidated NOL may be carried back one year and carried forward twenty years.
- C) An NOL incurred in a separate return limitation year by the corporation that is the common parent corporation for the group in the carryover year is subject to the SRLY limitation.
- D) All of the above are false.

Answer: <https://biology-forums.com/index.php?topic=561110>

Question 17

Jerry has a 10% interest in the EKG Partnership capital, profits, and losses. He is a limited partner. At the beginning of the current year, his basis in his partnership interest is \$10,000. The partnership earned \$20,000 of ordinary income this year and repaid a \$150,000 nonrecourse liability. What tax issues should Jerry consider with respect to reporting the results of this year's activities for the EKG Partnership on his personal return?

Answer: <https://biology-forums.com/index.php?topic=561265>

Question 18

Identify which of the following statements is true.

- A) Form 1120 Schedule L contains the corporation's income statement.
- B) Schedule M-1 (Form 1120) is an analysis of the corporation's retained earnings.
- C) Organizational expense amortized over fifteen years for purposes of determining taxable income results in an upper adjustment in the initial years to book income on the Schedule M-1 when the expense is being amortized over ten years for book income purposes.
- D) All of the above are false.

Answer: <https://biology-forums.com/index.php?topic=560570>

Question 19

When Rachel's basis in her interest in the RST Partnership is \$40,000, she receives a current distribution of office equipment. The equipment has an FMV of \$60,000 and a basis of \$50,000. Rachel will not use the office equipment in a business activity. What tax issues should Rachel consider with respect to the distribution?

Answer: <https://biology-forums.com/index.php?topic=561370>

Question 20

Eight individuals own Navy Corporation, a C corporation. Three shareholders make up the board of directors and own 51% of the stock. The corporation has a successful manufacturing business. It has accumulated \$3 million of E&P and expects to accumulate another \$200,000 of E&P annually. Annual dividend payments are \$30,000. Demand for Navy's goods has been strong, but the company does not anticipate any expansion or repair of the current plant for three to five years. Management has invested \$200,000 annually in growth stocks. Its current investment portfolio is \$1.2 million. The portfolio is held as protection against a business slowdown. Loans to shareholder-employees currently are \$400,000. As Navy's CPA, what tax issues should you have your client consider?

Answer: <https://biology-forums.com/index.php?topic=560843>