

### Question 1

Which of the following statements is correct?

- A) A partnership may make an annual election to adjust the basis of its assets upon the sale of a partnership interest.
- B) The Sec. 754 election applies to both sales and distributions.
- C) The Sec. 754 election applies to only current and nonliquidating distributions.
- D) A partnership can revoke a Sec. 754 election every 5 years.

Answer: <https://biology-forums.com/index.php?topic=561334>

### Question 2

What are the differences between a controlled group and an affiliated group?

Answer: <https://biology-forums.com/index.php?topic=561143>

### Question 3

In the current year, a trust has distributable net income (DNI) of \$30,000. During the year, the trust makes a mandatory distribution to Sarah of \$5,000 and a discretionary distribution of \$10,000 to Kyle. The trust has no tax-exempt income. The distribution deduction of the trust is

- A) \$30,000.
- B) \$15,000.
- C) \$10,000.
- D) \$5,000.

Answer: <https://biology-forums.com/index.php?topic=561740>

### Question 4

Matt and Sheila form Krupp Corporation. Matt contributes property with an FMV of \$55,000 and a basis of \$35,000. Sheila contributes property with an FMV of \$75,000 and a basis of \$40,000. Matt sells his stock to Paul shortly after the exchange. The transaction will

- A) not qualify under Sec. 351.
- B) qualify under Sec. 351 if Matt can show that the sale to Paul was not part of a prearranged plan.
- C) qualify with respect to Sheila under Sec. 351 whether Matt qualifies or not.
- D) qualify under Sec. 351 only if an advance ruling has been obtained.

Answer: <https://biology-forums.com/index.php?topic=560409>

### Question 5

An automatic extension of time from the regular filing date for an individual tax return may be received, without giving the IRS a reason, for

- A) 2 months.
- B) 3 months.
- C) 4 months.
- D) 6 months.

Answer: <https://biology-forums.com/index.php?topic=561838>

### Question 6

Gift tax returns are filed on a calendar-year basis.

T or F?

Answer: <https://biology-forums.com/index.php?topic=561492>

### Question 7

What are the five steps in calculating consolidated taxable income?

Answer: <https://biology-forums.com/index.php?topic=561144>

### Question 8

What are the advantages of a firm being formed as a limited liability company (LLC) instead of as a limited partnership?

Answer: <https://biology-forums.com/index.php?topic=561366>

### Question 9

Identify which of the following statements is true.

- A) The creation of a joint bank account constitutes a taxable gift.
- B) The creation of a joint tenancy by one person will result in a gift equal to the other joint tenant's pro rata interest in the property.

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- C) The naming of a life insurance policy beneficiary constitutes a gift for transfer tax purposes.  
D) Since municipal bond interest is exempt from federal income taxation, gifting the bonds escapes the gift tax.

Answer: <https://biology-forums.com/index.php?topic=561516>

### Question 10

Clark and Lewis are partners who share the profits and losses of the C&L Partnership 60% and 40%, respectively. The tax basis of each partner's interest in the partnership as of December 31 of last year was as follows: Clark, \$14,000; Lewis, \$12,000. During the current year, the partnership had ordinary income of \$20,000 and a long-term capital loss of \$10,000 from the sale of securities. The partnership made cash distributions proportionately to the two partners during this year totaling \$20,000. What is the amount of Lewis's tax basis of his partnership interest on December 31 of the current year?

Answer: <https://biology-forums.com/index.php?topic=561243>

### Question 11

A trust is required to distribute 10% of its income to Eleanor. In addition, the trustee in his discretion may distribute income to Eleanor and/or Marshall. The trust has net accounting income of \$50,000, none of which is tax-exempt. The trust distributes the \$5,000 mandatory payment to Eleanor and also distributes discretionary amounts of \$5,000 to Eleanor and \$5,000 to Marshall. How much must Eleanor include in income?

- A) \$5,000  
B) \$10,000  
C) \$50,000  
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=561729>

### Question 12

Steve gave stock with an adjusted basis of \$7,000 and an FMV of \$10,000 to Alice. No gift tax was paid. Later, Alice sold the stock for \$12,000. The gain Alice will recognize on the sale is

- A) \$5,000.  
B) \$2,000.  
C) \$0.  
D) none of the above

Answer: <https://biology-forums.com/index.php?topic=561543>

### Question 13

U.S. citizen Barry is a bona fide resident of a foreign country for all of 2013. Barry uses a calendar year as his tax year and receives \$158,000 in salary and allowances from his employer. Included in the \$158,000 is a \$25,000 housing allowance. Barry's housing costs are \$30,000. The base housing amount for the current year is \$15,616. What amount related to his housing can Barry exclude on his Form 2555?

- A) \$14,384  
B) \$25,000  
C) \$30,000  
D) \$13,545

Answer: <https://biology-forums.com/index.php?topic=561942>

### Question 14

Which of the following actions cannot be used to eliminate a potential accumulated earnings tax liability situation involving a corporation owned by a mother and a father?

- A) Create plans to invest retained earnings in a plant expansion.  
B) Make a cash distribution within 2 1/2 months after the end of the tax year.  
C) Make a deficiency distribution within 90 days of the date on which the IRS determines that an accumulated earnings tax liability is owed.  
D) Liquidate the corporation.

Answer: <https://biology-forums.com/index.php?topic=560809>

### Question 15

Power Corporation reports the following results:

Service income (not passive income) \$40,000

Dividend income 30,000

Interest income 60,000

Passive income-related expenses 20,000

Other expenses 50,000

At the end of the year, Power's Subchapter C E&P is \$50,000. What is Power Corporation's excess net passive income and its excess net passive

income tax for the year?

Answer: <https://biology-forums.com/index.php?topic=561450>

### Question 16

Bob contributes cash of \$40,000 and Carol contributes land with a basis of \$25,000 and an FMV of \$40,000 to become equal partners in the BC Partnership. The partnership immediately obtains a \$30,000 mortgage on the land and the partners will share the economic risk of loss equally. What are the two partners' bases in the partnership after these transactions are completed?

Answer: <https://biology-forums.com/index.php?topic=561233>

### Question 17

Bao had investment land that he purchased in 1990 for \$80,000. Two years ago, when the land was contributed to a partnership, the FMV was \$50,000. The land is inventory in the hands of the partnership. The partnership then sells the land in the current year for \$46,000. The partnership's recognized loss is

- A) a \$34,000 capital loss.
- B) a \$34,000 ordinary loss.
- C) a \$30,000 capital loss and a \$4,000 ordinary loss.
- D) a \$4,000 capital loss and a \$30,000 ordinary loss.

Answer: <https://biology-forums.com/index.php?topic=561187>

### Question 18

What are the tax consequences to Parent Corporation when Parent Corporation, which owns 75% of Subsidiary Corporation's single class of stock, purchases for cash the remaining 25% of the Subsidiary stock from three individual shareholders pursuant to a tender offer? Three months later as part of an approved plan of liquidation, Subsidiary's assets are distributed to Parent Corporation in exchange for all of Subsidiary's outstanding stock.

Answer: <https://biology-forums.com/index.php?topic=560943>

### Question 19

Brad forms Vott Corporation by contributing equipment, which has a basis of \$50,000 and an FMV of \$40,000 in exchange for Vott stock. Brad also contributes \$5,000 in cash. If the transaction meets the Sec. 351 control and ownership tests, what are the tax consequences to Brad?

- A) He recognizes a \$5,000 loss.
- B) He recognizes a \$5,000 gain and a \$10,000 loss.
- C) He recognizes neither a gain nor a loss.
- D) He recognizes a \$10,000 loss.

Answer: <https://biology-forums.com/index.php?topic=560410>

### Question 20

A qualified disclaimer must be made within nine months after (a) the day the property is transferred, or (b) the day the person receiving the property becomes age 21, whichever is later.

T or F?

Answer: <https://biology-forums.com/index.php?topic=561484>