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Accountant AICPA-REG Regulation



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Question: 1

In which of the following scenarios would the head of household filing status be available to the taxpayer?

- A. A single taxpayer maintains a separate home for his parent, who qualifies as a dependent.
- B. A taxpayer with no dependents is the surviving spouse of an individual who died in the current year.
- C. An unmarried taxpayer maintains a household with a 28-year-old son, who earned \$10,000 during the tax year.
- D. A single taxpayer maintains a household that is the principal home for five months of the year for his disabled child.

Answer: A

Question: 2

A partner sold a 25 percent interest in a partnership for \$400,000 cash plus assumption of the partner's share of the partnership liabilities. The following additional information relates to the partnership activities: Partner's initial cash contribution \$ 100,000 Partnership income during the partner's ownership time period 1,000,000 Partnership liabilities at date of sale 60,000 Partner's cash withdrawals 50,000 How much gain is recognized by the partner upon the sale of the partnership interest?

- A. \$35,000
- B. \$50,000
- C. \$100,000
- D. \$650,000

Answer: C

Question: 3

The following information applies to a calendar year-end C corporation whose net operating loss was generated in the year ending December 31, 2019: Net operating loss (NOL) incurred in 2019 (\$80,000) Combined taxable incomes in 2017 and 2018 60,000 Taxable income in 2020 70,000 The corporation's taxable income in 2017, 2018, and 2020 is before consideration of any NOL carrybacks or carryforwards. In this situation, the corporation may utilize its 2019 NOL by offsetting:

- A. All of 2020 taxable income.
- B. All of 2017 and 2018 taxable income and \$20,000 of 2020 taxable income.

- C. All of 2020 taxable income and carrying forward \$10,000 of the NOL to 2021 and succeeding periods.
- D. \$56,000 of the 2020 taxable income and carrying forward \$24,000 of the NOL to 2021 and succeeding periods.

Answer: D

Question: 4

A taxpayer owned land with a basis of \$120,000, subject to a mortgage of \$75,000. The taxpayer exchanged the land held for another parcel of land with a fair market value of \$200,000 plus cash of \$35,000, and the taxpayer was relieved of the mortgage on the relinquished land. The transaction qualified for like-kind exchange treatment. What amount of taxable gain will be recognized on the taxpayer's tax return for this exchange?

- A. \$35,000
- B. \$110,000
- C. \$115,000
- D. \$190,000

Answer: B

Question: 5

On January 1, Smith sold land to Baker for \$100,000 cash plus a note for \$200,000 plus adequate interest with a \$30,000 principal payment due in the second year. Smith's basis in the property was \$100,000. What is the amount of the gain recognized in the second year under the installment method?

- A. \$20,000
- B. \$30,000
- C. \$100,000
- D. \$200,000

Answer: A

Question: 6

A domestic limited liability company not classified as a corporation under IRS regulations is owned entirely by one individual taxpayer. Unless the taxpayer elects otherwise, the company will be taxed as:

- A. A trust.
- B. A partnership.
- C. An S corporation.

D. A disregarded entity.

Answer: D

Question: 7

Sutton is a partner of RST Partnership. RST distributed \$3,000 cash and a building with an adjusted basis of \$10,000 and a fair market value of \$50,000 to Sutton. Before the distributions, Sutton's basis in the partnership was \$90,000. What amount of these distributions is taxable to Sutton in the current year?

- A. \$53,000
- B. \$13,000
- C. \$3,000
- D. \$0

Answer: D

Question: 8

Which of the following statements is correct regarding a tax return preparer's penalty for aiding and abetting the understatement of a tax liability?

- A. The penalty applies to a person who provides only clerical assistance.
- B. The penalty does not apply if another penalty is assessed with respect to the same action.
- C. The taxpayer must have knowledge of the action causing the penalty for the penalty to apply.
- D. The penalty applies to a return preparer who knows about and does not prevent the actions of a subordinate who understates the tax liability.

Answer: D

Question: 9

Mark and Mary formed MM Inc. as an S corporation. Each contributed \$50,000 in exchange for five shares of corporate stock. In addition, MM obtained a \$60,000 loan from a local bank that was still outstanding at the end of the year. In MM's first year of operation, it reported a loss of \$20,000 and did not make any distributions to the shareholders. What is Mark's basis in his MM shares at the beginning of the second year?

- A. \$40,000
- B. \$50,000
- C. \$70,000
- D. \$100,000

Answer: A

Question: 10

A taxpayer purchased a forklift for use in the taxpayer's business for \$20,000 on January 1 of the current year. The taxpayer sold the forklift for \$22,000 on June 1 of the current year. What is the taxpayer's Section 1231 gain as a result of the sale?

- A. \$0
- B. \$2,000
- C. \$6,000
- D. \$22,000

Answer: A

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