

# FEDERAL INCOME TAX ACCOUNTING (140) —Post-secondary— REGIONAL – 2017

**Multiple Choice & Short Answer Section:**

Multiple Choice (15 @ 2 points each) \_\_\_\_\_ (30 points)

Short Answers (8 @ 2 points each) \_\_\_\_\_ (16 points)

**Production Portion:**

Job 1: Schedule A Completion \_\_\_\_\_ (18 points)

Job 2: Form 1040 Completion \_\_\_\_\_ (33 points)

***TOTAL POINTS*** \_\_\_\_\_ ***(97 points)*****Failure to adhere to any of the following rules will result in disqualification:**

1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.
2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.
3. Electronic devices will be monitored according to ACT standards.

No more than ten (10) minutes orientation  
No more than ninety (90) minutes testing time  
No more than ten (10) minutes wrap-up

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## **General Instructions**

You have been hired as a Financial Assistant and will be keeping the accounting records for Professional Business Associates, located at 5454 Cleveland Avenue, Columbus, Ohio 43231. Professional Business Associates provides accounting and other financial services for clients. You will complete jobs for Professional Business Associates' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice and short answer questions should be completed first, and then the accounting problems may be completed in any order.

Your name and/or school name should *NOT* appear on any work you submit for grading. Write your contestant number in the provided space. Staple all pages in order before you turn in your test.

Assumptions to make when taking this assessment: this exam will use the 2015 IRS rules for federal income taxation.

Please enter your answers for the multiple choice and matching questions on the SCANTRON answer sheet provided.

**Part 1-Multiple Choice: (15 questions, 2 points each for a total of 30 points)**

*Choose the best answer or statement for each of the following questions.*

1. The basic tax formula for taxable income is
  - a. Taxable Income = Income from all sources + Exempt Income - Deductions
  - b. Taxable Income = Income from all sources + Exempt Income + Deductions
  - c. Taxable Income = Income from all sources - Exempt Income + Deductions
  - d. Taxable Income = Income from all sources - Exempt Income - Deductions
2. The objective of income taxation is \_\_\_\_\_.
  - a. keep the people “under their thumb”
  - b. raise tax revenue to help cover the government’s annual operating costs
  - c. to see how many taxpayer’s the IRS can audit annually
  - d. keep track of lost tax revenue by taxpayers who cheat on their taxes
3. All of the following are deductions for AGI *except* \_\_\_\_\_.
  - a. student loan interest
  - b. alimony paid
  - c. educator expense
  - d. personal exemption
4. What was the standard deduction for 2015 for a Head of Household individual?
  - a. \$9,250
  - b. \$12,600
  - c. \$6,300
  - d. \$8,950
5. What is the personal and dependency exemption amount for 2015?
  - a. \$3,950
  - b. \$3,800
  - c. \$4,000
  - d. none of these are correct
6. Ben is a married taxpayer, with 3 children who live with his ex-wife full time, in addition, he provides 95% support for his mother and father all year long (they do not live with him). How many exemptions can he claim?
  - a. 3
  - b. 6
  - c. 7
  - d. none of these are correct

7. If a single taxpayer is blind and over 65 years of age, how much would the total standard deduction be for 2015?
  - a. \$6,300
  - b. \$8,700
  - c. \$9,400
  - d. \$7,850
8. A head of household taxpayer that has taxable income of \$182,642 would be considered in which tax bracket?
  - a. 33%
  - b. 25%
  - c. 35%
  - d. 28%
9. When using the Age Test for determining exemptions, a 23-year-old son would be considered a dependent if \_\_\_\_\_.
  - a. he was a full-time student
  - b. he was disabled
  - c. he had no income whatsoever and all support was provided
  - d. all of the above
10. For a qualifying non-relative to be claimed as a dependent, all of the following must be true *except* \_\_\_\_\_.
  - a. the dependent must live with you at least 6 months
  - b. the dependent must pass the citizenship test
  - c. the dependent must pass the joint return test
  - d. the dependent must pass the gross income test
11. If a MFJ taxpayer has AGI of \$119,120 and one child that qualifies for the child tax credit, how much CTC credit will they be allowed to take assuming they have enough tax liability to cover the amount
  - a. \$1,000
  - b. \$750
  - c. \$500
  - d. \$250
12. For a taxpayer in the 25% tax bracket, how much tax would be calculated on \$12,600 of Qualified Dividends of their taxable income (assuming all the qualified dividends fall in the 25% tax bracket range of income)?
  - a. \$2,600
  - b. \$1,890
  - c. \$0
  - d. \$3,150

13. In 2015 you purchased 10 shares of stock at \$62 each and sold all 10 shares at \$76 each. In addition, you sold 14 shares of stock you purchased 10 years ago (costing \$24 each) for \$22 each. What would your net Long-Term Capital Gain would be?
- a. \$140
  - b. \$168
  - c. \$760
  - d. \$112
14. In May of 2011, you put into service a Rental Property costing \$195,000. It has been determined the land is considered to be \$32,000 of the purchase price. How much depreciation will you take in 2015 (round to the nearest dollar)?
- a. \$7,090
  - b. \$5,000
  - c. \$4,179
  - d. \$5,927
15. Which of the following is *generally* taxable income for federal tax purposes?
- a. Municipal bond interest
  - b. \$10,000 gift of money from your parents
  - c. Worker's Compensation Payments
  - d. None of the above

**Part 2-Short Answer: (8 questions, 2 points each for a total of 16 points)**

*Round all answers to the nearest whole dollar.*

1. Bobby Bobblehead is a head of household taxpayer, his dependent daughter, Jean Bobblehead, lived with him all year. Jean is 9 years old. He has the following income and adjustments to income for 2015:

W-2 income	\$43,720
Net LT Capital Gains	\$ 3,000
Municipal Bond Interest	\$ 1,000
Savings Accounting Interest	\$ 20
Gambling Income	\$ 1,400
Dividend Income (all are qualified)	\$ 1,300
Educator Expenses	\$ 360
Qualified Student Loan Interest Paid	\$ 419

**Use the attached Form 1040 to calculate the answers to the following questions:**

- A. What is Bobby's TOTAL income (on 1040 form) \_\_\_\_\_
- B. What is Bobby's AGI \_\_\_\_\_
- C. How much is Bobby's taxable income \_\_\_\_\_
- D. How much is Bobby's tax liability \_\_\_\_\_
- E. How much is Bobby's child tax credit \_\_\_\_\_

2. Benny Jetson has taxable income of \$67,500 on Form 1040. Jetson and his spouse Lisa have three dependents; they file under MFJ; two of the children qualify for the Child Tax Credit; they have paid in \$5,210 in Federal withholding, and they have no other credits or deductions. They take the standard deduction and all income is W-2 income. Answer the following questions regarding Jetson's 1040 tax return. **Use the attached 1040 if you wish, but it is not required.**

- A. What is the Benny's AGI \_\_\_\_\_
- B. How much is the Benny's taxable income \_\_\_\_\_
- C. What is the outcome of Benny's tax return—does he receive a refund or owe money? If he owes, how much? \_\_\_\_\_

### Part 3-Problems

#### JOB #1 (18 questions/lines, 1 point each for a total of 18 points)

Complete the attached Schedule A Form 1040 for Shemp Howard, a 28-year-old single taxpayer. His records show the following paid expense receipts during 2015. His SS# is 344-98-0087 and his AGI is \$91,240. **Complete the entire form whether the taxpayer gets the line deduction or not.**

Real Estate Taxes on main home	\$3,200
Mortgage Interest on main home	\$6,045
Cash Donations to qualified charities	\$1,850
Interest paid on credit cards for personal expenses	\$ 750
Personal property taxes	\$ 31
Gambling losses (gambling income of \$620)	\$ 645
Donated a trampoline to Goodwill (value of \$65)	\$ 65
Mortgage Interest on home equity loan from remodel	\$1,350
Real Estate taxes on lake lot	\$3,010
Tax Preparation Fees	\$ 210
Unreimbursed employee expenses from Form 2106	\$2,500 (you do not have to fill out 2106)

**JOB #2 (33 Points):**

Complete the attached Form 1040 for Larry Fine, an 80-year-old married taxpayer. His records show the following 2015 data.

Address:

322 Main Street

Madison, WI 53774

Phone #: 715-234-5555

Social Security #s:

Larry's SS# is 391-64-0087

His wife, Larietta's SS# is 296-55-7788 and she is 67 years old.

Income:

Pension Income (all is taxable)	\$47,000
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Social Security Benefits (both combined)	\$32,000
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They had \$6,000 of federal taxes withheld from their social security benefits and will file MFJ for 2015. They do *not* want to contribute to the Presidential Election Campaign fund and are both retired.