

FEDERAL INCOME TAX ACCOUNTING (140) —Post-secondary— REGIONAL – 2019

Multiple Choice Section:

Multiple Choice (20 @ 2 points each) _____ (40 points)

Production Portion:

Job 1: Taxable Income Calculation _____ (15 points)

Job 2: AGI, Tax Liability, and Due/Refund _____ (33 points)

TOTAL POINTS _____ (***88 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.

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 test is using 2017 Federal Income Tax Laws.

MULTIPLE CHOICE (40 points, 2 points each)

Identify the letter of the choice that best completes the statement or answers the question

1. A taxpayer's AGI includes all *except*
 - a. W2 income
 - b. 401k disbursements
 - c. Municipal bond interest
 - d. Gambling income

2. Rental income (passive) is taxed as
 - a. A special rate income
 - b. Ordinary income
 - c. Business income
 - d. None of these are correct

3. MAGI is the acronym for
 - a. Mortified Adjusted Gain Income
 - b. Manipulated Alternative Gross Income
 - c. Manual American Gross Income
 - d. Modified Adjusted Gross Income

4. The standard deduction for 2017 for a Head of Household individual was?
 - a. \$9,350
 - b. \$11,400
 - c. \$6,350
 - d. \$12,700

5. What is the personal and dependency exemption amount for 2017?
 - a. \$4,000
 - b. \$4,100
 - c. \$4,050
 - d. None of these are correct

6. If Hugh is a single taxpayer, with no children, and provides 95% support for his mother and father all year long (they do not live with him), how many exemptions can he claim?
 - a. 4
 - b. 2
 - c. 3
 - 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 2017?
 - a. \$8,850
 - b. \$7,900
 - c. \$15,200
 - d. \$9,450

8. A married filing joint couple that has taxable income of \$108,000 would be considered in which tax bracket?
 - a. 35%
 - b. 28%
 - c. 33%
 - d. 25%

9. When using the Age Test for determining exemptions, a 25 year old son, living with you full time, would be considered a dependent if?
 - a. Unable to hold down a job
 - b. Permanently disabled
 - c. Lost their job over from violations of OSHA laws
 - d. All of the above

10. A dependent child must be under _____ years old at the end of the tax year to take the _____ credit.
 - a. 17, Child Tax Credit
 - b. 10, Child Dependent Care
 - c. 18, Earned Income
 - d. 24, Dependency

11. The Child Tax Credit is a credit that can be _____.
 - a. Non Refundable only
 - b. Can be Refundable and Non refundable
 - c. Refundable only
 - d. A Reduction for AGI

12. For a taxpayer in the 15% tax bracket, how much tax would be calculated on \$1,000 of Qualified Dividends of their taxable income (assuming all the qualified dividends fall in the 15% range of income)?
 - a. \$2,500
 - b. \$1,500
 - c. \$0
 - d. \$2,000

13. In 2017, you purchased and sold 10 shares of a stock paying \$72 each and selling them for \$52 each. In addition, you sold 15 shares of stock you purchased 10 years ago (costing \$30 each) for \$60 each. What would your net Long Term Capital Gain would be?
 - a. \$450
 - b. \$650
 - c. \$200
 - d. \$250

14. In May of 2017, you put into service a Rental Property costing \$200,000. It has been determined the land is considered to be \$50,000 of the purchase price. How much depreciation will you take the first year on this rental (round to the nearest dollar)?
- \$3,410
 - \$4,546
 - \$3,637
 - \$2,568
15. Which of the following is generally *not* taxable income for Federal tax purposes?
- Municipal bond interest
 - \$10,000 gift of money from your parents
 - Worker's Compensation Payments
 - All of the above
16. Which of the following is taxable to the individual receiving it?
- Child support payments
 - Alimony payments
 - Accountable plan employee expenses
 - Scholarships used for tuition
17. Rental monies received during the year are \$725 per month for nine months. Expenses for the rental total \$3,754. How much rental income/loss will be reported?
- \$6,525 income
 - \$2,771 loss
 - \$6,525 loss
 - \$2,771 income
18. If you had a state tax refund of \$2,400 from 2016 tax filings that you received in 2017, how much would be taxable if you took the standard deduction of \$12,700 in 2016?
- All of it
 - Just half, \$1,200
 - None of it
 - Cannot be determined from the information given
19. Mary and Manny get their divorce finalized in 2017. The divorce decree stipulates that Mary is the custodial parent and Manny can claim their child, Murton, on "odd" numbered year's tax returns. If Manny is in arrears for child support, which scenario should happen?
- Manny claims Murton and he catches up on child support with his refund
 - Mary claims Murton because Manny is in arrears with child support
 - Neither will claim Murton until the arrears are cleared up
 - Mary and Manny split the exemption
20. The company Jack works for has a non-accountable expense reimbursement system. If Jack saves all of his receipts and he still spent \$876 more than what he received, can he deduct this difference?
- Yes, on form 2106
 - Yes, on Schedule C
 - No, he is out of luck
 - None of the above is correct

Part 2 - Production - Problems 1 and 2

Problem 1: Calculating Taxable Income (5 questions @ 3 points each) 15 Points Total

<u>Taxpayer</u>	<u>AGI</u>	<u>Filing Status</u>	<u>Over 65</u>	<u>Blind</u>	<u>Total Exemptions</u>
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Brown	\$40,120	Single	No	No	1
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Taxable Income: _____

Horton	\$87,600	MFJ	No	No	5
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Taxable Income: _____

Klinger	\$69,740	HOH		Yes	No	2
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Taxable Income: _____

Belinger	\$140,120	MFS	No	No	3
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Taxable Income: _____

James	\$62,710	HOH	Yes	Yes	2
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Taxable Income: _____

Problem 2: Calculating AGI, Taxable Income, and Refund/Tax Due (11 questions @ 3 points each) 33 points total. Round all answers to the nearest dollar.

John and Carol Bleak are married and file a joint return. They have two children that live with them all year long; Angie is 7 years old and Tony is 12 years old. The Bleak's have the following income and deduction items:

1-W2 income: John = \$32,345 (\$2,100 in Fed WH) and Carol \$61,223 (\$5,000 in Fed WH)

2-Interest Income: \$127.75 interest from savings

3-Carol is a FT High School teacher and has spent \$312 in her own money for qualified classroom supplies.

4-The couple has \$230 in election poll income from serving the township during last fall's election.

5-John's company does not participate in a qualified tax deferred program so he will put \$1,800 in his IRA (as he has done in prior years) before April 15th.

Using the information above and the form 1040 on the last page, if you need to it is not required, complete the following questions:

1. What is the amount on line 7 of the 1040? _____

2. What is the amount on line 21 of the 1040? _____

3. What is the amount on line 22 of the 1040? _____

4. What is the amount on line 36 of the 1040? _____

5. What is the amount on line 37 of the 1040? _____

6. What is the amount on line 43 of the 1040? _____

7. What is the amount on line 44 of the 1040? _____

8. What is the amount on line 56 of the 1040? _____

9. What is the amount on line 74 of the 1040? _____

10. What is the amount on line 75 of the 1040? _____

11. What is the amount on line 78 of the 1040? _____