Partnership Practice Return Scenario 1

In this scenario, you will practice the following:

- Complete Form 1065
- Complete Form 4562
- Complete Schedule K-1
- Complete e-file information

Information about the company:

Name: Scrolls for Homes
EIN: 70-1XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: January 1, 2022
Address: 22 Woodland Dr, Rome, GA 30161
Business Phone: (706) 555-1111

Information about the partners:

Partner 1: John Jackson (President)
SSN: 501-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Address: 550 West St, Rome, GA 30161

Partner 2: Susan Lemmons
SSN: 502-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Address: 887 Pecan St, Rome, GA 30161

Additional items to note:

- Scrolls for Homes sells decorative scrolls.
- The partnership uses the cash method of accounting and follows a calendar year.
- The business is a domestic general partnership, and both partners are domestic tax basis partners, each owning 50% of the business.
- Both partners made capital cash contributions of $1,785.
- All questions on Schedule B should be answered "no," except Line2b .
- Answer "no" for the questions on Form 1125-A, lines 9e and 9f.
- John Jackson is the president and will sign the return. His PIN is 12345.

Available documentation:

- Depreciable assets
- Income and expenses

Partnership Practice Return
Scenario 1

Depreciable Assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period
Band Saw	01/01/20XX	$1,290	MACRS/200DB	HY	7
Wood Planer	01/01/20XX	$406	MACRS/200DB	HY	7
Joiner	01/01/20XX	$499	MACRS/200DB	HY	7
Tools	07/01/20XX	$777	MACRS/200DB	HY	7
Drum Sander	07/01/20XX	$801	MACRS/200DB	HY	7

The company elects not to take any special depreciation allowance. Assets placed in service this year.

End of year:

- Cash: $5,418
- Accounts payable: $1,293

Income:

There was no inventory at the beginning or end of the year. They used the cost method to value ending inventory.

- Gross receipts: $8,903
- Purchases less the cost of items: $732

Other costs for inventory:

- Craft show fees: $680
- Freight and delivery: $24
- Supplies: $365

Expenses:

- Advertising: $276
- Bank charges and fees: $139
- Dues and subscriptions: $360
- Office expenses: $175
- Rent: $780
- Taxes: $281
- Professional education: $113
- Professional fees: $650

Partnership Practice Return Scenario 2

In this scenario, you will practice the following:

- Complete Form 1065
- Complete Form 4562
- Complete Schedule K-1
- Complete year-end trial balance

Information about the company:

Name: The CD Factory
EIN: 70-2XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: January 1, 1996
Address: 1540 Main St, Rome, GA 30165
Business Phone: (706) 555-1122

Additional items to note:

- The CD Factory sells CDs.
- The partnership uses the cash method of accounting and follows a calendar year.
- The business is a domestic limited partnership.
- The partners all use the business address.
- The partnership used the cost method to value inventory. The rules for Section 263A do not apply, and there was no change in valuing inventories. The partnership does not want to take special depreciation.
- All questions on Schedule B, including A and B on line 2, should be answered "no."
- All partners are domestic partners, and want their interest computed.

Information about the partners:

Name	% Owned	SSN	Type	Distributions	Guaranteed Payments	Beginning Capital Account	Current Capital Contributions	Beginning Balance of Partnership Interest
Cathy Smith	30%	526-XX-XXXX	Limited	$8,125		$27,881		$17,280
Mike Horton	30%	522-XX-XXXX	Limited	$8,125		$27,881		$17,280
Roy Mathis	12.5%	523-XX-XXXX	General	$3,750		$11,617		$7,200
Pat York	2.5%	524-XX-XXXX	General	$0	$11,800	$2,323		$1,400
Sarah Toms	25%	525-XX-XXXX	General	$1,700	$19,450	$23,234	$15,000	$14,400

Partnership Practice Return
Scenario 2

Available documentation:

- Depreciable assets
- Income and expenses

Depreciable Assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation	Prior Section 179
Furniture and Fixtures	07/01/2019	$1,800	MACRS/ 200DB	HY	7	$1,013	$1,013	
Furniture and Fixtures	07/01/2019	$750	MACRS/ 200DB	HY	7	$422	$422	
CD Burner	07/01/2020	$12,312	MACRS/ 200DB	HY	7	$4,775	$4,775	
Retail Displays	07/01/2020	$10,343	MACRS/ 200DB	HY	7	$4,011	$4,011	
Furniture and Fixtures	07/01/2020	$2,205	MACRS/ 200DB	HY	7	$855	$855	
Computer	01/31/2021	$1,999	MACRS/ 200DB	HY	5			$1,999
Computer	01/31/2021	$1,039	MACRS/ 200DB	HY	5			$1,039
Display Cabinet	09/11/2021	$1,776	MACRS/ 200DB	HY	7			$1,776
Display Cabinet	09/30/2021	$1,500	MACRS/ 200DB	HY	7			$1,500
Phone System	01/01/20XX	$13,906	MACRS/ 200DB	HY	7			
Equipment	03/31/20XX	$638	MACRS/ 200DB	HY	7			
CD Displayer	07/01/20XX	$13,906	MACRS/ 200DB	HY	7			
Computer	10/26/20XX	$1,253	MACRS/ 200DB	HY	5			

****The company elects not to take any special depreciation allowance.

Partnership Practice Return
Scenario 2

Income:

- Gross receipts: $296,687
- Returns: $624
- Miscellaneous income: $69

Expenses:

- Purchases: $143,901 (inventory)
- Other inventory costs: $716
- Repairs: $174
- Rent: $18,600
- Bank charges: $2,746
- Insurance: $7,821
- Miscellaneous: $1,283
- Guaranteed payments to partners: $31,250
- Travel: $1,815
- Utilities: $4,014
- Cell phone and internet: $12,626
- Operating expenses: $4,664
- Advertising: $51,437

Trial Balance Information

Beginning of Year:

- Cash: $19,840
- Inventories: $66,123
- Depreciable assets: $33,724
- Accumulated depreciation: $17,390
- Accounts payable: $9,361
- Partners' capital account: $92,936

End of Year:

- Cash: $25,701
- Inventories: $3,370
- Accounts payable: $16,093
- Notes payable: $20,447

Partnership Practice Return Scenario 3

In this scenario, you will practice the following:

- Complete Form 1065
- Complete Form 4562
- Complete Schedule K-1
- Complete year-end trial balance

Information about the company:

Name: Timeless Movies
EIN: 70-3XXXXXX (use your company's EFIN in place of XX-XXXX)
Formed: July 9, 2009
Address: 877 Broad St, Rome, GA 30165
Business Phone: (706) 555-1133

Additional items to note:

- Timeless Movies produces movies.
- The business is a domestic general partnership, and they use the accrual method of accounting.
- The partners all use the business address.
- Ordinary dividend income received this year was $200. This is portfolio income. The partnership had no other income for the year.
- Questions 2b and 4c on Schedule B should be answered "yes." All other questions on Schedule B should be answered "no."
- The return will be paper filed by the due date.

Information about the partners:

Name	% Owned	SSN	Beginning Capital Account	Beginning Balance of Partnership Interest
Ben Randall	1.0%	205-XX-XXXX	$(4,507)	$19,358
Ted Jones	.50%	206-XX-XXXX	$(2,253)	$12,099
William Cage	.50%	207-XX-XXXX	$(2,253)	$9,680
Peter Smith	.50%	208-XX-XXXX	$(2,253)	$9,680
Anthony Cruise	.67%	209-XX-XXXX	$(3,020)	$14,519
Brad Wilson	.33%	210-XX-XXXX	$(1,487)	$1,510
Helen Hunter	95.50%	211-XX-XXXX	$(430,410)	$394,432
Jacob Hartnett	1.0%	212-XX-XXXX	$(4,507)	$19,358

Available documentation:

- Items to be amortized
- Expenses
- Beginning and end of year data

Partnership Practice Return Scenario 3

- The partners are listed by name and percentage of ownership. They are all general partners, except for Brad and Jacob Hartnett, who are limited partners.
- All partners are domestic and use tax basis. All liabilities are nonrecourse.
- You may use the company address for each partner's mailing address.

There are two items listed below that are being amortized.

Description	Placed in Service	Cost	Code Section	Convention	Recovery Period	Prior Amortization
Organizational costs	10/01/2015	$12,500	197	SL	15	$5,208
Organizational cost	07/01/2014	$17,776	197	SL	15	$8,888

Expenses:

- Accounting: $925
- Bank charges: $138
- Taxes and licenses: $1,589

Beginning of year:

- Cash: $8,157
- Intangible assets: $30,276
- Accumulated amortization1: $14,096
- Accounts payable: $10,027
- Mortgage notes (less than 1 year): $465,000
- Partner's capital account: $(450, 690)

End of year:

- Cash: $5,740
- Other assets: $13,373
- Accounts payable: $35
- Other current liabilities: $23,400
- Mortgage notes (less than 1 year): $465,000

Partnership Practice Return Scenario 4

In this scenario, you will practice the following:

- Complete Form 1065
- Complete Form 4562
- Complete Schedule K-1
- Complete e-file information

Information about the company:

Name: Regional Art Gallery
EIN: 70-4XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: March 16, 2013
Address: 527 Picasso Lane, Woodstock, GA 30188
Business Phone: (770) 555-1112

Information about the partners:

Partner 1: Larry Moses (President)
SSN: 511-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Address: 15 Main St, Rome, GA 30161

Partner 2: Jessica Taxpayer
SSN: 611-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Address: 1985 West Oak Ave, Atlanta, GA 30309

Partner 3: Michelle Anderson
SSN: 521-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Address: 105 Rockmart Hwy, Rockmart GA 30153

Available documentation:

- Depreciable assets
- Income and expenses

Additional items to note:

- Regional Art Gallery displays and sells works of art created by regional artists.
- The partnership uses the cash method of accounting and follows a calendar year.
- The business is a domestic general partnership
  - all partners are domestic tax basis partners
  - each partner is an active individual
  - each owns one third of the business.
- All questions on Schedule B should be answered "no,".
- Answer "no" for the questions on Form 1125-A, lines 9e and 9f.
- Neither Section 179 deduction or special depreciation was not taken for the display case purchased in 2018. But elects to take bonus depreciation for the current year.
- Larry Moses is the president and will sign the return. His PIN is 58210.

Partnership Practice Return
Scenario 4

Information about the partners:

Name	Beginning Capital	Capital Contributions	Beginning Basis
Larry Moses	$256,895	$10,500	$182,350
Jessica Taxpayer	$255,433	$11,225	$185,900
Michelle Anderson	$258,992	$9,800	$188,450

Income:

Revenue

- Gross receipts: $4,238,903
- Returns and allowances: $0

Inventory

- Beginning of year: $7,138,867
- Purchases: $789,511
- Freight and delivery: $15,504
- Ending Inventory: $6,821,052

Expenses:

- Advertising: $10,800
- Insurance: $61,000
- Business License: $1,250
- Office expenses: $1,750
- Repairs & Maintenance: $6,225
- Salaries: $487,500
- Wages: $725,900
- Guaranteed payments: $375,000
- Partners medical insurance: $26,582
- Rent: $96,000
- Security: $36,100
- Property tax: $3,743
- Payroll tax: $81,410
- Retirement Plans: $58,000
- Meals: $638 (100% allowed)
- Travel: $5,297
- Utilities: $57,500
- Employee Benefit plans: $75,400

Assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Accum. Depr.
Building	03/31/2013	3,250,800	SL	MM	39	$732,893
Display cases	04/01/2013	526,892	MACRS/200DB	HY	7	$ 526,892
Signage	04/01/2013	89,500	MACRS/200DB	HY	7	$ 89,500
Display cases	08/25/2018	152,300	MACRS/200DB	HY	7	$ 104,721
Display cases	05/19/20XX	92,185	MACRS/200DB	HY	7	n/a

Partnership Practice Return
Scenario 4

Beginning of year:

- Cash: $657,567
- Inventory: $7,138,867
- Buildings & other assets: $4,019,492
- Accumulated Depreciation: $1,454,006
- Accounts payable: $5,325,500
- Mortgage notes (less than 1 year): $187,500
- Current Liabilities $331,500
- Loans from Partners: $850,000
- Mortgage notes (over 1 year) : $2,896,100
- Partner's capital account: $771,320

End of year:

- Cash: $793,149
- Inventory: $6,821,052
- Buildings & other assets: $4,111,677
- Accumulated Depreciation: $1,643,142
- Accounts payable: $5,295,337
- Mortgage notes (less than 1 year): $92,100
- Current Liabilities $315,262
- Loans from Partners: $0
- Mortgage notes (over 1 year) : $2,760,350
- Partner's capital account: $1,626,494

2022 Business Returns Answer Key

*These returns were completed using a current release of the software. Updates may cause your answers to differ, so we will periodically update to account for new calculations.

For questions, please email one of our representatives victorsalmon@swiftfp.com

*Due to differences in rounding, some amounts may differ by $1.

Scenario	Total Income	Business Income/Loss	Sch M-1 Line 8	Schedule L Lines 14b and 22b	Schedule L Lines 14d and 22d
1120 S #1*	207,736	25,544	25,544	145,843	205,800
1120 S #2	98,760	9,391	9,257	2,690	7,313

Scenario	Total Income	Business Income/Loss	Sch M-1 Line 9	Sch L Lines 14b and 22b	Sch L Lines 14d and 22d
1065 #1	7,102	3,790	3,790	0	8,653
1065 #2	88,762	-56,651	-25,401	102,297	66,125
1065 #3	0	-4,670	-4,470	24,337	33,275
1065 #4	3,116,073	816,842	1,191,842	10,361,920	10,082,736

Scenario	Total Income	Taxable Income	Sch M-1 Line 10	Sch L Lines 15b and 28b	Sch L Lines 15d and 28d
1120 C #1	3,877,274	277,470	277,470	57,983	80,198
1120 C #2	290,102	12,898	12,898	27,300	35,470
1120 C #3	300,380	54,942	54,942	234,020	250,992
1120 C #4*	2,574,266	740,981	746,981	5,145,000	5,623,863