Corporation Practice Return Scenario 1

In this scenario, you will practice the following:

- Complete Form 1120C
- Complete Form 4562
- Enter estimated tax payments
- Calculate underestimated payment penalty

Information about the company:

Name: Simpson's Allergy Clinic
EIN: 71-1XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: November 18, 1982

Address: 2 Field Place, Rome, GA 30165

Information about the officers:

Officer 1 Name: Robert Bonden
SSN: 306-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25%

Officer 2 Name: Mary Rhine
SSN: 307-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25%

Officer 3 Name: Joseph Wilson
SSN: 308-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25%

Officer 4 Name: Mark White
SSN: 309-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25%

Additional items to note:

- The corporation is exempt from alternative minimum tax but continues performing the calculations.
- All of the questions on Schedule K should be answered "no," except for question 4b.
- The corporation uses the cash method of accounting.
- Out of the unappropriated retained earnings, $200,321 was distributed in cash, and $48,891 was distributed in stock.
- Each officer devoted 100% of his or her time to the business and received $283,291 during the year.
- The corporation made four timely estimated payments of $21,000 each. Last year's tax was $86,500.

Corporation Practice Return
Scenario 1

Available documentation:

- Income and expenses
- Depreciable assets

Income:

- Gross receipts: $3,876,569
- Taxable Interest: $705

Expenses:

- Advertising: $600,000
- Interest: $6,174
- Pension plans: $79,170
- Rent: $295,743
- Repairs: $21,743
- Salaries: $1,336,517
- Salaries (Officers) $1,133,164
- State income tax: $339
- Other taxes: $124,318

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation	Prior Section 179
Computer	05/01/2016	$8,583	MACRS/ 200DB	HY	5			$8,583
Phone/Fax	08/01/2017	$3,769	MACRS/ 200DB	HY	7			$3,769
Computer Equipment	06/30/2018	$18,494	MACRS/ 200DB	HY	5			$18,494
Furniture	06/30/2020	$15,071	MACRS/ 200DB	HY	7	$5,845	$5,845	

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Corporation Practice Return
Scenario 1

Beginning of year:

- Cash: $40,863
- Notes Receivables: $7,894
- Depreciable assets : $45,917
- Accumulated depreciation: $36,691
- Common capital stock: $1,000
- Additional paid-in capital: $42,319
- Unappropriated retained earnings: $14,664

End of year:

- Cash: $66,248
- Notes Receivables: $7,360
- Capital common stock: $1,000
- Additional paid-in capital: $36,276

Corporation Practice Return Scenario 2

In this scenario, you will practice the following:

- Complete Form 1120C
- Complete Form 4562

Information about the company:

Name: Creative Consulting, Inc.
EIN: 71-2XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: January 1, 2004
Address: 1630 Wood Dr, Centre, AL 35960
Business Phone: (706) 555-7122
Principal activity: Consulting and Painting service

Information about the officers:

Officer 1 Name: Amanda Wilson
SSN: 311-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50%
Compensation: $51,250

Officer 2 Name: Harriett Potts
SSN: 312-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50%
Compensation: $39,960

Available documentation:

- Income and expenses
- Depreciable assets

Additional items to note:

- The corporation is exempt from alternative minimum tax but continues performing the calculations.
- The corporation uses a modified accrual method of accounting.
- The answers to all of the questions on Schedule K should be "no," except for question 4b.
- The acquisition cost of depreciable assets was $13,990, and $10,629 of that had been depreciated. Intangible assets of $349 are fully amortized.
- The corporation made four timely estimated payments of $600each. Last year's tax was $2,500.
- The company does not want to e-file the return.

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Corporation Practice Return
Scenario 2

Beginning of year:

- Cash: $2,867
- Loans to stockholders: $18,115
- Advances to employees: $1,737
- Deposits: 1,220
- Accounts payable: $3,500
- Other liabilities: $3,419
- Common capital stock: $1,000
- Unappropriated retained earnings: $19,381

End of year:

- Cash: $14,429
- Loans to stockholders: $18,115
- Accounts payable: $4,252
- Capital common stock: $1,000

Income:

- Gross receipts: $290,102

Expenses:

- Advertising: $9,120
- Auto expense: $11,621
- Bank charges: $218
- Charitable Contributions $2,996
- Insurance: $11, 514
- Interest: $9
- Legal fees: $1,158
- Meals (subject to 50%): $996
- Office expense: $1,567
- Outside services: $88,683
- Postage: $147
- Printing: $174
- Rents: $1,296
- Repairs: $738
- Salary or other Wages: $5,000
- Salary (Officers): $91,210
- Subscriptions: $591
- Supplies: $35,604
- Taxes and licenses: $8,009
- Telephone: $6,479
- Travel: $55
- Utilities: $744

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation	Prior Section 179
Printing Equipment	02/24/2014	$1,708	MACRS/SL	HY	5			$1,708
Office Furniture	11/15/2014	$650	MACRS/SL	HY	7			$650
Color Printer	12/31/2014	$483	MACRS/SL	HY	5			$483
Laser Printer	01/12/2015	$977	MACRS/SL	HY	5			$977
Scan/Monitor	07/01/2018	$837	MACRS/SL	HY	5	$692	$692	
Painting Equipment	01/20/2018	$904	MACRS/200DB	HY	7	$622	$622	
5 Hub Network	05/17/2018	$458	MACRS/SL	HY	5			$458
Scan/Monitor	02/09/2018	$565	MACRS/SL	HY	5			$565

Corporation Practice Return
Scenario 2

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation	Prior Section 179
Desktop Computer	01/01/2019	$2,665	MACRS/200DB	HY	5	$1,897	$1,897	
E Machine	05/17/2019	$899	MACRS/200DB	MQ	5			$899
Paint Sprayer	02/17/2020	$750	MACRS/200DB	MQ1	7	$348	$348	
Desktop Computer	11/20/2020	$3,094	MACRS/200DB	MQ4	5	$1,330	$1,330	
Paint Sprayer	11/01/20XX	$901	MACRS/200DB	MQ4	7			

The company does not want to take any current year Section 179 or special depreciation deductions.

One item, organizational costs, has been amortized. The amortization began on January 1, 2004. Costs were $349, amortized over 5 years. Prior amortization is $349.

Corporation Practice Return Scenario 3

In this scenario, you will practice the following:

- Complete Form 1120C
- Complete Form 4562
- Enter estimated tax payments
- Calculate underestimated payment penalty

Information about the company:

Name: River Rentals, Inc.
EIN: 71-3XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: January 1, 1976
Address: 16407 Willow Dr, Clarkdale, GA 30111
Business Phone: (706) 555-7133
Principal activity: Commercial Space Leasing

Information about the stockholder:

Stockholder Name: Harry Green
SSN: 313-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 85%
Cash distributions: $80,000
Salary: $51,250

Available documentation:

- Income and expenses
- Depreciable assets

Additional items to note:

- The corporation uses the cash method of accounting.
- For Schedule K, the answer to question 4b is "Yes." If applicable, the corporation wants to make the election on Line 11. All of the other questions should be answered "No" except for question 13, which you will need to decide.
- The corporation made four timely estimated tax payments of $250 each. Federal income tax in the amount of $4,819 was paid last year.
- The corporation will mail this return.

Corporation Practice Return
Scenario 3

Beginning of year:

- Cash: $31,559
- Note Receivables: $5,850
- Depreciable assets : $271,655
- Accumulated depreciation: $200,104
- Land: $125,060
- Capital common stock: $14,477
- Additional paid-in capital: $7,537
- Unappropriated retained earnings: $212,006

End of year:

- Cash: $47,708
- Note Receivables: $1,000
- Deposits: $1,020
- Loans to Shareholder: $5,000
- Accounts payable: $51,000
- Capital common stock: $10,326
- Additional paid-in capital: $2,718

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation	Prior Section 179
Building	02/01/2001	$177,655	MACRS/ SL	MM	27.5	$134,854	$92,715	
Building addition	06/01/2002	$31,129	MACRS/ SL	MM	27.5	$22,120	$15,208	
Furniture	07/01/2014	$34,725	MACRS/ 200DB	HY	5	$34,725	$34,725	
HVAC	06/12/2015	$6,734	MACRS/ SL	MM	39	$1,130	$1,130	
Chair	07/01/2015	$205	MACRS/ 200DB	HY	5			$205
Roof	11/06/2016	$17,375	MACRS/ SL	MM	27.5	$3,238	$3,238	
Computer	07/01/2019	$3,243	MACRS/ 200DB	HY	5			$3,243
Printer	12/11/2021	$589	MACRS/ 200DB	MQ4	5			$589
Electrical upgrade	07/03/20XX	$4,833	MACRS/ SL	MM	27.5			
Plumbing upgrade	07/25/20XX	$3,355	MACRS/ SL	MM	27.5			

Corporation Practice Return
Scenario 3

Income:

- Rent received: $299,768
- Taxable Interest: $612

Expenses:

- Accounting: $300
- Bank charges: $2
- Director fees: $11,000
- Health insurance: $9,568
- Liability insurance: $2,509
- Landscaping: $1,162
- Miscellaneous: $305
- Office expenses: $149
- Other taxes: $59,987
- Payroll taxes: $6,382
- Postage: $100
- Repairs: $52,725
- Salaries (Officers): $91,000
- Tax services: $548
- Travel: $481
- Utilities: $685

Corporation Practice Return Scenario

In this scenario, you will practice the following:

- Complete Form 1120
- Enter estimated tax payments
- Complete Form 4797
- Complete Form 4562 for Depreciation

Information about the company:

Name: Broad Street Music Inc. (BSM)
EIN: 71-4XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: June 12,2011
Address: 859 Broad Street, Kennesaw, GA 30144
Business Phone: (706) 555-7111
Principal activity Code: 451140

Additional items to note:

- BSM does Retail Sales of Music Related Items.
- BSM uses the accrual method of accounting and has a calendar year-end.
- All officers devote 100% of their time to the business.
- All of the questions on Schedule K should be answered "no," except for question 4b.
- All officers devote 100% of their time to the business and all officers are U.S. Citizens.
- Paid $80,000 in dividend on December 1.
- Capital Loss Carryover from prior year of $5,000.
- BSM values inventory based on cost using FIFO Inventory cash flow method. Inventory Related Purchases 1,134,000
- Meals are subject to 50% limitation.
- BSM's dividend income came from Perfection's Sheet Music. BSM owned 15,000 shares of the stock in Perfection's Sheet Music (SSM) at the beginning of the year. This represented 15 percent of the SSM outstanding stock.
- For Tax Purposes, BSM wrote off $10,000 in accounts receivable as uncollectible during the year.
- Last year's tax was $175,000. If they overpaid, they would like to credit amounts up to $12,500 to next year's estimated taxes and receive a refund of the rest

Corporation Practice Return Scenario

Information about the officers:

(Use your company's EFIN in place of XX-XXXX)

Officer 1 Name: James Learner
SSN: 315-XX-XXXX
Title: CEO and President
Percent of stock: 60%
Compensation: $210,000

Officer 2 Name: Mary Rhinestone
SSN: 316-XX-XXXX
Title: Executive Vice President
Percent of stock: 40%
Compensation: $190,000

Officer 3 Name: Michelle Nicholas
SSN: 317-XX-XXXX
Title: Vice President of Operations
Compensation: $110,000

Officer 4 Name: William White
SSN: 318-XX-XXXX
Title: Treasurer
Compensation: $90,000

Available documentation:

- Income Statement
- Balance Sheet

Additional items to note:

- Of the $15,000 interest income, $2,500 was from a City of Atlanta bond issued in 2018, $3,500 was from a Peachtree city bond issued in 2019, $3,000 was from a U.S. Treasury bond, and the remaining $6,000 was from a money market account.
- On February 20th BSM sold display units for $10,750. It originally purchased the display units on May 18, 2019, for $17,300 and, through the date of the sale, had recorded a cumulative total of $6,796 of book depreciation on the asset and a cumulative total of $10,815 of tax depreciation. For tax purposes, the entire gain was recaptured as ordinary income under §1245.
- BSM's dividend income came from Perfection's Sheet Music. BSM owned 15,000 shares of the stock in Perfection's Sheet Music (PSM) at the beginning of the year. This represented 15 percent of the PSM outstanding stock.
- On July 22, 20XX, BSM sold 2,500 shares of its Perfection's Sheet Music stock for $33,000. It had originally purchased these shares on April 24, 2019, for $25,000.
- Of the $49,150 of interest expense, $43,150 was from the mortgage on BSM's building and the remaining $6,000 of interest was from business-related loans.
- Of the $38,000 of Other Expenses include, $3,000 was for premiums paid on term life insurance policies for which BSM is the beneficiary. The policies cover the lives of James and Mary.

Corporation Practice Return Scenario

BSM Income Statement For Year Ending December 31, 20XX	
Revenue from sales	$ 3,420,000
Sales returns and allowance	(40,000)
Cost of goods sold	(834,000)
Gross profit from operations	$2,546,000
Capital gains	8,000
Gain from disposition of fixed assets	246
Dividend Income	12,000
Interest income	15,000
Gross income Expenses:	$2,581,246
Officer Compensation	$ (600,000)
Salaries	$ (700,000)
Depreciation	(104,852)
Bad debt expense	(15,000)
Meals (Subject to 50%)	(5,000)
Maintenance	(7,000)
Charitable donations	(27,000)
Property taxes	(45,000)
State income taxes	(60,000)
Other taxes	(56,000)
Interest	(49,150)
Advertising	(36,480)
Professional services	(32,000)
Pension expense	(40,000)
Supplies	(6,000)
Other expenses	(38,000)
Total expenses	(1,821,212)
Income before taxes	760,034
Federal income tax expense	(159,607)
Net income after taxes	$ 600,427

Corporation Practice Return Scenario

BSM, Inc. Balance Sheet As of Dec. 31, 20XX	Beginning Bal	Ending Bal
Assets		
Cash	$ 386,596	$ 485,374
Accounts Receivable	600,000	815,848
Allowance for doubtful accounts	(35,000)	(40,000)
Inventory	1,400,000	1,700,000
U.S. Government Bonds	50,000	50,000
State and Local Bonds	140,000	140,000
Loans to Shareholders	129,161	108,961
Mortgage and real estate loans	253,152	253,152
Investments in Stock	300,000	275,000
Building and Other Depreciable Assets	1,887,050	1,916,330
Accumulated Depreciation	(568,059)	(702,902)
Land	352,100	352,100
Other Assets	250,000	270,000
Total Assets	$5,145,000	5,623,863
Liabilities and Shareholders' Equity		
Accounts Payable	$ 250,000	$ 261,436
Other Current Liabilities	125,000	120,000
Mortgage	800,000	790,000
Other Liabilities	200,000	162,000
Capital Stock	600,000	600,000
Retained Earnings	3,170,000	3,690,427
Total Liabilities and Shareholders' Equity	$5,145,000	$,5623,863

Corporation Practice Return Scenario

Assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Accum. Depr.
Building 859 Broad	08/19/2012	952,900	SL	MM	39	229,068
Land – 859 Broad	08/19/2012	215,600	n/a	n/a	n/a	n/a
Display Units	08/19/2012	15,800	200DB/MACRS	HY	7	15,800
Warehouse	02/05/2015	582,500	S/L	MM	39	102,701
Land – Warehouse	02/05/2015	136,500	n/a	n/a	n/a	n/a
Office Desks	04/09/2015	1,500	200DB/MACRS	HY	7	1,467
Office Chairs	04/09/2015	625	200DB/MACRS	HY	7	611
Delivery Van**	05/05/2018	63,000	200DB/MACRS	HY	5	41,360
Delivery Van**	05/05/2018	63,000	200DB/MACRS	HY	5	41,360
Display Units	05/18/2019	17,300	200DB/MACRS	HY	7	9,735
Delivery Truck	09/03/2019	125,800	200DB/MACRS	HY	5	89,570
Customer Lounge Seating	07/11/2020	35,875	200DB/MACRS	HY	7	13,912
Customer Lounge TVs	07/11/2020	10,250	200DB/MACRS	HY	7	3,975
POS System	05/25/2021	18,500	200DB/MACRS	HY	7	18,500
Display Units	03/21/20XX	46,580	200DB/MACRS	HY	7	

**** In order for TaxWise to take limitations into account for these two assets, you must go to the Vehicle/Listed Property tab, and mark box 2 to indicate that it is a vehicle and enter mileage. For the purpose of this return scenario, enter 1000 business miles.**

2022 Business Returns Answer Key

*These returns were completed using a current release of the software as of 01/10/2023.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	737,985	743,985	5,123,492	5,623,863