S Corporation Practice Return
Scenario 1

In this scenario, you will practice the following:

- Complete Form 1120S
- Complete Form 4562
- Complete Schedule K-1

Information about the company:

Name: Fairyland Woodcarving.
EIN: 81-1XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: February 11, 1992 (S-Corp as of February 1, 2000)
Address: 539 North Ave, Lebanon, GA 30146
Business Phone: (706) 555-8111

Information about the shareholders:

Shareholder 1 Name: Kara Winters (President)
SSN: 426-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50% - 500 Shares
Address: 248 Juniper Dr, Rome, GA 30165

Shareholder 2 Name: Helen Puck
SSN: 427-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25% - 250 Shares
Address: 268 Park Ave, Rome, GA 30165

Shareholder 3 Name: Michael Night
SSN: 428-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25% - 250 Shares
Address: 86 Main St, Kingston, GA 30145

Available documentation:

- Shareholder income and basis
- Depreciable assets

Additional items to note:

- Fairyland Woodcarving manufactures decorative wood products.
- The amount of shareholder-employee compensation included in the expenses is $115,000. Kara Winters earned this compensation. James Brown, the secretary, earned the rest. His SSN is 429-XX-XXXX.
- The rules of Section 263A do apply for property produced or acquired for resale. There were no changes in determining quantities, costs, or valuations between opening and closing inventories.
- The company uses the accrual method of accounting.
- The answers to questions on Schedule B, lines 3-15, should be "no."
- The balance of the accumulated adjustments account (Sch M-2) at the beginning of the year was $101,484.
- Each shareholder would like to have his/her basis calculated.
- Since Kara owns most of the stock, if there are any extra amounts due to rounding, she should have these amounts included in her Schedule K-1.
- Kara's loan basis is $1,314 (all of which was repaid this year). She contributed this year's additional paid-in capital.
- The company will to e-file the return. Kara will sign, and her PIN is 65478.

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S Corporation Practice Return Scenario 1

Shareholder income and basis:

Name	Distributions	Beginning Stock Basis
Kara Winters	$0	$16,200
Helen Puck	$0	$3,350
Michael Night	$0	$3,350

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation
Tools	01/01/2020	$85,000	MACRS/ 200DB	HY	7	$32,963	$32,963
Equipment	01/15/2021	$13,930	MACRS/ 200DB	HY	7	$1,991	$1,492
Sprayer	04/15/20XX	$1,900	MACRS/ 200DB	HY	7		

The S corporation has elected not to take the Section 179 deduction for the full amount of the cost of the sprayer or bonus depreciation.

Income:

Fairyland Woodcarving uses the lower of cost or market method to value closing inventory.

- Gross receipts: $846,652
- Returns: $732
- Purchases less costs of items: $634,448

Other costs for inventory:

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

Expenses:

- Bad debts: $4,824
- Bank charges: $37
- Commissions: $4,036
- Business interest: $1,433
- Legal fees: $6,645
- Licenses and permits: $1,055
- Meals (to be reduced): $1,340
- Office expense: $4,712
- Postage: $1,678
- Officer's salaries: $132,525
- Telephone: $6,028

S Corporation Practice Return
Scenario 1

Beginning of year:

- Cash: $2,438
- Accounts receivable: $44,914
- Inventory: $32,149
- Prepaid insurance: $2,088
- Prepaid interest: $278
- Depreciable assets: $98,930
- Accumulated depreciation: $34,954
- Accounts payable: $33,812
- Mortgages (under 1 year): $21,018
- Loans from shareholders: $1,314
- Mortgages (over 1 year): $4,235
- Capital stock: $5,000
- Additional paid-in capital: $15,000
- Retained earnings: $54,611
- Accrued/withheld taxes: $8,831
- Accrued payroll: $2,022

End of year:

- Cash: $23,491
- Accounts receivable: $96,798
- Inventory: $29,482
- Prepaid insurance: $2,623
- Prepaid interest: $6,079
- Accounts payable: $32,376
- Mortgages (under 1 year): $6,590
- Capital stock: $5,000
- Additional paid-in capital: $22,342
- Accrued payroll: $4,079
- Accrued interest: $9,055

S Corporation Practice Return
Scenario 2

In this scenario, you will practice the following:

- Complete Form 1120S
- Complete Form 4562
- Complete Schedule K-1

Information about the company:

Name: Samson Auto Reconditioning
EIN: 81-2XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: June 29, 2009 (S-Corp as of July 1, 2012)
Address: 378 Oak Ave, Atlanta, GA 30311
Business Phone: (678) 555-8211

Information about the shareholders:

Shareholder 1 Name: Eric Springer (President)
SSN: 429-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50% - 500 Shares
Address: 440 Main St, Atlanta, GA 30311

Shareholder 2 Name: Melissa Weaver (Treasurer)
SSN: 430-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50% - 500 Shares
Address: 863 Peachtree Rd, Atlanta, GA 30312

Available documentation:

- Shareholder income and basis
- Depreciable assets
- Income and expenses

Additional items to note:

- The cost method was used to value closing inventory.
- The rules of Section 263A do not apply for property produced or acquired for resale. There was no change in determining quantities, costs or valuations between opening and closing inventories.
- The company uses the cash method of accounting.
- The answers to questions on Schedule B, lines 3-15, should be "no," except for question 11b. The company does want the completed portions of the return that the IRS does not require.
- There are some items that should be included in each shareholder's share, but not in the S corporation's income. The total interest income included in portfolio income is $2, and total charitable contributions were $136.
- The balance of the accumulated adjustments account at the beginning of the year was ($17,089).
- Business elects not to take Bonus Depreciation for assets purchased in the current year.
- Eric loaned $528 to the company.
- The return should be mailed.

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S Corporation Practice Return
Scenario 2

Shareholder income and basis:

Name	Distributions	Beginning Stock Basis
Eric Springer	$4,996	$1,000
Melissa Weaver	$4,997	$1,000

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation
Furniture	07/15/2019	$290	MACRS/ 200DB	HY	7	$163	$163
Equipment	07/15/2019	$1,349	MACRS/ 200DB	HY	7	$759	$759
Spray gun	07/01/2019	$170	MACRS/ 200DB	HY	7	$96	$76
Computer	09/15/2019	$740	MACRS/ 200DB	HY	5	$527	$527
Pressure washer	08/15/20XX	$1,642	MACRS/ 200DB	HY	7		
Air compressor	09/15/20XX	$964	MACRS/ 200DB	HY	7		

Beginning of year:

- Cash: $877
- Inventory: $350
- Security deposit Receivable: $459
- Depreciable assets: $2,549
- Accumulated depreciation: $1,545
- Payroll taxes Payable: $2,298
- Farmer's First (1) LT note payable: $8,000
- Farmer's First (2) LT note payable: $9,197
- Capital stock: $284
- Retained earnings: $(17,089)

End of year:1 **Fur1**

- Cash: $3,308
- Accounts receivable: $3
- Inventory: $350
- Security deposit: $725
- Farmer's First (1) LT note payable: $5,632
- Farmer's First (2) LT note payable: $11,252
- Payroll taxes: $7,683
- Loans from stockholders: $528
- Capital stock: $284

S Corporation Practice Return
Scenario 2

Income:

- Gross receipts: $114,391
- Purchases: $15,631

Expenses:

- Advertising: $1,178
- Auto expense: $390
- Bank charges: $416
- Dues: $300
- Insurance: $5,081
- Interest paid: $1,778
- Legal fees: $2,054
- Licenses: $245
- Meals (subject to 50%): $482
- Miscellaneous: $361
- Office expense: $1,647
- Outside services: $30,585
- Rent: $7,910
- Repairs: $1,702
- Salaries (Officers): $23,550
- Payroll taxes: $2,384
- Telephone: $6,219
- Utilities: $2,645

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