

### Question 1 of 34

In a liquidating distribution, a partner receives \$8,000 cash and land with a fair market value of \$5,000 and a basis of \$1,000. The partner's basis in the partnership prior to the distribution was \$10,000. What is the partner's basis in the land immediately after the distribution?

- A. \$1,000
  - B. \$2,000
  - C. \$5,000
  - D. \$8,000
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### Question 2 of 34

A person without dependents is **least** likely to benefit from which of the following types of insurance?

- A. Disability.
  - B. Long-term care.
  - C. Term life.
  - D. Whole life.
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### Question 3 of 34

Millie, age six, has \$5,000 of long-term capital gain from stocks gifted to her by her parents and no earned income or itemized deductions attributable to unearned income this year. Assume the current dependent child standard deduction is \$1,350. How much of Millie's income will be taxed at her marginal tax rate?

- A. \$0
  - B. \$1,350
  - C. \$2,300
  - D. \$5,000
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### Question 4 of 34

On December 31, after receipt of his share of partnership income, Clark sold his interest in a limited partnership for \$30,000 cash and relief of all liabilities. On that date, the adjusted basis of Clark's partnership interest was \$40,000, consisting of his capital account of \$15,000 and his share of the partnership liabilities of \$25,000. The partnership has no unrealized receivables or substantially appreciated inventory. What is Clark's gain or loss on the sale of his partnership interest?

- A. Ordinary loss of \$10,000.
  - B. Ordinary gain of \$15,000.
  - C. Capital loss of \$10,000.
  - D. Capital gain of \$15,000.
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### Question 5 of 34

A taxpayer's property with an adjusted basis of \$75,000 and fair market value of \$105,000 was condemned by the state. The taxpayer received \$100,000 from the state as compensation for the property, and six months after the condemnation purchased a replacement property for \$100,000. What are the tax consequences of this transaction?

- A. No gain is recognized, and the basis in the new property is \$75,000.
  - B. No gain is recognized, and the basis in the new property is \$100,000.
  - C. A gain of \$25,000 is recognized, and the basis in the new property is \$100,000.
  - D. A gain of \$30,000 is recognized, and the basis in the new property is \$100,000.
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### Question 6 of 34

Which of the following statements generally is correct regarding a general partner in a general partnership as compared to a general partner in a limited partnership?

- A. A general partner in a general partnership has greater rights and powers than a general partner in a limited partnership.
  - B. A general partner in a general partnership has greater liability than a general partner in a limited partnership.
  - C. A general partner in a general partnership and a general partner in a limited partnership have the same rights and powers.
  - D. A general partner in a general partnership has rights and powers provided by articles of partnership, while a general partner in a limited partnership has rights and powers provided by statute.
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### Question 7 of 34

Absent an election to close the books, the allocation of nonseparately stated income or loss for an S corporation shareholder who changed their ownership interest during the year is computed based on which of the following?

- A. Ownership percentage at the beginning of the S corporation year.
  - B. Ownership percentage at the end of the S corporation year.
  - C. Ownership percentage computed on a per-share, per-day basis.
  - D. Ownership percentage determined as an average of the beginning and ending ownership percentages.
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### Question 8 of 34

ABC Partnership made an operating distribution to Smith, a partner. ABC's distribution consisted of the following:

Cash	\$50,000
Inventory inside basis	\$20,000
Inventory fair market value	\$40,000
Equipment inside basis	\$30,000
Equipment fair market value	\$60,000

Smith's outside basis prior to the distribution was \$110,000. What amount of gain should Smith report on the total distribution, and what is Smith's basis in the equipment received?

	<u>Gain</u>	<u>Basis in equipment</u>
A.	\$0	\$30,000
B.	\$0	\$60,000
C.	\$40,000	\$30,000
D.	\$40,000	\$60,000

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### Question 9 of 34

A great-grandparent sold equipment with an adjusted basis of \$20,000 to their great-grandchild for its fair market value of \$15,000. The great-grandchild sold the equipment to an unrelated party for \$17,000. What are the great-grandchild's realized and recognized gains (losses) upon selling the equipment to the unrelated party?

	<u>Realized gain (loss)</u>	<u>Recognized gain (loss)</u>
A.	(\$3,000)	(\$3,000)
B.	\$2,000	\$0
C.	\$0	\$0
D.	\$2,000	\$2,000

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### Question 10 of 34

Reid, Welsh, and May are equal partners in the RWM partnership. Reid's basis in the partnership interest is \$60,000. Reid receives a liquidating distribution of \$61,000 cash and land with a fair market value of \$14,000 and an adjusted basis of \$12,000. What gain, if any, must Reid recognize upon the liquidation of his partnership interest?

- A. \$0
  - B. \$1,000
  - C. \$13,000
  - D. \$15,000
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### Question 11 of 34

When a parent corporation completely liquidates its 80%-owned subsidiary, the parent (as stockholder) will ordinarily

- A. Be subject to capital gains tax on 80% of the long-term gain.
  - B. Be subject to capital gains tax on 100% of the long-term gain.
  - C. Have to report any gain on liquidation as ordinary income.
  - D. Not recognize gain or loss on the liquidating distributions.
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### Question 12 of 34

Gold and Silver are calendar-year C corporations. On June 30th of the current year, Silver Corporation acquired 85% of the outstanding stock of Gold Corporation. As a result, Gold is now a subsidiary of Silver, with Silver Corporation owning 85% of Gold's voting stock and fair market value (FMV). Which of the following tax return filings would be appropriate for the two companies?

- A. Two separate returns, because Silver owns at least 80% of both the voting stock and FMV of Gold
  - B. Two separate returns, because the acquisition of Gold took place before the close of the second quarter
  - C. A consolidated return, because Silver owns at least 80% of both the voting stock and FMV of Gold
  - D. A consolidated return, because the acquisition of Gold took place before the close of the second quarter
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### Question 13 of 34

Joan Reed exchanges commercial real estate that she owns for other commercial real estate, plus \$50,000 cash. The following additional information pertains to this transaction:

Property given up by Reed	
Fair market value	\$500,000
Adjusted basis	\$300,000
Property received by Reed	
Fair market value	\$450,000

What amount of gain should be recognized in Reed's income-tax return?

- A. \$200,000
  - B. \$100,000
  - C. \$50,000
  - D. \$0
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