1. What is the filing deadline for a C Corporation?
2. March 15
3. April 15
4. The 15th day of the 3rd month after year end
5. The 15th day of the 4th month after year end
6. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
7. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
8. **Correct!** A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
9. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
10. Keckye Co. is a calendar year C Corporation. When is Keckye’s tax return due?
11. March 15
12. April 15
13. June 15
14. October 15
15. **Correct!** A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
16. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
17. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
18. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation.
19. Keckye Co. is a C Corporation with a fiscal year-end of September 30. When is Keckye’s tax return due?
20. March 15
21. April 15
22. December 15
23. January 15
24. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation. A corporation with a September 30 year end would be required to file by December 15.
25. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation. A corporation with a September 30 year end would be required to file by December 15.
26. **Correct!** A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation. A corporation with a September 30 year end would be required to file by December 15.
27. Incorrect. A C corporation is required to file its tax return by the 15th day of the 3rd month after its year end, which would be March 15 for a calendar year corporation. A corporation with a September 30 year end would be required to file by December 15.
28. Identify which of the following **cannot** function as a pass-through entity for tax purposes.

a) Sole proprietorship

b) Limited Liability Company

c) Partnership

d) S-Corporation

**a) Correct!** A pass-through entity is one that is a separate entity responsible for filing its own tax return but not subject to tax. Instead, its ordinary income and each category of its special income, deductions, gains, and losses are included in, or passed through to, the tax returns of the owners. A sole proprietorship does not file a separate information return but is rather included in the tax return of the proprietor.

b) Incorrect. A pass-through entity is one that is a separate entity responsible for filing its own tax return but not subject to tax. Instead, its ordinary income and each category of its special income, deductions, gains, and losses are included in, or passed through to, the tax returns of the owners. A sole proprietorship does not file a separate information return but is rather included in the tax return of the proprietor.

c) Incorrect. A pass-through entity is one that is a separate entity responsible for filing its own tax return but not subject to tax. Instead, its ordinary income and each category of its special income, deductions, gains, and losses are included in, or passed through to, the tax returns of the owners. A sole proprietorship does not file a separate information return but is rather included in the tax return of the proprietor.

d) Incorrect. A pass-through entity is one that is a separate entity responsible for filing its own tax return but not subject to tax. Instead, its ordinary income and each category of its special income, deductions, gains, and losses are included in, or passed through to, the tax returns of the owners. A sole proprietorship does not file a separate information return but is rather included in the tax return of the proprietor.

1. Regarding the calculation of total tax liability on the Corporate Income Tax Return, Form 1120, which of the following statements is true?

a) Business and nonbusiness bad debts are deductible in full using the direct write-off method.

b) Charitable contributions are an exclusion used to determine gross income before special deductions.

c) The foreign tax credit is applied to taxable income before multiplying by the tax rate to determine gross tax liability.

d) The dividends received deduction is an exclusion used to determine gross income before special deductions.

**a) Correct!** For tax purposes, even an accrual basis tax payer is required to recognize bad debts expense in the period in which a receivable is written off, whether business or nonbusiness. Both charitable contributions and the dividends received deduction are special deductions. The foreign tax credit is applied after determining the gross tax liability, not before.

b) Incorrect. For tax purposes, even an accrual basis tax payer is required to recognize bad debts expense in the period in which a receivable is written off, whether business or nonbusiness. Both charitable contributions and the dividends received deduction are special deductions.

c) Incorrect. For tax purposes, even an accrual basis tax payer is required to recognize bad debts expense in the period in which a receivable is written off, whether business or nonbusiness. The foreign tax credit is applied after determining the gross tax liability, not before.

d) Incorrect. For tax purposes, even an accrual basis tax payer is required to recognize bad debts expense in the period in which a receivable is written off, whether business or nonbusiness. Both charitable contributions and the dividends received deduction are special deductions.

1. The following chart shows ownership percentages of Devon Corp. in X, Y and Z Corporations, and dividends received by Devon from these corporations in 20X14.

|  |  |  |
| --- | --- | --- |
|  | **Devon’s Ownership %** | **Dividend Received** |
| X Corp. | 15% | $100,000 |
| Y Corp. | 20% | $120,000 |
| Z Corp. | 30% | $200,000 |

Devon is a calendar-year corporation and received no other dividends in 20X14. What amount of dividend income must be included by Devon on its 20X14 corporate tax return?

a) $126,000

b) $114,000

c) $94,000

d) $106,000

**c) Correct!** A corporation is entitled to reduce its income by a dividends received deduction equal to a percentage of dividends received, with the percentage determined by ownership. When ownership is below 20%, as with X Corp. there is a 70% dividends received deduction making 30% of the $100,000 in dividends received, or $30,000, taxable. When ownership is at least 20% but is below 80%, as is the case with both Y and Z, the dividends received deduction is 80%, making 20% of the $320,000 in dividends received, or $64,000, taxable. Total taxable dividends will be $30,000 + $64,000 or $94,000.

a) Incorrect. A corporation is entitled to reduce its income by a dividends received deduction equal to a percentage of dividends received, with the percentage determined by ownership. When ownership is below 20%, as with X Corp. there is a 70% dividends received deduction making 30% of the $100,000 in dividends received, or $30,000, taxable. When ownership is at least 20% but is below 80%, as is the case with both Y and Z, the dividends received deduction is 80%, making 20% of the $320,000 in dividends received, or $64,000, taxable. Total taxable dividends will be $30,000 + $64,000 or $94,000.

b) Incorrect. A corporation is entitled to reduce its income by a dividends received deduction equal to a percentage of dividends received, with the percentage determined by ownership. When ownership is below 20%, as with X Corp. there is a 70% dividends received deduction making 30% of the $100,000 in dividends received, or $30,000, taxable. When ownership is at least 20% but is below 80%, as is the case with both Y and Z, the dividends received deduction is 80%, making 20% of the $320,000 in dividends received, or $64,000, taxable. Total taxable dividends will be $30,000 + $64,000 or $94,000.

d) Incorrect. A corporation is entitled to reduce its income by a dividends received deduction equal to a percentage of dividends received, with the percentage determined by ownership. When ownership is below 20%, as with X Corp. there is a 70% dividends received deduction making 30% of the $100,000 in dividends received, or $30,000, taxable. When ownership is at least 20% but is below 80%, as is the case with both Y and Z, the dividends received deduction is 80%, making 20% of the $320,000 in dividends received, or $64,000, taxable. Total taxable dividends will be $30,000 + $64,000 or $94,000.

1. Crimson Corp. was organized as a calendar-year corporation in January 20X14, incurring $51,000 in qualified organizational expenses, and began business in March 20X14. What is the maximum amount Crimson may deduct for organizational expenditures on its 20X14 corporate tax return?

a) $4,000

b) $6,611

c) $6,350

d) $7,133

**b) Correct!** Up to $5,000 in qualifying organizational expenses are deductible in the year incurred, with the amount reduced by the amount by which total organizational expenses exceed $50,000. With a total of $51,000, Crimson could deduct $4,000. In addition, the remaining $47,000 is amortized over 15 years, or 180 months, beginning in the period in which the entity commences operations. Since Crimson began operations in March of 20X14, amortization would be for 10 months or 10/180 x $47,000 =$2,611 and total deductible organizational expenses will be $4,000 + $2,611 or $6,611.

a) Incorrect. Up to $5,000 in qualifying organizational expenses are deductible in the year incurred, with the amount reduced by the amount by which total organizational expenses exceed $50,000. With a total of $51,000, Crimson could deduct $4,000. In addition, the remaining $47,000 is amortized over 15 years, or 180 months, beginning in the period in which the entity commences operations. Since Crimson began operations in March of 20X14, amortization would be for 10 months or 10/180 x $47,000 =$2,611 and total deductible organizational expenses will be $4,000 + $2,611 or $6,611.

c) Incorrect. Up to $5,000 in qualifying organizational expenses are deductible in the year incurred, with the amount reduced by the amount by which total organizational expenses exceed $50,000. With a total of $51,000, Crimson could deduct $4,000. In addition, the remaining $47,000 is amortized over 15 years, or 180 months, beginning in the period in which the entity commences operations. Since Crimson began operations in March of 20X14, amortization would be for 10 months or 10/180 x $47,000 =$2,611 and total deductible organizational expenses will be $4,000 + $2,611 or $6,611.

d) Incorrect. Up to $5,000 in qualifying organizational expenses are deductible in the year incurred, with the amount reduced by the amount by which total organizational expenses exceed $50,000. With a total of $51,000, Crimson could deduct $4,000. In addition, the remaining $47,000 is amortized over 15 years, or 180 months, beginning in the period in which the entity commences operations. Since Crimson began operations in March of 20X14, amortization would be for 10 months or 10/180 x $47,000 =$2,611 and total deductible organizational expenses will be $4,000 + $2,611 or $6,611.

1. When preparing Schedule M-1 of Form 1120, which of the following must be **added** to net income per books in order to compute taxable income?
2. 100% of meals and entertainment expense
3. Municipal bond interest
4. Excess of tax vs. book depreciation
5. Accrued bad debt expense

**d) Correct!** To convert from book income to taxable income, bad debt expense, accrued in the period of sale, will have to be added back since it is not deductible until the account is written off. Half, not 100%, of meals and entertainment expense would be added back to book income to calculate taxable income. Municipal bond interest is not taxable and would be deducted from, not added to, book income to determine taxable income. The excess of tax over book depreciation is deducted from book income, not added to it.

a) Incorrect. To convert from book income to taxable income, bad debt expense, accrued in the period of sale, will have to be added back since it is not deductible until the account is written off. Half, not 100%, of meals and entertainment expense would be added back to book income to calculate taxable income.

b) Incorrect. To convert from book income to taxable income, bad debt expense, accrued in the period of sale, will have to be added back since it is not deductible until the account is written off. Municipal bond interest is not taxable and would be deducted from, not added to, book income to determine taxable income.

c) Incorrect. To convert from book income to taxable income, bad debt expense, accrued in the period of sale, will have to be added back since it is not deductible until the account is written off. The excess of tax over book depreciation is deducted from book income, not added to it.