

1. CP.01.01A (Algorithmic)

2. MC.01-05

Multiple Choice 1-5

The Tax Formula for Individuals (LO 1.3)

Instructions

Comprehensive Problem 1-1A

Maria Tallchief is a single taxpayer, age 27 (birthdate May 18, 1994) living at 543 Space Drive, Houston, TX 77099. Her Social Security number is 466-33-1234. For 2021, Maria has no dependents, and received a W-2, from her job at a local restaurant where she is a cashier. These were Maria's only income for 2021. Maria received a \$1,400 EIP in 2021.

Required:

Complete Form 1040 for Maria Tallchief for the 2021 tax year. If there is an over-payment, she would like a refund.

- She wants to donate \$3 to the Presidential Election Campaign Fund. The election to donate does not affect tax liability in any way.
- Maria has health care coverage for the full year.
- **Enter all amounts as positive numbers.**
- **If an amount box requires no entry or the amount is zero, enter "0".**
- **If required, round amounts to the nearest dollar.**

- ☐ a. A single individual.
- ☐ b. A qualifying widow(er).
- ☐ c. Head of household.
- ☐ d. A single individual.
- ☐ e. None of these choices are correct.

4. MC.01-23

Multiple Choice 1-23

A Brief Overview of Capital Gains and Losses (LO 1.9)

Dorit, a single taxpayer, has a long-term capital loss of \$7,000 on the sale of bonds in 2021 and no other capital gains or losses. Her taxable income without this transaction is \$43,000. What is her taxable income considering this capital loss?

- ☐ a. \$36,000
- ☐ b. \$55,000
- ☐ c. \$40,000
- ☐ d. \$43,000
- ☐ e. Some other amount.

5. MC.01-26

Multiple Choice 1-26

Electronic Filing (e-Filing) (LO 1.11)

Electronically filed tax returns:

- ☐ a. Have error rates similar to paper returns.
- ☐ b. May not be transmitted from a taxpayer's home computer.
- ☐ c. Constitute over 90 percent of the returns filed with the IRS.
- ☐ d. Offer larger refunds than paper returns.

6. PR.01-07

Problem 1-7

The Tax Formula for Individuals, Filing Status and Tax Computation, The Standard Deduction (LO 1.3, 1.5, 1.8)

Alicia, age 27, is a single, full-time college student. She earns \$13,200 from a part-time job and has taxable interest income of \$1,450. Her itemized deductions are \$845.

Table for the standard deduction

<i>Filing Status</i>	<i>Standard Deduction</i>
Single	\$12,550
Married, filing jointly	25,100
Married, filing separately	12,550
Head of household	18,800
Qualifying widow(er)	25,100

Calculate Alicia's taxable income for 2021.

\$

7. PR.01-10 (Algorithmic)

Problem 1-10

The Tax Formula for Individuals, Filing Status and Tax Computation, Qualifying Dependents, The Standard Deduction (LO 1.3, 1.5, 1.6, 1.8)

Jackson, age 35, and Peggy, age 34, are married and file a joint income tax return for 2021. Their salaries for the year total \$85,400 and they have dividend income of \$4,000. They have no deductions for adjusted gross income. Their itemized deductions are \$25,200. Jackson and Peggy do not have any dependents.

Table for the standard deduction

<i>Filing Status</i>	<i>Standard Deduction</i>
Single	\$12,550
Married, filing jointly	25,100
Married, filing separately	12,550
Head of household	18,800
Qualifying widow(er)	25,100

If an amount is zero, enter "0".

a. What is the amount of their adjusted gross income?

\$

b. What is their deduction for personal exemptions?

\$

c. What is the amount of their taxable income?

\$

8. MC.01-12

Multiple Choice 1-12

Qualifying Dependents (LO 1.6)

Kardi, age 65, and Kanye, age 62, are married with a 23-year-old daughter who lives in their home. They provide over half of their daughter's support, and their daughter earned \$4,600 this year from a part-time job. Their daughter is not a full-time student. With regard to their daughter's dependency status:

- ☐ a. She cannot be claimed because she fails the age and gross income test.
- ☐ b. She can be claimed because she lives in their household for 12 months.
- ☐ c. She can be claimed because she is a qualifying child.
- ☐ d. She can be claimed because she is a qualifying relative.

9. MC.01-07

Multiple Choice 1-7

The Tax Formula for Individuals (LO 1.3)

Ramon, a single taxpayer with no dependents, has adjusted gross income for 2021 of \$98,000 and his itemized deductions total \$9,000. What taxable income will Ramon show in 2021?

- ☐ a. \$85,450
- ☐ b. \$74,950
- ☐ c. \$85,800
- ☐ d. \$89,000
- ☐ e. \$85,600

10. MC.01-02

Multiple Choice 1-2

Reporting and Taxable Entities (LO 1.2)

Which of the following tax forms are used by individuals in 2021?

- ☐ a. 1040-EZ
- ☐ b. 1040-SR
- ☐ c. 1040A
- ☐ d. 1120

11. MC.02-02

Multiple Choice 2-2

The Nature of Gross Income (LO 2.1)

Which of the following is not taxable for income tax purposes?

- ☐ a. Gifts.
- ☐ b. Prizes.
- ☐ c. Partnership income.
- ☐ d. Severance pay.
- ☐ e. All of these choices are taxable.

12. MC.02-04

Multiple Choice 2-4

The Nature of Gross Income (LO 2.1)

In 2021, which of the following types of income is tax-exempt?

- ☐ a. Unemployment compensation.
- ☐ b. Income earned illegally.
- ☐ c. Municipal bond interest.
- ☐ d. Dividends from foreign corporations.
- ☐ e. Dividends from utility corporations' stock.

13. MC.02-06

Multiple Choice 2-6

Salaries and Wages (LO 2.2)

The classification of a worker as an employee or an independent contractor is:

- ☐ a. Made by the employer.
- ☐ b. Made by the employee.
- ☐ c. Based on a set of common law factors related to control and independence.
- ☐ d. Based on a negotiation between the employer and employee.

14. MC.02-13

Multiple Choice 2-13

Prizes and Awards (LO 2.6)

Which of the following prizes or awards is *not* taxable?

- ☐ a. Awards for superior performance on the job.
- ☐ b. A crystal paperweight worth \$125 given to an employee for achieving 10 years of service to the company.
- ☐ c. A \$100 gift card received as a prize in a raffle run by the local school parent-teacher organization.
- ☐ d. Prizes from a television game show.
- ☐ e. All of these choices are taxable.

15. MC.02-17

Multiple Choice 2-17

Life Insurance (LO 2.8)

Which of the following would result in life insurance proceeds that are taxable to the recipient?

- ☐ a. A life insurance policy transferred to a creditor in payment of a debt.
- ☐ b. A life insurance policy purchased by a corporation insuring an officer.
- ☐ c. A life insurance policy purchased by a taxpayer insuring his or her spouse.
- ☐ d. A life insurance policy in which the insured is the son of the taxpayer and the beneficiary is the taxpayer.
- ☐ e. A life insurance policy transferred by a partner to the partnership.

16. CP.02.02A (Algorithmic)

17. MC.03-03

Multiple Choice 3-3

Tax Form Schedules. Meals and Entertainment (LO 3.1, 3.3, 3.4, 3.5)

Instructions

Comprehensive Problem 2-2A

Ray and Maria Gomez have been married for 3 years. Ray is a propane salesman for Palm Oil Corporation and Maria works as a city clerk for the City of McAllen. Ray's birthdate is February 21, 1993 and Maria's is December 30, 1995. Ray and Maria each received a W-2 from their respective employers (see separate tab).

Ray and Maria have interest income from McAllen State Bank which is reported on a 1099-INT form (see separate tab). In addition, they own U.S. Savings bonds (Series EE). The bonds had a value of \$10,000 on January 1, 2021, and their value is \$10,700 on December 31, 2021. They have not made an election with respect to these bonds.

Ray has an ex-wife named Judy Gomez. Pursuant to their January 27, 2016 (pre-2019) divorce decree, Ray pays her \$450 per month in alimony payments were made on time in 2021. Judy's Social Security number is 566-74-8765.

During 2021, Ray was in the hospital for a successful operation. His health insurance company reimbursed Ray \$4,732 for all of his hospital bills.

- ☐ a. A business executive who claimed bonus depreciation in the first year she used the car.
- ☐ b. A taxi driver who owns a fleet of six cars for hire.
- ☐ c. A taxpayer who used accelerated depreciation on his automobile.
- ☐ d. An attorney who uses his European sports car for calling on clients.
- ☐ e. None of these choices are correct.

19. MC.03-01

Multiple Choice 3-1

Tax Form Schedules (LO 3.1)

Which of the following is *not* a test for the deductibility of a business expense?

- ☐ a. Sales generation test.
- ☐ b. Business purpose test.
- ☐ c. Reasonableness test.
- ☐ d. Ordinary and necessary test.

20. MC.03-13

Multiple Choice 3-13

Meals and Entertainment (LO 3.5)

Which of the following is not likely to be a deductible expense?

- ☐ a. The cost of tickets to a stage play for a client and the taxpayer.
- ☐ b. The cost for Rosa to take a potential customer to lunch to describe a new service Rosa's company is offering. Unfo customer explains that they are not interested in the service.
- ☐ c. The cost of a party for all of Dan's employees to celebrate a record-breaking profits year.
- ☐ d. The dues for Charles Coke to join the City Chamber of Commerce to generally improve the reputation of his busin community.
- ☐ e. None of these choices are deductible expenses.

21. MC.03-16

Multiple Choice 3-16

Dues, Subscriptions, and Publications (LO 3.7)

Which of the following is not deductible by the self-employed taxpayer?

- ☐ a. A subscription to *The Harvard Law Review* by a lawyer.
- ☐ b. A subscription to *Financial Management* by a financial planner.
- ☐ c. A subscription to *The CPA Journal* by a CPA.
- ☐ d. A subscription to *The Yale Medical Journal* by a doctor.
- ☐ e. All of these choices are deductible.

22. CP.03.01 (Algorithmic)

Instructions**Comprehensive Problem 3-1**

Ken (birthdate July 1, 1990) and Amy (birthdate July 4, 1992) Both have brought you the following information regarding their income, ex and withholding for the year. They are unsure which of these items must be used to calculate taxable income.

Income:	
Ken's salary (salesman)	\$38,900
Amy's wages (part-time nurse)	17,600
Insurance reimbursement for repairs from an auto accident	500
Gift from Uncle George	2,000
Interest income from Lodge State Bank	910
Federal income taxes withheld:	
From Ken's salary	2,800
From Amy's wages	650