

1. MCQ-14900

According to Treasury Circular 230, which of the following rules related to the prompt disposition of pending matters before the IRS applies to CPAs?

1. Practitioners may request an extension of time of *not* more than five years related to the disposition of matters pending before the IRS to avoid any preparer penalties
2. Practitioners will be held responsible for any of the clients interest and penalties related to the unreasonable delay of matters pending before the IRS.
3. Practitioners may *not* unreasonably delay the prompt disposition of matters pending before the IRS.
4. Practitioners must ensure that matters are concluded within three years of the date of formal notification concerning any matters pending before the IRS.
5. MCQ-14901

Which of the following situations could result in a preparer penalty assessed by the IRS?

1. Preparer does *not* sign the tax return.
2. Preparer inadvertently transposes two digits on a return, and the error results in an understatement of income by S90.
3. Preparer lakes an aggressive but realistic tax position that results in a decrease of tax.
4. Taxpayer tells the preparer that the taxpayer's income is $40,000, whereas it is actually $60,000.
5. MCQ-14902

Under the Internal Revenue Code, a CPA who was engaged in the business of preparing tax returns could incur a penalty for disclosing taxpayer information without the taxpayer's formal consent in which of the following circumstances?

A. The information was disclosed in the client's state and local tax returns that the CPA prepared.

B. The information was disclosed in the client's electronically filed tax return.

C. The information was disclosed pursuant to an attorney's solicitation request.

D. The information was disclosed pursuant to a court order.

4.MCQ-14906

During the current year, an individual taxpayer completed the following stock transactions related to Alpha Corp. stock:

|  |  |  |  |
| --- | --- | --- | --- |
| *Date* | *Shares Traded* | *PncG/ShsrQ* |  |
| May 15 | 1,000 purchased | $18 |  |
| June 1 | 1.000 purchased | $12 |  |
| June 10 | 1,000 sold | $10 |  |

The 1,000 shares sold on June 10 had been purchased on May 15. What is the maximum amount, if any, that the taxpayer can deduct in the current year?

1. $0
2. $2,000
3. $3,000
4. $8,000

5. MCQ-14909

A real estate broker reported the following business income and expenses for the current year:

|  |  |  |
| --- | --- | --- |
|  | Commission income | $100,000 |
|  | Expenses: |  |
|  | Auto rentals | 2.000 |
|  | Referral fees to other brokers (legal under state law) | 20.000 |
|  | Referral fees to non brokers (illegal under state law) | 8,000 |
|  | Parking fines | 200 |
| What amount should be reported as net profit on Schedule C, *Profit or Loss from Business?* | | |
| A. | S69.800 |  |
| B. | S70.000 |  |
| C. | S77.800 |  |
| D. | S78.000 |  |

6.MCQ-14914

A C corporation has the following capital gains and capital losses for Years 1 and 2:

|  |  |  |
| --- | --- | --- |
|  | *Capital Gains* | *Capital* Losses |
| Year 1 | $250,000 | $300,000 |
| Year 2 | 425,000 | 350,000 |

If the C corporation had *no* capital gains or losses prior to Year 1. What is the minimum net capital gain that can be reported for Year 2?

1. $25,000
2. $50,000
3. $75,000
4. $425,000

7.MCQ-14915

The following information relates to three corporations. Mauve, Teal, and Fuchsia:

|  |  |  |  |
| --- | --- | --- | --- |
| Adams | *Mauve*  10% | *Teal*  18% | *Fuchsia*  22% |
| Jefferson | 40% | 22% | 0% |
| Washington | 50% | 0% | 0% |
| Brook | 0% | 33% | 70% |
| Smith | 0% | 27% | 8% |
| Total | 100% | 100% | 100% |

None of the corporations has made a sub-chapter S election. Which of the following statements about the corporations is true?

1. All three corporations must file a consolidated return.
2. All three corporations can elect to file a consolidated return.
3. Two of the three corporations can elect to file a consolidated return.
4. None of the corporations can file *a* consolidated return

8.MCQ-14918 Section III Chapter 3 Task 1

Partner A has a 40 percent interest in ABC partnership, with a basis of $40,000. ABC increased its liabilities by $125,000. What is Partner A's basis in ABC as a result of the increase in liabilities?

1. ($10,000)
2. $0
3. $40,000
4. $90,000

9.MCQ-14919 Section IV Chapter 1 Task 4

An individual taxpayer rejected the IRS examiner's findings in an audit of the taxpayer's tax return. What will the IRS do in response to the taxpayers rejection?

1. Issue a 30-day letter.
2. Begin immediate collection action.
3. Issue a statutory notice of deficiency.
4. Refer the case to the IRS Independent Office of Appeals.

10.MCQ-14920

Each of the following constitutes substantial authority for a taxpayer to take a tax position, *except:*

1. A determination letter conclusion in which the taxpayer is named.
2. A technical advice memorandum conclusion in which the taxpayer is named.
3. An affirmative statement in a revenue agent's report with respect to a prior year of the taxpayer.
4. A private letter ruling in which the taxpayer is named and that is inconsistent with a subsequently issued Treasury Regulation.

11.MCQ-14921 Section IV Chapter 1 Task 7

Sumner is an accountant accused of negligence by a client. Which of the following defenses should Sumner argue?

1. Actual fraud was lacking.
2. The negligence was *not* the proximate cause of the client's losses.
3. Contributory negligence negates liability for a client's losses.
4. Scienter was lacking.

12.MCQ-14922 Section IV Chapter 2 Task 3

A business entered into a contract with a construction company to remodel the office of the business. The contract called for the remodeling to be completed by October 1, Year 1. On July 1, Year 1, the construction company sent an email to the business informing the business that it will not finish the job. What recourse does the business have?

1. The business can consider the construction company to be in breach of contract on July 1, Year 1, and immediately seek remedies.
2. The business can consider the construction company to be in breach on July 1, Year 1, but *cannot* seek remedies until October 1, Year 1.
3. The business *cannot* consider the construction company to be in breach of contract until October 1, Year 1, and may *not* seek any remedies until then.
4. The business must notify the construction company on or after July 1, Year 1, of its intent to hold the contractor in breach, and the contractor has 30 days to respond before the contract is breached.

13.MCQ-14924

A seven-person partnership lacks a partnership agreement. Under the Revised Uniform Partnership Act, how many votes are required to approve an extraordinary transaction of partnership business?

1. Four votes
2. Five votes
3. Six votes
4. Seven votes

14.MCQ-14926

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 taxpayer purchased a replacement property for $100,000. What are the tax consequences of this transaction?

1. No gain is recognized, and the basis in the new property is $75,000.
2. No gain is recognized, and the basis in the new property is $100,000.
3. A gain of $25,000 is recognized, and the basis in the new property is $100,000.
4. A gain of $30,000 is recognized, and the basis in the new property is $100,000.

15. MCQ-14932

A C corporation incurred a $438,000 capital loss in Year 4 and has the following tax information:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | *Year 4* | *Year 3* | *Year 2* | *Year 1* |
| Capital gain (loss) | ($438,000) | $11,000 | $21,000 | $0 |
| Taxable income (loss) | 750,000 | 31,000 | 17,000 | 25,000 |

What amount of capital loss is available for carryover to future tax years?

1. $406,000
2. $410,000
3. S427.000
4. $438,000
5. 