

The Contemporary Tax Journal

Volume 9
Issue 1 *The Contemporary Tax Journal Volume
9, No. 1 – Winter 2020*

Article 8

3-23-2020

CPA Review Questions

Follow this and additional works at: <https://scholarworks.sjsu.edu/sjsumstjournal>

Recommended Citation

(2020) "CPA Review Questions," *The Contemporary Tax Journal*: Vol. 9 : Iss. 1 , Article 8.
Available at: <https://scholarworks.sjsu.edu/sjsumstjournal/vol9/iss1/8>

This Article is brought to you for free and open access by the Graduate School of Business at SJSU ScholarWorks. It has been accepted for inclusion in The Contemporary Tax Journal by an authorized editor of SJSU ScholarWorks. For more information, please contact scholarworks@sjsu.edu.

CPA Review Questions

The following REG questions are a sample of those released to the general public by the AICPA in 2019. They are included here with permission of the AICPA.

1. In the current year, Vinton exchanged unimproved land for an apartment building. The land had a basis of \$300,000, and a fair market value (FMV), of \$420,000, and was encumbered by a \$100,000 mortgage. The apartment building had an FMV of \$550,000 and was encumbered by a \$230,000 mortgage. Each party assumed the other's mortgage. What is Vinton's basis in the office building?

- a) \$300,000
- b) \$320,000
- c) \$430,000
- d) \$550,000

c) Correct!

2. Decker, a 62-year-old single individual, sold his principal residence for the net amount of \$500,000 after all selling expenses. Decker bought the house 15 years ago and occupied it until it was sold. On the date of sale, the house had a cost basis of \$200,000. Within six months, Decker purchased a new house for \$600,000. What amount of gain should Decker recognize from the sale of the residence?

- a) \$0
 - b) \$50,000
 - c) \$175,000
 - d) \$300,000
-
- b) Correct!**

3. Aston and Becker are equal partners in AB Partnership. In the tax year, the ordinary income of the partnership is \$20,000, and the partnership has a long-term capital gain of \$12,000. Aston's basis in AB was \$40,000, and he received distributions of \$5,000 during the year. What is Aston's share of AB's ordinary income?

- a) \$10,000
- b) \$15,000
- c) \$16,000
- d) \$18,500

a) Correct!

4. Vital Corp. is an accrual-basis, calendar-year C corporation. Its year 2 reported book income before federal income taxes was \$500,000. Included in that amount were the following items:

Year 1 state franchise tax refund	\$50,000
Municipal bond interest income	7,500

What should be the amount of Vital's year 2 taxable income as reconciled on Vital's Schedule M-1 of Form 1120, *U.S. Corporation Income Tax Return*?

- a) \$500,000
 - b) \$492,500
 - c) \$450,000
 - d) \$442,500
- b) Correct!**

5. Lake Trust, a simple trust, reported the following items of income and expense during the year:

Dividend income	\$2,500
Taxable interest income	2,000
Capital gains (allocable to corpus)	5,000
Accounting fees (allocable to income)	(500)
Trustee fees (allocable to income)	(750)

What is Lake's distributable net income?

- a) \$9,500
 - b) \$8,250
 - c) \$5,000
 - d) \$3,250
- d) Correct!**