



accountests

BUSINESS TAX TEST

Example Questions

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Business Tax Test

Example Question

1

Example Question

1

Your client Josh often uses his personal automobile for business purposes.

He asks you what documentation he needs to claim appropriate deductions from his income tax.

You tell him.....

A

To keep a daily log of business mileage

B

To guess the business use proportion at the end of each month

C

To take the current mileage and subtract the mileage recorded on the last auto maintenance

D

That an owner may not be reimbursed for using a personal vehicle

E

To determine the total mileage on the vehicle for the month and then apportion it 50% to personal and 50% to business

To keep a daily log of business mileage

To use the standard mileage rate a log of business mileage must be maintained

A

To keep a daily log of business mileage

B

To guess the business use proportion at the end of each month

C

To take the current mileage and subtract the mileage recorded on the last auto maintenance

D

That an owner may not be reimbursed for using a personal vehicle

E

To determine the total mileage on the vehicle for the month and then apportion it 50% to personal and 50% to business

Business Tax Test

Example Question

2

Example Question

2

Your client Sonny is a partner in Desolation Partnership.

His basis in the partnership is \$100,000. His share of partnership liabilities is \$40,000.

He has been offered \$125,000 for his partnership share - what would the tax position be for Sonny if he accepts (assuming there are no unrealized inventory or receivables to include)?

A

\$40,000 gain

B

\$25,000 gain

C

\$65,000 gain

D

\$15,000 loss

E

no gain or loss

Answer

2

\$65,000 gain

The calculation is $\$125,000 - \$100,000 + \$40,000 = \$65,000$

A

\$40,000 gain

B

\$25,000 gain

C

\$65,000 gain

D

\$15,000 loss

E

no gain or loss

Business Tax Test

Example Question

3

Example Question

3

Your client Olive has Adjusted Gross Income of \$175,000 and Passive Activity Losses in the current tax year.

Which one of these options is a correct statement about how Olive can get to use these Passive Activity Losses?

A

Losses can be used to offset active property income of the current year

B

Losses can be carried back up to 2 years

C

Losses can be carried forward to use against future passive income but only for 5 years

D

Losses can be carried forward indefinitely to use against future passive income

E

Losses can be used to offset capital gain income of the current year

Losses can be carried forward indefinitely to use against future passive income

Losses can be carried forward until they can be offset against passive activity income or a gains on sale of the rental activity

A

Losses can be used to offset active property income of the current year

B

Losses can be carried back up to 2 years

C

Losses can be carried forward to use against future passive income but only for 5 years

D

Losses can be carried forward indefinitely to use against future passive income

E

Losses can be used to offset capital gain income of the current year

Business Tax Test

Example Question

4

Example Question

4

Your client holds inventory at year end.

There are various methods for identifying the valuation of inventory on hand.

Which of these is NOT one of them?

A

Retail Method

B

LIFO

C

FIFO

D

Market Value

E

Selling Price

Selling Price

Inventory valuation methods acceptable are 'cost' (including FIFO or LIFO), market value or retail method. Selling price is not an acceptable method.

A

Retail Method

B

LIFO

C

FIFO

D

Market Value

E

Selling Price

Thanks for your interest in the
Business Tax Test
Example Questions

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