



accountests



INDIVIDUAL TAX TEST

Example Questions



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Individual Tax Test

Example Question

1

Example Question

1

Your client calls you to ask what transport costs they can claim while traveling for business purposes.

You list some off, but realize later one was wrong!

Which one?

A

Traveling between different workplaces during the day

B

Traveling to a temporary worksite

C

Traveling to a business meeting from their office

D

Traveling to work whilst spending at least 75% of their commuting time making business calls or responding to business emails

E

Visiting customers

Answer

1

Traveling to work whilst spending at least 75% of their commuting time making business calls or responding to business emails

Costs of traveling from home to work are generally not claimable. Choosing to work whilst traveling from home to work does not change this.

A

Traveling between different workplaces during the day

B

Traveling to a temporary worksite

C

Traveling to a business meeting from their office

D

Traveling to work whilst spending at least 75% of their commuting time making business calls or responding to business emails

E

Visiting customers

Individual Tax Test

Example Question

2

Example Question

2

Your client Tim has called in a plumber because of some backed up toilets in their commercial property.

The plumber fixes leaking pipes for \$2,500. Whilst there the plumber notices issues with roof plumbing, and you agree some replacement panels and downspouts costing \$6,000.

Ignoring the de-minimus safe harbor what is the total Tim can claim as an immediate expense for these works?

A

\$2,500

B

\$0

C

\$6,000

D

\$8,500

E

\$4,250

Answer

2

\$2,500

Under the Betterment, Adaptation and Restoration rules the roof plumbing is most likely not claimable as an immediate expense (when the de-minimus safe harbor is ignored).

A

\$2,500

B

\$0

C

\$6,000

D

\$8,500

E

\$4,250

Individual Tax Test

Example Question

3

Example Question

3

Louise is single, and purchased her first home in 2014 for \$179,000.

She lived in it until she rented the house out for a year before it was sold during the year you're completing the return for.

It was sold for \$309,000.

Whilst rented she claimed \$4,500 in depreciation.

What is the tax position on sale?

A

Excluded gain \$130,000; Taxable depreciation recovered \$4,500

B

Excluded gain \$130,000; No recovery of depreciation

C

Excluded gain \$65,000; Taxable depreciation recovered \$4,500

D

Taxable capital gain \$134,500

E

Taxable ordinary income \$4,500, Taxable capital gain \$130,000

Answer

3

Excluded gain \$130,000; Taxable depreciation recovered \$4,500

The first \$250,000 of gain on a primary residence is excluded. As the property was owned for more than 5 years and rented for less than 2 years the primary residence exemption still applies. Depreciation claimed is recaptured on sale

A

Excluded gain \$130,000; Taxable depreciation recovered \$4,500

B

Excluded gain \$130,000; No recovery of depreciation

C

Excluded gain \$65,000; Taxable depreciation recovered \$4,500

D

Taxable capital gain \$134,500

E

Taxable ordinary income \$4,500, Taxable capital gain \$130,000

Individual Tax Test

Example Question

4

Example Question

4

Your client James inherited a commercial building from his father Don during the year.

Don originally purchased the property for \$350,000 and had taken \$55,000 in depreciation. Fair Market Value at the date of death was \$700,000.

The executor did not choose any alternative valuation date.

What is James' basis in the property he has inherited?

A

\$350,000

B

\$295,000

C

\$700,000

D

\$645,000

E

\$405,000

Answer

4

\$700,000

Basis is the fair market value of the property on the date of the decedent's death

A

\$350,000

B

\$295,000

C

\$700,000

D

\$645,000

E

\$405,000

Thanks for your interest in the
Individual Tax Test
Example Questions

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