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Individual Income Tax Test Report

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## Introduction

The Individual Income Tax Test is designed for those who are being employed for positions preparing and reviewing Federal tax returns for individuals, and working as tax accountants, tax preparers, tax associates and up to tax managers. In general terms the test should be appropriate for positions where an employer is looking for at least 1 tax season of experience. Different competency levels assessed within the test allow for the wide range of abilities and responsibilities of Tax Advisors.

## Waiver \& Limitations

Accountests reports are an indicator of Tax Advisors knowledge and skills only. These tools work at their best in conjunction with competency based interview questions to both the candidate and their referees, personality profiles, and ability tests to reach a strong decision on whether to appoint the candidate into a role. Because successful candidate selection is based on personality and ability as well as skills and knowledge, Accountests Ltd accepts no responsibility for selection or other decisions made using this tool and cannot be held liable for the consequences of doing so.

## Context

This report is generated from the candidate's responses to 40 questions covering Income (Gains and Losses), Deductions, Credits, Calculations, Basis and Tax Levied at the level expected of competent Tax Advisors. Questions are divided into 3 Levels of Competency based on levels set by a Tax Specialist expert group. Questions are limited to Federal Tax.

## Unsupervised Test Scores

All online tests provide an estimate of the candidate's abilities, knowledge and skills. However, they do so on the assumption that the tests were completed unassisted and under standard conditions. These conditions cannot be assured if these tests have been completed unsupervised.

For more information read the Test Administration Best Practice Guide on our website.

## Content

1. Overall test score compared to Tax Advisor Levels of Competency
2. Test performance in Income (Gains and Losses), Deductions, Credits, Calculations, Basis and Tax Levied
3. Performance in each of the 40 Questions
4. Interpreting test scores

## Sarah Test Comparison to Tax Advisor Competencies.

## Level 1 - Is Sarah Test a Competent Tax Associate?

14 Questions (100\%)

## 12 Correct (86\%)

2 Incorrect (14\%)
Sarah Test scored 86\% in Level 1 competency. The benchmark to be considered competent is $75 \%$.

If your candidate scored above $75 \%$ at Level 1, as an employer you should expect the candidate can prepare a simple return without help. Their work would still need to be reviewed carefully. This level of competency might be expected of someone with one or two tax seasons experience.

If Sarah Test has scored in excess of $75 \%$ correct on the Level 1 questions then they have the skills of a competent Tax Associate.

Unless this candidate is also competent at Level 2 you should ensure any tax returns are fully reviewed before you rely on them.

## Level 2 - Is Sarah Test a Competent Tax Senior Associate?

## 16 Questions (100\%)

## 12 Correct (75\%)

## 4 Incorrect (25\%)

Sarah Test scored 75\% in Level 2 competency. The benchmark to be considered competent is 75\%.
If your candidate scored above $75 \%$ at Level 2 , they should be able to prepare returns with some complexity without help. This level of competency might be expected of someone with 3 or 4 tax seasons of experience.

If Sarah Test has scored in excess of $75 \%$ correct on both the Level 1 and Level 2 questions then they have the skills of a Tax Senior Associate.

## Level 3 - Is Sarah Test a competent Tax Manager?

10 Questions (100\%)

## 5 Correct (50\%)

## 5 Incorrect (50\%)

Sarah Test scored 50\% in Level 3 competency. The benchmark to be considered competent is $75 \%$.
If your candidate scored above $75 \%$ at Level 3, they can prepare complex returns without assistance. Other than for good risk management practices their work should not need to be reviewed. This level of competency might be expected of someone with 5+ years of experience.

If your candidate has scored in excess of $75 \%$ correct on the Level 1, 2 and 3 questions then they have the skills of a Tax Manager.
Important Note: Questions in the assessment were reviewed by an expert group of experienced tax specialists. The competency levels were set by the expert group using Delphi Qualitative Analysis, a recognised and statistically valid methodology. However there is an inherent variability in candidate performance in different tax advisory skills areas, and therefore some judgement is required. Accountests is available to assist in test interpretation.

## How Tax Is Levied

How Tax Is Levied: Questions about how the tax filing requirements fit with individuals and their different circumstances

A high proportion of correct answers at Level 1 indicates a candidate should be able to prepare a simple return without help. Their work would still need to be reviewed carefully.

3 Questions (100\%)
$\qquad$

Level 2 A high proportion of correct answers at Level 2 indicates a candidate should be able to prepare returns with some complexity without help. Their work would still require review.

3 Questions (100\%)
3 Correct (100\%)

Level 3
A high proportion of correct answers at Level 3 indicates a candidate should be able to prepare complex returns without assistance. Other than for good risk management practices their work should not need to be reviewed.

2 Questions (100\%)

## Deductions, Credits and Acquisitions

Deductions, Credits and Acquisitions: Questions about itemized deductions, rental property expenses, employment expenses and charitable contributions

Level 1 A high proportion of correct answers at Level 1 indicates a candidates should be able to prepare a simple return without help. Their work would still need to be reviewed carefully.

4 Questions (100\%)
3 Correct (75\%) $\quad 1$ 1 Incorrect (25\%)

Level 2 A high proportion of correct answers at Level 2 indicates a candidate should be able to demonstrates prepare returns with some complexity without help. Their work would still require review.

5 Questions (100\%)
3 Correct (60\%)

2 Incorrect (40\%)

Level 3
A high proportion of correct answers at Level 3 indicates a candidate should be able to demonstrates prepare complex returns without assistance. Other than for good risk management practices their work should not need to be reviewed.

3 Questions (100\%)

| 1 Correct (33\%) | 2 Incorrect (67\%) |
| :--- | :--- |

All Levels
12 Questions (100\%)

7 Correct (58\%)
5 Incorrect (42\%)

## Income Gains and Losses

Income Gains and Losses: Questions about what income gains or losses needs to be reported, capital gains and losses and non taxable income

A high proportion of correct answers at Level 1 indicates a candidate should be able to prepare a simple return without help. Their work would still need to be reviewed carefully.

4 Questions (100\%)
3 Correct (75\%) $\quad 1$ Incorrect (25\%)

Level 2 A high proportion of correct answers at Level 2 indicates a candidate should be able to prepare returns with some complexity without help. Their work would still require review.

5 Questions ( $100 \%$ )
3 Correct (60\%) $\quad 2$ Incorrect (40\%)

Level 3 A high proportion of correct answers at Level 3 indicates a candidate should be able to prepare complex returns without assistance. Other than for good risk management practices their work should not need to be reviewed.

3 Questions (100\%)
1 Correct (33\%) $\quad 2$ Incorrect (67\%)

All Levels
12 Questions (100\%)

## Returns, Calculations and Basis

Returns, Calculations and Basis: Questions about tax payments, where to report, calculations of basis

Level 1 A high proportion of correct answers at Level 1 indicates a candidate should be able to prepare a simple return without help. Their work would still need to be reviewed carefully.

3 Questions (100\%)
$\qquad$

Level 2 A high proportion of correct answers at Level 2 indicates a candidate should be able to prepare returns with some complexity without help. Their work would still require review.

3 Questions (100\%)
$\qquad$

Level 3
A high proportion of correct answers at Level 3 indicates a candidate should be able to prepare complex returns without assistance. Other than for good risk management practices their work should not need to be reviewed

2 Questions (100\%)
1 Correct (50\%) $\quad 1$ Incorrect (50\%)

All Levels


| 21 | When interest is taxable | Income and Gains | Level 1 |
| :---: | :---: | :---: | :---: |
| 22 | What passive income is reportable | Income and Gains | Level 1 |
| 23 | Tax status of IRA | Income and Gains | Level 1 |
| 24 | Capital loss claim | Income and Gains | Level 1 |
| 25 | Tax effect of debt remission | Income and Gains | Level 2 |
| 26 | Calculate gain on sale | Income and Gains | Level 2 |
| 27 | Sale of inherited assets | Income and Gains | Level 2 |
| 28 | Calculate taxable income | Income and Gains | Level 2 |
| 29 | Tax status of Roth IRA | Income and Gains | Level 2 |
| 30 | Calculate taxable income | Income and Gains | Level 3 |
| 31 | Investment gain / loss to declare | Income and Gains | Level 3 |
| 32 | Capital gain on deferred settlement | Income and Gains | Level 3 |
| 33 | Reporting of rental income | Calculations \& Basis | Level 1 |
| 34 | Housekeeper tax status | Calculations \& Basis | Level 1 |
| 35 | Estimated payments | Calculations \& Basis | Level 1 |
| 36 | Claiming rental losses | Calculations \& Basis | Level 2 |
| 37 | Requirement for estimated payments | Calculations \& Basis | Level 2 |
| 38 | Basis in property purchase | Calculations \& Basis | Level 2 |
| 39 | Basis in gifted property | Calculations \& Basis | Level 3 |
| 40 | Disclosure of overseas assets | Calculations \& Basis | Level 3 |

## Interpreting Test Scores

The following information provides a guide on how to interpret the results of a candidates test.

## Overall Scores

An overview of test performance at each level provides a summary of how many questions your candidate completed in the allocated time of 30 minutes, how many they got correct, incorrect and the number of questions omitted.

We have deliberately not included a summary of the candidate performance across the whole test as this does not add to understanding of their competency at any particular Level.

## Omitted Questions

Attention should be paid to the number of questions omitted. Because the test is timed, questions are omitted where a candidate chooses to skip a question and also where they run out of time.

To determine whether your candidate ran out of time, look at the cover page to see the time they took to complete the test. If the time is $30: 00$, then the candidate was still working on the test when their time expired.

## Tax Topics

For each of the four Tax Topics in this test, you can see the number of questions the candidate answered correctly, incorrectly and questions omitted.

Each topic is broken down into Level 1 , Level 2 and Level 3 questions to identify the skill and knowledge level your candidate possesses in that topic. A description of likely capabilities at each level is also provided.

Interpreting your candidate's performance against each topic is achieved by looking where their number of incorrect questions increases. In a Income example, a candidate with a very high number of correct Level 1 Questions, half of the Level 2 Questions correct and none of the Level 3 Questions correct is likely to be able to work competently at Level 1 only.

## Individual Questions

The most detailed level of the report lists all 40 questions topics, whether they were answered correctly, incorrectly or omitted, allowing selection panels to drill down to explore particular elements of tax advisory most important to their organization, and their candidate's performance against each of those questions.

