

Quick Review Quiz Answer Key

Chapter One

1. e. All of the above
2. a. ethical, legal
3. d. All of the above
4. f. All of the above
5. b. owners
6. c. independent contractors
7. d. a, b
8. d. Fiduciary
9. a. time, results
10. e. All of the above
11. d. can only be held in the same bank account if clear records are kept as to what amounts belong to the client and attorney respectively.

Chapter Two

1. uniformly accepted terminology
2. year
3. calendar
4. accounting, tax
5. fiscal
6. short
7.
 - a change in ownership,
 - a change in the dates elected for the fiscal year,
 - the end of the business entity prior to the completion of a fiscal year,
 - or any other situation that would cause a substantial interruption in the normal business operations.
 - a business begins during the year, but wishes to use a calendar year for all future accounting and tax years.
8. tax year

9.
 - filed an application for an extension of time to file an income tax return.
 - filed an application for an employer identification number.
 - paid estimated taxes for that tax year.
10. agricultural, quarterly, annual
11. double entry accounting
12. internal control
13. periodically reviewed
14. debit, credit
15. debit
16. credit
17. assets, liabilities, equity
18. temporary accounts
19. revenue, expense
20. general journal
21. chart of accounts
22. ledger accounts
23. trial balance
24. adjusting entries
25. closing entries
26. reversing entries
27. Cash flow statement

Chapter Three

1. a. periodic accounting
2. b. closed to zero
3. c. bring current items that may change incrementally
4. b. are used to see the activity of the business, net changes in the assets, liabilities, and equity, and revenue trends
5. e. All of the above
6. c. first
7. d. All of the above
8. c. financial activity confined within that period.

- 9. a. transferred temporary account balances into the Income Summary Account
- 10. a. reversing entries
- 11. d. All of the above.
- 12. b. used to prepare the balance sheet
- 13. c. shows how money is expended during the accounting period.

Chapter Four

- 1. a. inaccurate accounts payable
- 2. b. when the attorney knows with some certainty the amount of work that will be required
- 3. c. the firm cannot collect expenses
- 4. d. All of the above
- 5. b. requires payment for professional services regardless of the outcome
- 6. a. requires payment based on the amount of time necessary to fully represent the client
- 7. d. whether billing to clients is accurate
- 8. f. b, c
- 9. d. All of the above
- 10. c. escrow
- 11. d. retainers are used to pay professional services in contingent fee cases because no hourly charges are issued
- 12. b. purchase order
- 13. a. invoice
- 14. d. costs advanced
- 15. c. lien letter
- 16. a. payroll
- 17. c. employee
- 18. a. independent contractor
- 19. c. level of education achieved by the worker
- 20. f. SS8
- 21. b. individuals who perform tasks considered routine, repetitive, or that require limited independent judgment/skill
- 22. a. W-4
- 23. c. Circular E
- 24. a. FICA
- 25. d. allow companies with authorized benefit plans to withhold the cost of certain benefits before tax calculations are made
- 26. c. Form 941/944
- 27. b. FUTA, SUTA
- 28. d. 940
- 29. a. W-2

Chapter Five

- 1. a. owners prepare a product for sale
- 2. c. cost of goods sold
- 3. c. Sole Proprietorship

- 4. c. a sole proprietorship can have two owners who are married
- 5. a. it is an entity with ownership by at least one individual
- 6. d. All of the above
- 8. d. All of the above
- 9. d. How much money and time does each alleged partner receive as employee wages from the business?
- 10. c. joint and several liability
- 11. d. all debts of the partnership must be paid after partners receive the return of their initial investment.
- 12. e. Has the individual sold the property to a third party?
- 13. a. on their personal tax return as a personal item of income or loss.
- 14. a. is an Information Return
- 15. d. All of the above
- 16. d. must annually file a report with the IRS describing the activities of the corporation
- 17. d. All of the above
- 18. a. de facto corporation
- 19. c. corporation by estoppel
- 20. a. C corporation
- 21. d. limited purpose C corporations
- 22. a. for licensed professionals whose business was to provide services rather than ordinary types of commercial business.
- 23. b. is not recognized as a distinct entity by the IRS

Chapter Six

- 1. Article I
- 2. land, permanent improvements, registered with government
- 3. sales tax
- 4. excise tax
- 5. estate tax
- 6. gift tax
- 7. Social Security
- 8. Medicare
- 9. Publication 17
- 10. tax evasion
- 11. tax avoidance
- 12. pass through entities
- 13. single filing status
- 14. married filing joint, married filing separate
- 15. married filing joint
- 16. head of household status
- 17. married
- 18. qualifying widower
- 19. Social Security number
- 20. dependent exemption
- 21. qualifying child

22. qualifying relative
23. earned income
24. investment
25. passive income
26. tax exempt or nontaxable
27. tax deferred
28. adjusted gross income
29. standard deduction
30. personal exemption

Chapter Seven

1. c. provided by the recipients of income
2. d. 940
3. b. W-3
4. c. 1099 MISC
5. a. 1120, 1120 S
6. b. 1120 S
7. c. 1099 DIV
8. b. 1065
9. d. K-1 P
10. c. W-2
11. a. 8
12. c. W-2 G
13. a. 1098 E
14. a. 1098 E
15. a. 1099 B
16. b. 1099 C
17. b. 1099 DIV
18. c. 1099 G
19. d. damages received in litigation that are compensation for physical injury
20. d. 1099 R
21. c. 1099 SSA
22. a. K-1 E

Chapter Eight

1. 1040 EZ
2. 1040 A
3. 1040
4. 1040 X
5.
 - medical expenses that exceed a stated percentage of the adjusted gross income
 - State Income Tax or as an alternative, State Sales Tax paid
 - Personal Property Tax
 - Real Property Tax
 - Mortgage Interest, Investment Interest, Points
 - Charitable Contributions (subject to rules of substantiation)
 - Miscellaneous expenses
6. c. Schedule B
7. c. Schedule C

8. d. D
9. capital asset
10. d. E
11. d. Was health insurance paid for household employee?
12. b. residency
13. b. 4797
14. a. depreciation
15. a. names of all previous owners on the title to the property
16. b. Earned Income Credit
17. a. advance earned income credit
18. c. unreimbursed employment expenses
19. b. penalties may be imposed on early withdrawals
20. b. \$250, 500
21. c. Form 8829
22. d. the dependent is enrolled as a student on at least a half-time basis
23. a. subject to limitations based on the MAGI.
24. b. innocent spouse relief
25. a. Hope, Lifetime

Chapter Nine

1. Filing Status
2. c. December 31
3. deductions
4. c. standard deduction
5. c. schedule A
6. b. personal exemption
7. d. Determining the earned income credit
8. a. refundable credits
9. a. will not generally have as significant of an effect as a credit.
10. d. all of the above
11. d. all of the above
12. c. taxpayer claiming the dependent
13. tuition for courses that involve sports that are degree program requirements
14. a. can be claimed by the same household in one year
15. d. all of the above
16. Form 8396
17. e. all of the above
18. b. self-employment income
19. b. 5329
20. d. W-5
21. d. there was no federal income tax withheld.
22. c. Audits for taxpayer's claiming Earned Income Credit are more common than general audits.
23. a. by completing form 8812.
24. b. include combat pay in earned income credit calculation
25. b. overuse of deductions and credits
26. a. 100%, 90%

Chapter Ten

1. partnership
2. majority
3. limited liability company
4. employer identification number
5. 8832
6. self-employment tax
7. S-corporation
8. A, 1065
9. L, M-1, M-2
10. 1040, E
11. corporation, partnership, sole proprietorship
12. 8832
13. 1120
14. A
15. C
16. written records
17. actual expense, standard mileage
18. 179
19. meals, entertainment

Chapter Eleven

1. legal guardian
2. administrator
3. uniform probate code
4. petition
5. inventory
6. direct contact, publication
7. accounting/plan
8. final accounting
9. integrity
10. separate return
11. date of death, estate
12. 9 months
13. copy of the filed return
14. donor
15. charitable, gifts to U.S. citizen spouse
16. basis
17. 709
18. each spouse
19. trust
20. trustee
21. 1041
22. calendar year