



**KONERU LAKSHMAIAH
EDUCATION FOUNDATION**
(Deemed to be University, Estd. u/s. 3 of UGC Act 1956)

B.Com - Odd Sem : End Semester Exam
Academic Year:2021-2022
21CM1124 - EA – Individual Taxation
Set No: 3

Time:		Max.Marks: 100			
S.NO	Answer All Questions	Choice	Options	Marks	CO
1.	Mention all the tests that a qualifying relative must fulfil.	choice Q-2		10Marks	CO1
2.	Describe a member of household under the qualifying relative test			10Marks	CO1
3.	All of the following are correct EXCEPT: A. A brother-in-law must live with the taxpayer the entire year to be claimed as a dependent even if the other tests are met. B. A son aged 21 was a full-time student who earned \$2,700 from his part-time job. The money was used to buy a car. Even though he earned \$2,700, his parents can claim him as a dependent if the other tests were met. C. For each person claimed as a dependent, the social security number, adoption taxpayer identification number, or individual taxpayer identification number must be listed. D. A qualifying relative need not live with the taxpayer to be a dependent of the taxpayer	choice Q-4		15Marks	CO1
4.	December 31, 2021. Throughout 2021, they each had their own personal residences and qualified dependents. They combined the two families and moved into a new residence on the day they married. What option do they have for 2021 filing status? A. They can both file head of household because they each maintained a home for qualified dependents during 2021. B. They can file as married filing jointly or they can file as married filing separately because they were married as of December 31, 2021. C. They can both file head of household because they were unmarried for a majority of the tax year. D. They must file married filing jointly because they were married at the end of the year and the combined family now lives in the same residence.			15Marks	CO2
5.	Draw the schedule must be filed to report income and deductions of trade or business? What are the deductions in the schedule? Mention 5.	choice Q-6		10Marks	CO2
6.	Jeremiah, a cash basis taxpayer, is a salesman. He sold \$100,000 of merchandise in March 2021. His commission is 2% of sales. In November 2021, he received \$2,000 in commissions for those sales and an advance of \$7,000 in commissions for future sales in 2022. What amount must Jeremiah include in his income for 2021			10Marks	CO2
7.	Explain total tax and an individual taxpayer's Total Tax includes: 1. income tax 2. alternative minimum tax 3. non-refundable tax credits 4. refundable tax credits 5. other taxes A. 1, 2, 3 B. 1, 2, 5 C. 1, 2, 3, 5 D. 1, 2, 3, 4, 5	choice Q-8		15Marks	CO2
8.	Identify the following statements is NOT true? A. The amount of a taxpayer's standard deduction is subject to changes every year based on the amount of inflation in the economy. B. A single taxpayer is thinking about getting married near the end of the year. For a couple filing a joint return, the standard deduction is twice the amount used by a single taxpayer. C. The standard deduction for a married person filing a separate return is the same as for a single taxpayer. D. The standard deduction for a qualifying widow(er) with a qualifying child is lower than for a married couple filing a joint return			15Marks	CO2
9.	Illustrate the Net Investment Income Tax and what types of income are not subject to NII tax	choice Q-10		10Marks	CO3
10.	Duke has several traditional IRAs with deductible contributions from past years. He received a \$10,000 distribution from one of his accounts at the age of 61. On his tax return, Duke reports: A. the entire amount of \$10,000 B. nothing because he is over age 59 1/2 C. the percentage that \$10,000 represents of all his deductible contributions D. only \$1,000 because he can spread the reporting over 10 years			10Marks	CO3
11.	Describe childcare credit? Michael and Anna both work and their daughter attends day care. They file a joint return. The cost of day care is \$350 per month. Michael's earned income for the year was \$15,000; Anna's earned income was \$25,000. They had no other income or adjustments. What amount of childcare credit can they claim for 2021	choice Q-12		15Marks	CO3
12.	Ray sold his main home at a \$30,000 gain. He has no gains or losses from the sale of property other than the gain from the sale of his home. He meets the ownership and use tests to exclude the gain from his income. He used part of the home as a business office but is not entitled to claim depreciation for the business use of his home. How does Ray report this gain? A. He does not report it since he qualifies for the full exclusion B. He must report the business use portion as Unrecaptured Section 1250 gain on Schedule D C. He must report the gain from the business use portion as ordinary income on Form 4797 D. He writes SECTION 121 EXCLUSION and subtracts \$30,000 on Schedule D			15Marks	CO3
13.	Explain income is a resident alien required to report on his U.S. income tax return? Mention a few	choice Q-14		10Marks	CO4
14.	Identify the following statements is NOT true regarding NRA withholding? A. NRA withholding is required on a payment of U.S. source income. B. Payment to any foreign government is not subject to NRA withholding. C. The U.S. person who pays an amount subject to NRA withholding is generally the person responsible for withholding. D. The withholding agent is personally liable for any tax required to be withheld			10Marks	CO4
15.	John, who was not married, died on October 12	choice Q-16		15Marks	CO4

John, who was not married, died on October 12. He did not leave any of his assets to charity. Given the following information, may the executor of the estate make the alternate valuation election, and if so, what is the value of the gross estate on the alternate valuation date?

	FMV Date of Death	FMV Alternate Valuation
Residence	\$6,000,000	\$6,010,000
Instalment note	\$5,000	\$500*
Stock	\$600,000	\$350,000
Expenses	(\$450,000)	(\$300,000)

*The decrease in value of the instalment note is due to payments.

- A. No, the election cannot be made.
- B. Yes, the election can be made. The alternate value of the gross estate is \$6,350,500.
- C. Yes, the election can be made. The alternate value of the gross estate is \$6,360,500.
- D. Yes, the election can be made. The alternate value of the gross estate is \$6,365,000.

16.	<p>Donald is a tax return preparer. His client, Jody Black, told him that she had made several gifts during 2020 and asked if she should file a gift tax return, and if so, how much tax she would owe. Jody has never given a taxable gift before. Donald reviewed Jody's gift transactions as follows: • Paid her parents' medical bills, \$11,000 for her father and \$8,000 for her mother • Bought a sports car for her son, the cost was \$37,000 • Gave \$16,000 cash to her church • Prepared her will leaving her vacation cabin, valued at \$75,000, to her sister • Sent a wedding gift of \$1,000 to her niece Donald's best answer to Jody's questions? A. No return is due because gifts to family are excluded B. Must file gift tax return and will owe tax on \$22,000 C. Must file gift tax return but no tax will be owed because of the unified credit D. None of the above</p>		15Marks	CO4
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