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QUESTION: 63
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing $70,000 in taxable income. During 1994, Tom's daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom's dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores' 1994 Form 1040. Tom's 1994 wages were $53,000. In addition, Tom's employer provided group-term life insurance on Tom's life in excess of $50,000. The value of such excess coverage was $2,000.

A. $0
B.$500
C. $900
D. $1,000
E. $1,250
F. $1,300
G. $1,500
1-1. $2,000
1. $2,500
J. $3,000
K. $10,000
L. $25,000
M. $50,000
N. $55,000

O. $75,000

Answer: A

Explanation:
"N" is correct. $55,000. The value of employer-provided group term life insurance for which the face amount exceeds $50,000 is taxable income to the insured employee and the $53,000 in wages would both be included on page one, Form 1040.

QUESTION: 64
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing $70,000 in taxable income. During 1994, Tom's daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom's dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores' 1994 Form 1040. During 1994, the Moores received a $2,500 federal tax refund and a $1,250 state tax refund for 1993 overpayments. In 1993, the IV|oores were not subject to the alternative minimum tax and were not entitled to any credit against income tax. The Moores' 1993 adjusted gross income was $80,000 and itemized deductions were $1,450 in excess of the standard deduction. The state tax deduction for 1993 was
$2,000.

A. $0
B.$500
C. $900
D. $1,000
E. $1,250
F. $1,300
G. $1,500
1-1. $2,000
I. $2,500
J. $3,000
K. $10,000
L. $25,000
M. $50,000
N. $55,000
O. $75,000

Answer: E

Explanation:

"E" is correct. $1,250. The Moores itemized deductions in 1993 because such deductions were $1,450 in excess of the standard deduction. The amount of state taxes deducted in 1993 was $2,000, which (along with the fact that the Moores were not subject to alternative minimum tax, which may have reduced their tax benefit) indicates that the Moores received a tax benefit in 1993 from deducting the $1,250 state tax refund they received in 1994. The $1,250 is taxable in 1994.

QUESTION: 65
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing $70,000 in taxable income. During 1994, Tom's daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom's dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores' 1994 Form 1040. In 1994, Joan received $1,300 in unemployment compensation benefits. Her employer made a $100 contribution to the unemployment insurance fund on her behalf.

A. $0
B.$500
C. $900
D. $1,000
E. $1,250
F. $1,300
G. $1,500
H .$2,000
I. $2,500
J. $3,000
K. $10,000
L. $25,000
M. $50,000
N. $55,000
O. $75,000

Answer: F

Explanation:
"F" is correct. $1,300. Unemployment compensation benefits are fully taxable (when received by the employee), but contributions made by the employer to the insurance fund are not taxable.

QUESTION: 66
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing

$70,000 in taxable income. During 1994, Tom’s daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom’s dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores’ 1994 Form 1040. The Moores received $8,400 in gross receipts from their rental property during 1994. The expenses for the residential rental property were:

A. $0
B.$500
C. $900
D. $1,000
E. $1,250
F. $1,300
G. $1,500
H. $2,000
I. $2,500
J. $3,000
K. $10,000
L. $25,000
M. $50,000
N. $55,000
O. $75,000

Answer: I

Explanation:
"I" is correct. $2,500. Rental actMty net income is reported on page one; the gross income ($8,400) is fully reportable; and all deductions listed (total = $5,900) are fully deductible for a net of $2,500.

QUESTION: 67
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing $70,000 in taxable income. During 1994, Tom’s daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom’s dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores’ 1994 Form 1040. The Moores received a stock dMdend in 1994 from Ace Corp. They had the option to receive either cash or Ace stock with a fair market value of $900 as of the date of distribution. The par value of the stock was
$500.

A. $0 B.$500

C. $900
o. $1,000
E. $1,250
F. $1,300
G. $1,500
H. $2,000
I. $2,500
J. $3,000
K. $10,000
L. $25,000
M. $50,000
N. $55,000
O. $75,000

Answer: C

Explanation:
"C" is correct. $900. If a taxpayer has the option of taking a dMdend either in stock or in other property (e.g., cash), the dMdend is taxable regardless of the option the taxpayer selects.

QUESTION: 68
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing $70,000 in taxable income. During 1994, Tom's daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom's dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores' 1994 Form 1040. In 1994, Joan received $3,500 as beneficiary of the death benefit, which was provided by her brother's employer. Joan's brother did not have a nonforfeitable right to receive the money while lMng.

A. $0
B.$500
C. $900
D. $1,000
E. $1,250
F. $1,300
G. $1,500
H. $2,000
I. $2,500
J. $3,000
K. $10,000
L. $25,000

M. $50,000
N. $55,000
O. $75,000

Answer: A

Explanation:
"A" is correct. $0. Life insurance proceeds received by reason of the death of the insured are not taxable income to the recipient.

QUESTION: 69
Tom and Joan Moore, both CPAs, filed a joint 1994 federal income tax return showing $70,000 in taxable income. During 1994, Tom's daughter Laura, age 16, resided with Tom. Laura had no income of her own and was Tom's dependent. Determine the amount of income or loss, if any that should be included on page one of the Moores' 1994 Form 1040. Tom received $10,000, consisting of $5,000 each of principal and interest, when he redeemed a Series EE savings bond in 1994. The bond was issued in his name in 1990 and the proceeds were used to pay for Laura's college tuition. Tom had not elected to report the yearly increases in the value of the bond.

A. $0
B.$500
C. $900
D. $1,000
E. $1,250
F. $1,300
G. $1,500
H. $2,000
I. $2,500
J. $3,000
K. $10,000
L. $25,000
M. $50,000
N. $55,000
O. $75,000

Answer: A

Explanation:
"A" is correct. $0. Generally, if a taxpayer does not make an election to accrue interest

income from Series EE bonds, the interest is taxable at the time the bonds are cashed. However, an exception applies in this case because Tom Moore meets the criteria (assume he was 24 years or older in 1990). Savings bonds is tax-exempt when:

(1) It is used to pay for qualified higher-education expenses for the taxpayer, spouse, or dependents;

(2) There is taxpayer or joint ownership with spouse;

(3) The taxpayer is age 24 (or over) when the bonds are issued; and

(4) The bonds are acquired after 1989.