**Acct-4220-Godfrey. Study Guide for Test no. 3- Fall-2017**

**Questions from Chapter 8 (8 questions).**

**(1 question).**Test will have one question involving either:   
   (A) the tax on net investment income, or   
  (B) the income tax for a taxpayer with both ordinary income and capital gains (or dividend income).

**(1 question).**Taxable income for a taxpayer who may be claimed as a dependent on another tax return.

**(3 questions). Alternative Minimum Tax: following topics.**

   (1) Concept question about the formula, procedure for computing alternative minimum taxable income.

   (2) Compute AMTI, (3) Compute AMT exemption.

   (4) Compute total tax (including regular income tax and alternative minimum tax).

**(2 questions).**Test will have 2 questions from following three topics.

   (1) Child credit. (2) Credit for child and dependent care credit. (3) America opportunity credit.

**(1 question).**Penalties.

    (1) How to avoid penalty for underpayment of income tax, or

    (2) Compute penalty for late filing or payment

**Questions from Chapter 9 (8 questions).**

**(4 questions).**Test will have a total of 4 questions from the three sets of slides -- (at least one question from each topic).   
   (1) Bad Debts (Slides 3-7).    
   (2) Advance Collection of Income (Slides 14-16).   
   (3) Warranty Expense (Slides 18-26)

**(4 questions).**Test will have four questions from the topics listed below

   (1) Reconciliation of book and taxable income

   (2) Meals and entertainment

   (3) Business casualty losses

   (4) Change in accounting method (see connect homework, problem 9-80)

**Questions from Chapter 10 (9 questions). [Initial slide no.]**

**(1 question).**Test will have one question involving either:

    (1) Bargain purchase. [3]

(2) acquisition of multiple assets – such as building and land.  [5]

    (3) Basis issues for gift property. [11, 12, 22]

    (4) Basis issues for inherited property. [29]

**(3 questions)**Test will have three questions on following topics.

     (1) Cost recovery (depreciation) periods under the modified accelerated recovery system (MACRS).  [31]

     (2) Depreciation on personal property in first year, assuming taxpayer does not claim   
 section 179 write-off, or bonus depreciation.  [35, 38, 39]

     (3) Amount of Section 179 write-off for a taxpayer. [41, 42]

     (4) Total depreciation and section 179 write-off for a personal property used in business. [44]

**(3 questions)**Test will have three questions on following topics.

    (1) Depreciation expense for a business asset when over 40% of all depreciable personal property was   
          bought in last 3 months of year.  [46, 50]  
    (2) Depreciation on a commercial building, or a residential building in year of acquisition, or later. [55, 56]

    (3) Depreciation for a luxury business auto in year of acquisition. [59]

**(2 questions).**Test will have two questions on following topics.

    (1) First year write-off and/or amortization of organization or start-up costs. [63]  
    (2)  Amortization of Intangible assets.  [62]

(3) Depletion. [61]

**More detail on Chapter 9. test topics on Accounting for Income Taxes**

In class, we covered PowerPoint slides dealing with the three topics that will be on the next test.

The test will have a total of 4 questions on these 3 topics, which are:

   (1) Bad debts expense (Slide 3)

   (2) Deferral of income (Income received in advance) (Slide 14), and

   (3) Warranty expense (slide 18)  
[including accounting for income tax expense related to those accounts].

In each slide, we have a trial balance, an income statement or other set accounts.

We should be able to study the information and answer these questions.

   (1) What is GAAP net income before income tax?

   (2) What adjustment is needed to move from “GAAP net income before tax” to “taxable income?”

   (3) What is the amount of taxable income for the year?

   (4) What is the amount of current income tax expense? Journal entry?

(5) Does a book-tax adjustment involve an asset or liability account that   
has a “GAAP basis” that is different from the “TAX basis?”

(6) Will a difference in the TAX and GAAP basis (of an asset or liability) result in a FUTURE “deductible amount” or “taxable amount” --- which makes it necessary for the company to recognize of a “deferred tax asset” or “deferred tax liability”   
(or adjust the balance in an EXISTING deferred tax asset or liability account)?

(7) What is the balance in the deferred tax asset or liability at the end of the year,   
and how is that reflected in the journal entry for deferred income tax expense or benefit?   
[If the deferred tax asset or liability had a beginning balance (originating in a prior year) the focus is on the change in the balance during the year, not on the amount of the ending balance.

(8) When considering a deferred tax asset, it is also necessary to determine if a valuation allowance account should be established, or adjusted.   
(Test no. 3 will not have a question about an allowance account for a deferred tax asset.)