

CPA-REGULATION^{Q&As}

CPA Regulation

Pass Test Prep CPA-REGULATION Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

<https://www.leads4pass.com/cpa-regulation.html>

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by Test Prep Official Exam Center

- ⚙️ **Instant Download** After Purchase
- ⚙️ **100% Money Back** Guarantee
- ⚙️ **365 Days** Free Update
- ⚙️ **800,000+** Satisfied Customers



QUESTION 1

For a cash basis taxpayer, gain or loss on a year-end sale of listed stock arises on the:

- A. Trade date.
- B. Settlement date.
- C. Date of receipt of cash proceeds.
- D. Date of delivery of stock certificate.

Correct Answer: A

Choice "a" is correct. Trade date.

Gain or loss on a year-end sale of listed stock arises on the trade date.

Rule: Whether on the cash or accrual method of accounting taxpayers who sell stock or securities on an established securities market must recognize gains and losses on the trade date, rather than on the settlement date.

Choices "b", "c", and "d" are incorrect, per the above rule.

QUESTION 2

On February 1, 1993, Hall learned that he was bequeathed 500 shares of common stock under his father's will. Hall's father had paid \$2,500 for the stock in 1990. Fair market value of the stock on February 1, 1993, the date of his father's death, was \$4,000 and had increased to \$5,500 six months later. The executor of the estate elected the alternate valuation date for estate tax purposes. Hall sold the stock for \$4,500 on June 1, 1993, the date that the executor distributed the stock to him. How much income should Hall include in his 1993 individual income tax return for the inheritance of the 500 shares of stock, which he received from his father's estate?

- A. \$5,500
- B. \$4,000
- C. \$2,500 D. \$0

Correct Answer: D

Choice "d" is correct. There is no income tax on the value of inherited property. The gain on the sale is the difference between the sales price of \$4,500 and Hall's basis. Hall's basis is the alternate valuation elected by the executor. This is the value 6 months after date of death or date distributed if before 6 months. The property was distributed 4 months after death and the value that day (\$4,500) is used for the basis. \$4,500

$-\$4,500 = 0$.

Choice "a" is incorrect. There is no income tax on the value of inherited property.

Choice "b" is incorrect. This is the basis of the stock if the alternate date had not been used. Heirs are not

taxed on inheritances. The income or loss results when inherited property is sold. Choice "c" is incorrect.

There is no income tax on the value of inherited property. The gain on the sale is the difference between the sales price of \$4,500 and Hall's basis. Hall's basis is the alternate valuation elected by the executor.

QUESTION 3

Porter was unemployed for part of the year. Porter received \$35,000 of wages, \$4,000 from a state unemployment compensation plan, and \$2,000 from his former employer's company-paid supplemental unemployment benefit plan. What is the amount of Porter's gross income?

- A. \$35,000
- B. \$37,000
- C. \$39,000
- D. \$41,000

Correct Answer: D

RULE: Gross income includes all income unless it is specifically excluded in the tax code.

Choice "d" is correct. Wages and all unemployment compensation are not excluded from being taxable; therefore, there are included in the taxpayer's gross income for tax purposes.

Wages received	\$35,000
State unemployment compensation	4,000
Employer's unemployment compensation plan	<u>2,000</u>
	<u><u>\$41,000</u></u>

Choice "a" is incorrect. All forms of unemployment compensation are included as part of gross income. Choice "b" is incorrect. The \$4,000 of state unemployment compensation received is included as part of gross income. Choice "c" is incorrect. The \$2,000 of his former employer's company-paid supplemental unemployment benefit plan is included as part of gross income.

QUESTION 4

Adams owns a second residence that is used for both personal and rental purposes. During 2001, Adams used the second residence for 50 days and rented the residence for 200 days. Which of the following statements is correct?

- A. Depreciation may not be deducted on the property under any circumstances.
- B. A rental loss may be deducted if rental-related expenses exceed rental income.

- C. Utilities and maintenance on the property must be divided between personal and rental use.
- D. All mortgage interest and taxes on the property will be deducted to determine the property's net income or loss.

Correct Answer: C

Choice "c" is correct. Because the second property was personally used more than 14 days, any net loss from the rental of the property will be disallowed.

All related expenses must be prorated between the personal use portion and the rental activity portion.

Prorated depreciation is permitted for the rental activity.

QUESTION 5

Leker exchanged a van that was used exclusively for business and had an adjusted tax basis of \$20,000 for a new van. The new van had a fair market value of \$10,000, and Leker also received \$3,000 in cash. What was Leker's tax basis in the acquired van?

- A. \$20,000
- B. \$17,000
- C. \$13,000
- D. \$7,000

Correct Answer: B

Choice "b" is correct. \$17,000 is the tax basis in the van. The basis for like-kind exchanges is computed as follows: The general rule is the gain is recognized to the extent boot is received. As the transaction results in a loss to Leker (he received an asset worth \$10,000 plus \$3,000 cash less a \$20,000 tax basis equals \$7,000 loss) no gain is recognized and the \$3,000 received reduces his basis in the new asset. Choice "a" is incorrect. Basis must be reduced by non-like-kind assets (boot) received. Choice "c" is incorrect. For non-like-kind exchanges, the basis would be the FMV of the assets received (\$10,000 FMV plus \$3,000 Boot). However, because both assets have similar use, this is a like-kind exchange, which follows the rule above. Choice "d" is incorrect. The basis of the old property is used to calculate the basis of the new property, less any boot received.

Basis of old property
 Less: Boot received
 New basis

\$20,000
 (3,000)
\$17,000

[CPA-REGULATION PDF Dumps](#)

[CPA-REGULATION Study Guide](#)

[CPA-REGULATION Braindumps](#)