

2010 - "C" CORPORATION - QUIZ

1. T F A corporation has unlimited life.
2. T F A corporation's shares are, generally, transferable
3. T F In general, a shareholder in a corporation has limited liability and can not lose more than his/her investment.
4. T F Corporations are managed by stockholders
5. T F Reasonable salary paid to employee-shareholder is deductible by the corporation
6. T F Retirement and employee benefits can be more generous to corporate employees than sole proprietor or partners.
7. T F Profits, losses and credits are passed through to shareholders from "C" corporation
8. T F Corporate structure requires consent of State of Incorporation
9. T F Corporate meetings are only required to be held annually.
10. T F "C" Corporations pay Federal and State taxes at corporate level
11. T F A corporation must have a reasonable business need and definite plans for use of retained earnings.
12. T F A corporation is a legal entity
13. T F A corporation **must** have a name indicating its corporate name (Inc., Corp. etc)
14. T F Assumed business name applications **must** be filed.
15. T F Any person or group of persons may incorporate
16. T F Most states are now governed by the Model Business Corporations Act.
17. T F A corporation incorporated in one state needs permission from another state to do business in that state.
18. T F Oregon Corporation registered names are governed by Oregon Department of Revenue

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19. T F Oregon corporation name registration is \$50 per year for operations all over the state of Oregon
20. T F Washington filing fee for assumed business name is \$10
21. T F California assumed business name filing fee is \$29 and is paid to the Franchise Tax Board
22. T F There is no limit as to number of shares corporations can have authority to issue.
23. T F Address of registered office and name of registered agent must be a street address and not a PO box
24. T F Address where notices may be sent CAN be a PO box.
25. T F Articles of Incorporation and By Laws generally control corporate activities.
26. T F In Oregon, duplicate copies of articles of incorporation must be filed along with required fees
27. T F Washington requires filing of triplicate copies with original signatures
28. T F California requires original and two copies of articles and will certify the copies, additional copies will be charged a fee.
29. Which of the following is not required to be done after incorporating?
- a. Purchase a minute book and company seal
 - b. Purchase share certificates
 - c. Hold a directors meeting to issue shares, elect officers and appoint banker
 - d. Adopt by laws
 - e. Issue share certificates (for Oregon) under seal
30. T F Certificates must be delivered to shareholders.
31. T F By laws are the same as Articles of Incorporation
32. T F A "C" Corporation tax return is due April 15th of each year

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33. T F A corporation may file 1120A if gross receipts, income and assets are under \$500,000. There are no other requirements to allow filing of 1120A
34. Which of the following is NOT required in corporate structure?
- a. Board of directors
 - b. Officers
 - c. Shareholders
 - d. Accountant
35. T F Oregon allows a one person corporation to exist
36. T F Common shares allow equal shareholder rights in voting, dividends, etc.
37. T F Articles of Incorporation must specify number, par value and type of shares the corporation is **authorized** to issue.
38. T F A corporation allows for deferred compensation (pension plan) tax advantage
39. T F A corporation allows for medical reimbursement plans which allows the corporation to pay medical expenses with tax deductible funds.
40. If a business is formed after 1996, which of the following will not be taxed as a corporation?
- a. A business formed under state law that refers to it as a joint-stock company or joint stock association
 - b. An insurance company
 - c. All banks
 - d. A business wholly owned by state or local government
 - e. A business specifically required to be taxed as a corporation by IRS
 - f. Any business that elects to be taxed as a corporation by filing form 8832.
41. T F Transfers of property to a corporation in exchange for common stock in that corporation are non taxable if immediately afterwards the transferor becomes in control of the corporation.
42. T F Nontaxable exchange of property for stock does not apply if the corporation is an investment company
43. T F Value of stock received for services is income to the recipient

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44. T F Control of a corporation means shareholder must own a total combined voting power of all common stock entitled to vote and at least 80% of all non voting stock.
45. T F Domestic corporations (unless exempt under section 501) must file a tax return only if they have taxable income.
46. T F An extension of time to file a corporate return is for 3 months
47. T F Penalty for late filing of corporate return is 5% of unpaid tax
48. T F If over 60 days late, the minimum late filing penalty is \$500
49. T F Penalty for late payment of corporate tax is 1% of unpaid tax per month or part of a month that it is not paid.
50. T F Maximum penalty for late payment or late filing is 25%
51. T F Trust fund recovery penalty is 100% of the amount of unpaid trust fund tax
52. T F A tax preparer who signs client's reports (payroll and other tax reports) and/or signs checks for the client's corporation can be held liable for trust fund recovery penalty.
53. T F Personal service corporations do not benefit from graduated rate tables.
54. T F Personal service corporations are taxed at a flat rate of 39%
55. Personal service corporation is one that is substantially (95% or more) owned by
- a. Employees
 - b. Retired employees
 - c. Estates of employees
 - d. All of the above
 - e. Only "a" and "b"

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56. Personal service corporation does not involve the performance of services in the field of:
- a. Health
 - b. Law
 - c. Engineering
 - d. Construction
 - e. Architecture
 - f. Accounting
 - g. Actuarial science
 - h. Performing arts
 - i. Consulting
57. T F A personal holding company is the same as a personal service corporation
58. T F In general, personal holding company income is investment income
59. T F A personal holding company has at least 50% of corporations adjusted gross income that consists of personal holding company income.
60. T F Personal holding company tax is a flat 35% on the undistributed PHC income in addition to other corporate taxes on the income.
61. T F For tax years after 1997, tentative AMT is zero for small corporations
62. T F Basically, a small corporation is one with annual gross receipts of not more than \$3,000,000
63. T F Accumulated earnings penalty tax of 35% of subject earnings not distributed for the purpose of avoiding taxable distributions applies to accumulation of \$250,000 or less for all corporate entities.
64. T F Corporate tax results in double taxation of same profits
65. T F Owners and officers may elect to take bonuses to avoid double taxation.
66. T F Corporate estimates are all due at the same time as personal income tax estimates
67. T F All corporations may use either 25% of current year tax or 25% of income tax on prior year return to figure each installment payment (estimated tax)

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68. T F A penalty may be assessed for underpayment of estimate even if there is a refund due on the filing of the return.
69. T F Corporate estimated tax payments should be mailed to IRS office in Sacramento, California.
70. T F Corporate estimated tax payments may be required to be filed electronically based on estimated tax total for prior year.
71. T F All corporations in California must file an income tax return
72. T F Franchise tax for California is imposed on only on corporations incorporated in California.
73. T F Franchise tax is PREPAID for privilege of doing business
74. T F Minimum franchise tax for California is \$800 except some gold or quicksilver Corporations.
75. T F California franchise tax rate is 6% for all except banking corporations or S corps
76. T F California Corporation **income tax** is imposed on all corporations that derive income from sources within California but are **not** doing business in California.
77. T F Oregon minimum tax is \$10
78. T F If a corporation issues a shareholder or an employee a **below market** loan, the shareholder or employee must report additional income.
79. T F Corporate net capital losses are not deductible in current year
80. T F Carryback or forward of net capital losses may be applied only to net capital gains in the carryback years.
81. T F Carryback or forward of net capital losses are **all** treated as short term losses.
82. T F If a corporation carryback net capital loss is carried back to a year when the corporation was an "S" corporation, shareholders of "S" corporation must file amended tax returns for those years.,
83. T F Carryback refunds for corporations are applied for on form 1145C

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84. T F If corporation uses an accrual method accounting, they may deduct qualified charitable contributions when approved by the board of directors regardless of when actually paid.
85. T F Corporate charitable contributions are limited to 10% of taxable income with a carryover to each of the following 5 years.
86. T F Section 1250 capital gains must be adjusted for corporation before determining taxable income.
87. T F Corporations are allowed to deduct full amortized amount of pollution control facilities.,
88. T F Mineral exploration and development costs and intangible drilling costs deduction must be reduced by 30%.
89. T F A corporation can deduct 70% of dividends received if the corporation receiving the dividend owns less than 20% of the distributing corporation.
90. T F Small business investment companies can deduct 100% of dividends received from a taxable domestic corporation
91. No deduction is allowed for dividends received from
- a. Federal Home Loan Banks
 - b. Foreign corporations
 - c. Dividends on preferred stock of public utilities
 - d. A real estate investment trust
92. T F Dividend received deduction is allowed for dividends on deposit in mutual savings banks and domestic building and loan associations
93. T F There is a % limit on the deduction for dividends
94. T F Business start up costs, to be amortizable, must be a cost that could be deducted if paid or incurred to operate an existing active trade or business.

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95. Business start up costs do not include
- a. Survey of potential markets
 - b. Advertisement for opening
 - c. Fees for professional services
 - d. Research and experimental costs.
96. T F A corporation may deduct any remaining deferred start up costs for business if completely dispose of the business before the end of the amortization period but only if they qualify as a loss from a business.
97. T F A cash method corporation can amortize organizational expenses incurred in the first year even if it does not pay them in that year.
98. Organization costs that are amortizable do not include
- a. Expenses of temporary directors
 - b. State incorporation fees
 - c. Legal services for organizational
 - d. Costs of issuing and selling stock or securities
 - e. Accounting services for setting up the corporation
99. T F Amortization of start up and organizational costs is over a period of 60 months
100. T F If amortizing both start up and organizational costs, must elect the same period for amortization (not less than 60 months) for all costs.
101. T F If start up or organizational costs are paid by shareholder and not reimbursed by the corporation the cost can only be recovered by the shareholder when interest in the corporation is sold.
102. T F Related party rules deny deduction of losses on sale or exchange of property between related persons.
103. T F An accrual basis corporation can not deduct expenses owed to a related cash basis person until payment is made and the amount is included in the income of the person paid.
104. T F Interest paid to a related person may be limited if not subject to tax on the interest received in all cases.
105. T F At risk rules do not apply to any corporation

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106. T F A closely held corporation (for at risk rules) is a corporation that, at any time during the tax year, more than 50% in value of outstanding stock owned directly or indirectly is owned by or for five or fewer individuals.
107. T F Passive activity rules apply to personal service corporations and closely held corporations.
108. T F Corporations are not allowed to take a foreign tax credit.
109. Which of the following credits is NOT allowed to be taken by a corporation?
- a. Electric vehicle credit
 - b. Prior year minimum tax credit
 - c. Disabled access credit
 - d. Empowerment zone employment credit
 - e. Low income housing credit
 - f. Indian employment credit
 - g. Welfare to work credit
 - h. Child tax credit
110. T F Work opportunity credit is allowed under general business credits for a corporation.
111. T F Schedules M-1 and M2 must be completed if total assets are over \$50,000
112. T F Schedule M-1 provides for adjustments between book income and taxable income
113. T F Retained earnings will generally differ from accumulated earnings and profits because of differences in computing book and tax earnings.
114. T F For computing earnings and profits, capital losses are allowed in the year incurred but must be added back in year they are applied against gains.
115. T F Nondeductible interest expenses reduce earnings and profits
116. T F Tax exempt interest income increases earnings and profits
117. T F Depreciation claimed on tax return over straight line amount increases earnings and profits.

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118. T F Any distribution to shareholders from earnings and profits is generally a dividend.
119. T F A distribution is not a taxable dividend if it is a return of capital to the shareholder.
120. T F Form 1099-DIV must be filed for each shareholder to whom a corporation pays gross dividends of \$50 or more.
121. T F Backup withholding at 30% of dividend paid must be withheld on all dividends if proper identification is not available for shareholder.
122. T F Basis of **property** received by shareholder is FMV
123. T F Cancellation of shareholder's debt without repayment is a distribution.
124. T F Distributing corporation generally does not recognize gain or loss on distribution of appreciated property (if not in complete liquidation)
125. T F If corporation distributes property to a shareholder and FMV exceeds the corporation's adjusted basis, the distribution is treated as a sale and corporation recognizes gain on excess of FMV over adjusted basis.
126. T F If FMV of **depreciated** property distributed to shareholders is more than adjusted basis of the property, the corporation must report ordinary income even though the distribution might otherwise be non-taxable
127. T F In general, shareholder does not include the distribution of stock or stock rights in gross income.

**TRANSFER YOUR ANSWERS TO THE ANSWER SHEET AND
FAX, EMAIL OR MAIL ONLY THE ANSWER SHEET.**

2010