

Corporate Return #11

Enter the following information in Drake Software to create an 1120 return.

Kool Systems, Inc was incorporated in NC on February 15, 1997. The calendar year for the corporation ends December 31, 2008. The employer ID number is 400001911.

Kool Systems, Inc is located at:

2710 Marley Ct
Fletcher, NC 28732
Henderson County

The telephone number is 828-111-2222.

For purposes of this practice return, from the Resident State list select **Suppress state**.

Enter the following state information. The date Kool commenced business in the state is August 12, 1997. The tax withholding account number is 52-12312345 and the sales tax number is 400001811.

Enter the following income and deduction information:

Income	
Gross receipts or sales	\$205,410
Returns and allowances	\$ 11,300
Gross rental income	\$ 27,500
Deductions	
Salaries and wages	\$ 46,400
Repairs and maintenance	\$ 6,500
Bad debts	\$ 4,500
Advertising	\$ 1,500

Kool's taxes and licenses include:

State income taxes	\$ 3,700
Local property taxes	\$ 5,900
Payroll Taxes	\$ 6,500
Licenses	\$ 1,500

The following information is Kool's other deductions:

Accounting	\$ 1,700
Cell phone	\$ 200
Insurance	\$ 4,400
Janitorial	\$ 8,800
Legal and professional	\$ 550
Telephone	\$ 1,250
Utilities	\$ 6,700

The Cost of Goods Sold information is as follows:

Inventory at the beginning of the year was \$8,000, purchases were \$75,333, cost of labor was \$9,000, and inventory at the end of the year was \$4,000. Kool Systems, Inc used the cost method for valuing inventory. The rules of section 263A do not apply to this corporation and there were no changes in determining inventories.

Company officer information includes:

Ken Kool is the only officer for Kool Systems, Inc. He is the CEO and his ID number is 123-45-6789. He signs the return. Ken's ownership and participation is as follows: Total – 100%, Common – 100%, Preferred 100%, Time – 100%. His deductible compensation is \$4,500.

Ken's address is:
222 110 St E
Fletcher, NC 28732

His telephone number is 828-222-1111 and email is Kkool@email.com.

Other Information:

Kool uses the Accrual method of accounting. Principal business activity code is 238220. Description is Heating & Air Conditioning, product or service is Construction.

The number of shareholders at the end of the year was 1.

An entity did own 50% or more of corporate voting stock. Enter the following information: Ken Kool ID # 123-45-6789 owned 100%. He is an individual.

The corporation's total receipts for the tax year AND its total assets at the end of the tax year were less than \$250,000.

Enter the following Schedule L assets:

Item	Beginning of year	End of year
Cash	\$ 40,145	\$ 20,579
Accounts receivable	\$ 43,790	\$ 56,333
Tax-exempt securities	\$ 31,235	\$ 45,654
Loans to shareholders	\$ 16,025	\$ 19,938

Schedule L – Liabilities and Capital:

Item	Beginning of year	End of year
Accounts payable	\$ 27,650	\$ 13,857
Payables less than 1 year	\$ 17,742	\$ 15,716
Common stock	\$ 76,502	\$ 76,824
Retained earnings unappropriated	\$128,841	\$132,730

Line 6 Other:

Item	Beginning of year	End of year
Prepaid Expenses	\$2,502	\$1,303
Prepaid taxes	\$ 358	\$ 730

Schedule M-1 Reconciliation of Earnings:

Make an entry of \$690 for fines and penalties for "other Expenses recorded on books but not deducted on the return".

Enter the following items on screen 4562.

#	For	Description	Date Acq	Cost	%Use	Listed	Method	Life	Prior Dep
1	1120	Truck	07-13-2007	\$ 21,500	100	T	M	5	\$ 7,393
2	1120	Computer	02-14-2009	\$ 5,200	100		M	5	
3	1120	Security System	08-22-2007	\$12,400	100		SL	7	\$ 3,542
4	1120	Forklift	09-22-2006	\$ 66,000	100		SL	7	\$ 28,285
5	1120	Compressor	11-22-2008	\$ 56,000	100		SL	7	\$ 8,000

Opt out of Bonus depreciation for all classes.

1120W

Taxable income expected for the tax year - \$23,000

Tax shown on current year tax return - \$24,000

Required installment amounts – 1st – \$6,000, 2nd – \$6,000, 3rd – \$6000, 4th – \$6,000,

OP to 2010 Code A- \$1000

On the **PRNT** screen, select to force Schedules L, M-1 and M-2 to print. Also, turn off the auto balance.