

Practice Return 11

Drake Tax 2019

In this scenario, you will practice entering the following:

- Corporate Income and Deduction
- Balance Sheet
- Depreciable Assets
- Estimated Payments

Instructions

This practice return will help you become familiar with return preparation in Drake Tax. Use the scenario information and the attached source documents to complete the return. After the return is complete, compare your results with the solutions provided online.

Go to Support.DrakeSoftware.com for solutions and more practice returns. After logging in access **Training Tools > Practice Returns**.

To agree with provided solutions:

- Suppress state returns by entering "0" in the **Resident state** field on Screen 1
- Install all program updates
- Correct all EF diagnostic messages

SCENARIO INFORMATION

The Musical Corporation files Form 1120 annually. The company was incorporated on June 7, 2003 in New York. The Musical Corporation owns a musical instrument store.

The corporation files returns using a calendar year and uses the accrual method of accounting

CORPORATION INFORMATION

NAME	The Musical Corporation
EIN	40-0006011
EMAIL:	MusicalCo@1040.com

Address: 353 Harmonica St, New York, NY 10021

Phone: 828-524-8020

OFFICER INFORMATION

OFFICER	
NAME	Bongo Drum
SSN	400-00-1441
OFFICER TITLE	President
SALARY	\$50,000
PHONE:	828-524-8020
EMAIL	Drum@1040.com
ADDRESS:	220 Harp Circle New York, NY 10001

Bongo Drum will sign the tax return. He owns 100% of the total, common, and preferred stock. He also devoted 100% of the time to the corporation.

Bongo's start date with the corporation was June 7, 2003.

INCOME

Gross Receipts	\$456,200
Returns & Allowances	\$7,000

The corporation's total gross receipts for the tax year were not less than \$250,000 and its total assets at the end of the year were less than \$250,000.

DEDUCTIONS

Accounting	\$2,000	Office Expense	\$500
Advertising	\$2,000	Repairs	\$5,000
Building Insurance	\$3,000	Salaries	\$36,000
Cell Phone	\$800	Telephone	\$1,000
Commissions	\$3,000	Utilities	\$7,000
Janitorial	\$1,500		
Legal Service	\$3,500		
Liability Insurance	\$2,000		

COST OF GOODS SOLD (Section 263A does not apply)

Beginning Inventory	\$55,000
Purchases	\$326,440
Ending Inventory	\$67,000

The method used to value inventory is lower of cost or market. There was no change in determining inventory.

BALANCE SHEET

Assets

	<u>Beginning</u>	<u>Ending</u>
Cash	\$76,821	\$80,053
Federal Income Tax Receivables	\$0	\$2,028

Liabilities

	<u>Beginning</u>	<u>Ending</u>
Accounts Payable	\$75,000	\$75,000
Common Stock	\$20,000	\$20,000
Retained Earnings Unappropriated	\$46,648	\$57,033

DEPRECIABLE ASSETS

Description	Date in Service	Cost	Method	Life	Prior Depreciation
Asset 1	07/13/2016	\$21,500	MACRS	5	\$16,856
Asset 2	02/14/2010	\$5,200	MACRS	5	\$5,200
Asset 3	08/22/2017	\$12,400	MACRS	7	\$6,074
Asset 4	09/22/2018	\$66,000	MACRS	7	\$18,857
Asset 5	11/22/2015	\$56,000	MACRS	7	\$41,423

ESTIMATED TAX PAYMENTS FOR 2019

Payment	Payment Date	Amount
1	04/15/2019	\$1,000
2	06/15/2019	\$1,000
3	09/15/2019	\$1,000
4	12/15/2019	\$1,000
Total		\$4,000