

# Practice Return 13

Drake Tax 2019

In this scenario, you will practice entering the following:

- Income and Deductions for S-Corp Return
- Balance Sheet
- Depreciable Assets
- Shareholders' Information

## 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](https://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 Sunshine S Corp is a corporation that was incorporated in May 15, 2004 in Florida. It was granted S-Corporation status at the start of business, therefore, there are no E&P issues.

Sunshine S Corp owns and operates a grocery store in North Miami Beach.

The S-Corp files returns using a calendar year and uses the accrual method of accounting and is a specified service trade or business (SSTB).

### S-CORPORATION INFORMATION

NAME	Sunshine S-Corp
EIN	40-0006013
EMAIL:	Sunshine@1040.com

**Address:** 464 Bright Ln, North Miami Beach FL 33160

**Phone:** 828-524-8020

## OFFICERS WHO ARE SHAREHOLDERS INFORMATION

### \*OFFICER 1

NAME	Solar Winds
SSN	400-00-8111
OFFICER TITLE	President, CEO, Director
COMPENSATION	\$10,000
PHONE	828-524-8020
TOTAL OWN %	10%
COMMON	10%
TIME	100%
EMAIL	Solar@1040.com
ADDRESS	444 Tulip Lane Miami, FL 33180
SHARES AT START OF YEAR	20
DATE EMPLOYED	05/15/2004

### \*\*OFFICER 2

NAME	Sun Flowers
SSN	400-00-8112
OFFICER TITLE	Treasurer, Director
COMPENSATION	\$15,000
PHONE	828-524-8020
TOTAL OWN %	50%
COMMON	50%
TIME	100%
EMAIL	Sun@1040.com
ADDRESS	333 Iris Road Miami, FL 33180
SHARES AT START OF YEAR	100
DATE EMPLOYED	05/15/2004

### OFFICER 3

NAME	Summer Flowers
SSN	400-00-8113
OFFICER TITLE	Secretary, Director
COMPENSATION	\$15,000
PHONE	828-524-8020
TOTAL OWN %	20%
COMMON	20%
TIME	100%
EMAIL	Summer@1040.com
ADDRESS	555 Rose Circle Miami, FL 33180
SHARES AT START OF YEAR	40
DATE EMPLOYED	05/15/2004

### OFFICER 4

NAME	Ocean Breeze
SSN	400-00-8114
OFFICER TITLE	Director
COMPENSATION	\$15,000
PHONE	828-524-8020
TOTAL OWN %	20%
COMMON	20%
TIME	100%
EMAIL	Ocean@1040.com
ADDRESS	777 Daisy Court Miami, FL 33180
SHARES AT START OF YEAR	40
DATE EMPLOYED	05/15/2004

\*Solar Winds will sign the tax return.

\*\*Sun Flowers balances the books.

## SHAREHOLDERS' PRO RATA SHARE ITEM

### DISTRIBUTIONS

03/03/2019	\$50,000
11/06/2019	\$100,000

## INCOME

Gross Receipts	\$1,000,000	Interest Income on Receivables	\$4,500
Returns & Allowances	\$33,200	Taxable Income from Ins Proceeds	\$17,977

## DEDUCTIONS

Accounting	\$850	Janitorial	\$11,000
Advertising	\$7,000	Legal	\$3,000
Bank Charges	\$450	Marketing	\$1,750
Cell Phone	\$350	Postage/Shipping	\$750
Training	\$2,950	Printing	\$1,500
Independent Contractor	\$9,000	Rents	\$24,000
Building Insurance	\$1,200	Repairs	\$4,000
Liability Insurance	\$2,500	Salaries (non-shareholders)	\$55,000
Worker's Comp Insurance	\$5,000	Software	\$1,000
Internet	\$350	Supplies	\$3,000
Telephone	\$575	Travel	\$6,200
Utilities	\$3,750	Local Property Tax	\$1,500
Payroll Taxes	\$22,000	Licenses	\$1,000

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

Beginning Inventory	\$20,000
Purchases	\$130,960
Cost of Labor (W-2 wages)	\$14,000
Ending Inventory	\$18,000

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

## BALANCE SHEET

<b>Assets</b>		
	<b><u>Beginning</u></b>	<b><u>Ending</u></b>
Cash	\$1,000,000	\$1,291,342
Accounts Receivable	\$6,000	\$8,500

<b>Liabilities</b>		
	<b><u>Beginning</u></b>	<b><u>Ending</u></b>
Accounts Payable	\$3,600	\$2,800
Capital Stock	\$5,000	\$5,000
Retained Earnings	\$96,867	\$123,634

## DEPRECIABLE ASSETS

Description	Date in Service	Cost	Method	Life	Prior Depreciation	Prior 179
Asset 1	07/12/2016	\$13,000	MACRS	5	\$10,192	
Asset 2	06/14/2019	\$175,000	EXP	5		
Asset 3	09/05/2005	\$10,000	MACRS	7	\$10,000	
Asset 4	04/13/2018	\$66,000	MACRS	5	\$26,400	
Asset 5	03/12/2006	\$15,000	MACRS	5	\$15,000	
Asset 6	03/15/2018	\$25,000	EXP	5		\$25,000

\*All assets were used for 100% for business use.

## SCHEDULE M-2 ACCUMULATED ADJUSTMENT ACCOUNT

Balance at start of year                      \$96,867 (Accumulated Adjustments Account)