

S Corporation Practice Return Scenario 1

In this scenario, you will practice the following:

- Complete Form 1120S
- Complete Form 4562
- Complete Schedule K-1

Information about the company:

Name: Fairyland Woodcarving **Activity Code:**
EIN: 81-1XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: February 11, 1992 (S-Corp as of February 1, 2000)
Address: 539 North Ave, Lebanon, GA 30146
Business Phone: (706) 555-8111

Information about the shareholders:

Shareholder 1 Name: Kara Winters (President)
SSN: 426-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50% - 500 Shares
Address: 248 Juniper Dr, Rome, GA 30165

Shareholder 2 Name: Helen Puck
SSN: 427-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25% - 250 Shares
Address: 268 Park Ave, Rome, GA 30165

Shareholder 3 Name: Michael Night
SSN: 428-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 25% - 250 Shares
Address: 86 Main St, Kingston, GA 30145

Available documentation:

Additional items to note:

- Fairyland Woodcarving manufactures decorative wood products.
- The amount of shareholder-employee compensation included in the expenses is \$115,000. Kara Winters earned this compensation. James Brown, the secretary, earned the rest. His SSN is 429-XX-XXXX.
- The rules of Section 263A do apply for property produced or acquired for resale. There were no changes in determining quantities, costs, or valuations between opening and closing inventories.
- The company uses the accrual method of accounting.
- The answers to questions on Schedule B, lines 3-15, should be "no."
- The balance of the accumulated adjustments account (Sch M-2) at the beginning of the year was \$101,484.
- Each shareholder would like to have his/her basis calculated.
- Since Kara owns most of the stock, if there are any extra amounts due to rounding, she should have these amounts included in her Schedule K-1.
- Kara's loan basis is \$1,314 (all of which was repaid this year). She contributed this year's additional paid-in capital.
- The company will to e-file the return. Kara will sign, and her PIN is 65478.

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- Shareholder income and basis
- Depreciable assets

Shareholder income and basis:

Name	Distributions	Beginning Stock Basis
Kara Winters	\$0	\$16,200
Helen Puck	\$0	\$3,350
Michael Night	\$0	\$3,350

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation
Tools	01/01/2021	\$85,000	MACRS/ 200DB	HY	7	\$32,963	\$32,963
Equipment	01/15/2022	\$13,930	MACRS/ 200DB	HY	7	\$1,991	\$1,492
Sprayer	04/15/20XX	\$1,900	MACRS/ 200DB	HY	7		

The S corporation has elected not to take the Section 179 deduction for the full amount of the cost of the sprayer or bonus depreciation.

S Corporation Practice Return Scenario 1

Income:

Fairyland Woodcarving uses the lower of cost or market method to value closing inventory.

- Gross receipts: \$846,652
- Returns: \$732
- Purchases less costs of items: \$634,448

Other costs for inventory:

- Craft show fees: \$680
- Freight and delivery: \$24
- Supplies: \$365

Expenses:

- Bad debts: \$4,824
- Bank charges: \$37
- Commissions: \$4,036
- Business interest: \$1,433
- Legal fees: \$6,645
- Licenses and permits: \$1,055
- Meals (to be reduced): \$1,340
- Office expense: \$4,712
- Postage: \$1,678
- Officer's salaries: \$132,525
- Telephone: \$6,028

Beginning of year:

- Cash: \$2,438
- Accounts receivable: \$44,914
- Inventory: \$32,149
- Prepaid insurance: \$2,088
- Prepaid interest: \$278
- Depreciable assets: \$98,930
- Accumulated depreciation: \$34,954
- Accounts payable: \$33,812
- Mortgages (under 1 year): \$21,018
- Loans from shareholders: \$1,314
- Mortgages (over 1 year): \$4,235
- Capital stock: \$5,000
- Additional paid-in capital: \$15,000
- Retained earnings: \$54,611
- Accrued/withheld taxes: \$8,831
- Accrued payroll: \$2,022

End of year:

- Cash: \$23,491
- Accounts receivable: \$96,798
- Inventory: \$29,482
- Prepaid insurance: \$2,623
- Prepaid interest: \$6,079
- Accounts payable: \$32,376
- Mortgages (under 1 year): \$6,590
- Capital stock: \$5,000
- Additional paid-in capital: \$22,342
- Accrued payroll: \$4,079
- Accrued interest: \$9,055

S Corporation Practice Return Scenario 2

In this scenario, you will practice the following:

- Complete Form 1120S
- Complete Form 4562
- Complete Schedule K-1

Information about the company:

Name: Samson Auto Reconditioning
EIN: 81-2XXXXXX (use your company's EFIN in place of XXXXXX)
Formed: June 29, 2010 (S-Corp as of July 1, 2013)
Address: 378 Oak Ave, Atlanta, GA 30311
Business Phone: (678) 555-8211

Information about the shareholders:

Shareholder 1 Name: Eric Springer (President)
SSN: 429-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50% - 500 Shares
Address: 440 Main St, Atlanta, GA 30311

Shareholder 2 Name: Melissa Weaver (Treasurer)
SSN: 430-XX-XXXX (use your company's EFIN in place of XX-XXXX)
Percent of stock: 50% - 500 Shares
Address: 863 Peachtree Rd, Atlanta, GA 30312

Available documentation:

- Shareholder income and basis
- Depreciable assets
- Income and expenses

Additional items to note:

- The cost method was used to value closing inventory.
- The rules of Section 263A do not apply for property produced or acquired for resale. There was no change in determining quantities, costs or valuations between opening and closing inventories.
- The company uses the cash method of accounting.
- The answers to questions on Schedule B, lines 3-15, should be "no," except for question 11b. The company does want the completed portions of the return that the IRS does not require.
- There are some items that should be included in each shareholder's share, but not in the S corporation's income. The total interest income included in portfolio income is \$2, and total charitable contributions were \$136.
- The balance of the accumulated adjustments account at the beginning of the year was (\$17,089).
- Business elects not to take Bonus Depreciation for assets purchased in the current year.
- Eric loaned \$528 to the company.
- The return should be mailed.

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Shareholder income and basis:

Name	Distributions	Beginning Stock Basis
Eric Springer	\$4,996	\$1,000
Melissa Weaver	\$4,997	\$1,000

Depreciable assets:

Description	Placed in Service	Cost	Method	Convention	Recovery Period	Prior Depreciation	Prior AMT Depreciation
Furniture	07/15/2020	\$290	MACRS/ 200DB	HY	7	\$163	\$163
Equipment	07/15/2020	\$1,349	MACRS/ 200DB	HY	7	\$759	\$759
Spray gun	07/01/2020	\$170	MACRS/ 200DB	HY	7	\$96	\$76
Computer	09/15/2020	\$740	MACRS/ 200DB	HY	5	\$527	\$527
Pressure washer	08/15/20XX	\$1,642	MACRS/ 200DB	HY	7		
Air compressor	09/15/20XX	\$964	MACRS/ 200DB	HY	7		

Beginning of year:

- Cash: \$877
- Inventory: \$350
- Security deposit Receivable: \$459
- Depreciable assets: \$2,549
- Accumulated depreciation: \$1,545
- Payroll taxes Payable: \$2,298
- Farmer's First (1) LT note payable: \$8,000
- Farmer's First (2) LT note payable: \$9,197
- Capital stock: \$284
- Retained earnings: \$(17,089)

End of year:

- Cash: \$3,308
- Accounts receivable: \$3
- Inventory: \$350
- Security deposit: \$725
- Farmer's First (1) LT note payable: \$5,632
- Farmer's First (2) LT note payable: \$11,252
- Payroll taxes: \$7,683
- Loans from stockholders: \$528
- Capital stock: \$284

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Income:

- Gross receipts: \$114,391
- Purchases: \$15,631

Expenses:

- Advertising: \$1,178
- Auto expense: \$390
- Bank charges: \$416
- Dues: \$300
- Insurance: \$5,081
- Interest paid: \$1,778
- Legal fees: \$2,054
- Licenses: \$245
- Meals (subject to 50%): \$482
- Miscellaneous: \$361
- Office expense: \$1,647
- Outside services: \$30,585
- Rent: \$7,910
- Repairs: \$1,702
- Salaries (Officers): \$23,550
- Payroll taxes: \$2,384
- Telephone: \$6,219
- Utilities: \$2,645