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Preparation of Tax Forms (March 17, 1960)

William & Mary Law School

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PREPARATION OF TAX FORMS
March 17, 1960

Please prepare Schedule C of Form 1040 based on the following information:

Mrs. Chase is the sole proprietor of a ladies' hat manufacturing business, operating under the name of the Elite Manufacturing Co., and located at 500 Fourteenth Ave., New York City, N. Y. The following summary statement was taken from the books of the company.

SALES	\$132,000
RETURNS AND ALLOWANCES	3,000
PURCHASES	30,000
MATERIALS AND SUPPLIES	3,500
INVENTORY ON 1-1-59 (cost or market)	22,400
INVENTORY ON 12-31-59 (cost or market)	14,600
FACTORY LABOR	48,000
COMMISSIONS PAID SALESMEN	8,000
OFFICE SALARIES	3,000
RENT OF LOFT	10,200
TAXES PAID:	
N.Y.C. gross receipts tax	135
Unemployment and old age benefit tax	2,950
TELEPHONE AND TELEGRAPH	240
POSTAGE	160
LIGHT	155
AUDITING AND LEGAL FEES	2,100
REPAIRS TO MACHINERY AND EQUIPMENT	425

Additional data: Interest of \$400 accrued on a bank loan made for business purposes. In 1950, the Fashion Hat Shoppe went into bankruptcy owing the Elite Manufacturing Co., \$250. The Fashion Hat Shoppe had no assets. The Elite Manufacturing Co. does not employ a reserve for bad debts.

Depreciation on machinery, office furniture, and a delivery truck totaled \$2,690. Machinery with an estimated useful life of 10 years and a salvage value of \$200 was purchased on January 1, 1955 for \$10,200. Office furniture having a salvage value of \$250 cost \$4,000 on January 1, 1955, at which time it had an estimated useful life of 15 years. A new delivery truck with a useful life of 5 years and a salvage value of \$500 was purchased on January 1, 1958, for \$6,000. The machinery and furniture are depreciated under the straight-line method; the delivery truck under the liberalized declining balance method.

A blank copy of Schedule C is attached.

Be sure to complete the explanation schedules C-1 and C-2, to the extent appropriate. Also complete the work sheet portion of the Self-employment tax schedule. For purposes of the self employment schedule assume that the amounts to be entered on each of the lines 28(b)(c) and (d) and 31 is zero.

Upon completion of the schedule, please leave the schedule on the instructor's table. The schedules should be completed within the regular class period.

Next assignment is that indicated on your assignment sheet for March 22.