

Table of Contents

EA Exam Part 2 – 2017-18

Introduction	2
Examination Content Outline	8
Course Content	10
Businesses	11
Business entities	11
Sole Proprietorships.....	11
Partnerships	11
Corporations	12
S Corporations.....	13
Farmers	13
Limited Liability Company (LLCs)	14
Tax-exempt entities and associations.....	18
Elections for types of entities	18
Employer Identification Number (EIN).....	19
Accounting Periods	20
Accounting Methods.....	27
Reporting requirements (1099 and W-2).....	33
Hobby business determination and loss limitation	34
Partnerships	35
Partnership income, expenses, distributions, and flow-through	35
Family Partnership	43
Partners dealings with partnership.....	44
Contribution of Property.....	48
Basis of Partner's Interest	50
Disposition of partner's interest	53
Partnership formation.....	56
Dissolution of partnership –.....	57
Filing requirements and due dates	58

Services rendered in return for partnership interest	60
Debt discharge	61
Corporations in general	63
Filing Requirements and Due Dates.....	63
Earnings and profits	69
Dividends and Distributions to Shareholders	71
Special Deductions and Credits.....	76
Liquidations and Stock Redemptions.....	80
Accumulated Earnings.....	81
Estimated Tax Payments.....	81
Alternative minimum tax	83
Forming a corporation	84
Property Exchanged for Stock.....	84
Services rendered to a corporation in return for stock	87
IRC section 351 exchange	88
Transfer and/or receipt of money or other property in addition to corporate stock	89
Mortgaged property transferred	89
Controlled groups	90
Closely Held Corporations.....	92
Personal Service Corporations	92
S corporations	94
Requirements to Qualify	94
S Corp income, expenses and separately stated items.....	96
Election Procedure.....	97
Treatment of distributions.....	98
Shareholder's basis	101
Revocation, termination and reinstatement	108
Section Practice Questions	110
Answers to Section Practice Questions	121
Business Financial Information	132
Business income.....	132
Gross business income.....	132

Cost of goods sold	137
Net income, net operating losses, and loss limitations	148
Gain or loss on disposition of depreciable property	152
Cancellation of business debt	152
Business expenses, deductions and credits	154
Employees' Pay	154
Reporting requirements for contractors and employees	184
Business rental deduction	185
Depreciation	187
Business bad debts	261
Business travel, entertainment and gift expenses	262
Interest expense	269
Insurance expense	269
Taxes including employment and excise taxes	271
Casualties, thefts and condemnations	273
IRC section 199 deduction	274
General business credits	276
Net operating loss deduction	280
Home office	288
Other Expenses	290
Business assets	291
Basis of Assets	291
Disposition of depreciable property	300
Like-Kind Exchanges (general)	317
Converted property	344
Capitalization and repair regulations	346
Analysis of financial records and advising the business taxpayer	347
What type of business	347
Income statement	347
Balance sheet	347
Pass-through activities	347
Reconciliation of tax versus books	347

Loans to and from owners	348
Deposit obligations	348
Reporting obligations for business	350
Recordkeeping	350
Related party activity	357
Selection of a business entity	357
Commingling	357
Life cycle of the business	357
Worker classification.....	357
ACA compliance	358
Section Practice Questions	359
Answers to Section Practice Questions	369
Specialized Returns and Taxpayers.....	379
Trust and Estate Income Tax.....	379
Trust types	379
Distributable net income and accounting income.....	381
Exclusions and deductions	382
Fraudulent trusts (abusive arrangements)	382
Income in respect of a decedent	383
Income	385
Separately stated items	385
Filing Requirements	386
Exempt Organizations	388
Qualifying for and maintaining tax-exempt status	388
Filing requirements	393
Unrelated Business Income Tax Return	394
Retirement Plans.....	396
Employer and employee contributions.....	397
Reporting requirements.....	397
Plans for self-employed persons.....	398
Prohibited transactions.....	405
Qualified and non-qualified plans.....	405

Qualification and non-discrimination rules	410
Farmers	413
Farm Income	413
Farm Inventory.....	415
Depreciation for Farmers.....	417
Various disaster area provisions	421
Disposition of Farm Assets.....	425
Farm Tax Computation	431
Section Practice Questions	434
Answers to Section Practice Questions	439