1120S Preparation and Planning 2: Business Income, Deductions and Tax Payments (2021 Edition)
Course Instructions

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Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

Overview of Topics / Table of Contents: In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

Definition of Key Terms / Glossary: You'll find key terms defined for this program in the course information on the following page(s).

Index / Key Word Search: You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

Review Questions: Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

Final Exam: The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

Course Evaluation: Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

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Course Description
Presented by Miles Hutchinson, CGMA, this course reviews S corporation income tax return preparation. In this lesson, you’ll learn to correctly report trade or business deductions on Form 1120S, identify when an S corporation may be subject to income tax, describe estimated tax requirements, and more.

Learning Objectives
Upon successful completion of this course, participants should be able to:

- Correctly report gross receipts and inventory (including the cost of goods sold) on Form 1120S
- Recognize what other income is included in trade or business income
- Correctly report trade or business deductions on Form 1120S
- Describe built-in gains tax issues
- Identify when an S corporation may be subject to Income tax
- Describe estimated tax requirements
- Recognize which write-off does not reduce the S corporation's ordinary business income or loss
- Recognize who is taxable on the interest income under the tax benefit rule
- Identify "other" trade or business deductions
- Recognize how Form 1125-A is used
- Describe correct statements regarding the UNICAP rules
- Describe true statements about gross profits

NASBA Field of Study
Taxes. Some state boards may count credits under different categories—check with your state board for more information.

Course Level
Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

Prerequisites
1120S Preparation and Planning 1: Tax Fundamentals

Advance Preparation
None.

Course Expiration

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

Key Terms

- **Capital Gain:** A capital gain is gain from the sale or exchange of a capital asset. At which rate capital gains are taxed is determined by how long the capital asset is held. If a capital asset was held for less than 12 months, then the gain is a short-term capital gain and is taxed at ordinary income tax rates. If a capital asset was held for more than 12 months, then the gain is a long-term capital gain.
- **Compensation:** Compensation is defined as the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required. Essentially, it's a combination of the value of your pay, vacation, bonuses, health insurance, and any other perk you may receive, such as free lunches, free events, and parking.
- **Depletion:** Depletion is the using up of natural resources (minerals, coal, timber, etc.) due to extraction from the source of supply and disposition by sale. Similar to depreciation, a taxpayer is allowed a deduction for depletion. The amount of the deduction can be determined one of two ways. Under cost depletion, a taxpayer may deduct each tax year the cost or other basis in the resource multiplied by the ratio of the number of units of the resource extracted for that year over the total estimated number of recoverable units. Under percentage depletion, a taxpayer may deduct each tax year a specified percentage of the gross income earned from the resource not to exceed 50 percent of the taxable income from the property without the benefit of the deduction.
- **Depreciation:** Depreciation is the gradual decrease in value of an asset due to the passage of time and the use to which the asset is put. A taxpayer is permitted a deduction for the depreciation of the cost of capital assets used in a trade or business or for the production of income. The taxpayer's cost or other basis in property may be deducted under one of several depreciation systems depending on when the asset was placed in service or whether it is tangible or intangible.
- **Gross Income:** Gross income includes all income from whatever source derived, unless the income is specifically excluded by the Code. Exclusions from gross income include certain death benefits, gifts and inheritances, interest on state obligations, certain compensation for injuries or sickness, and social security benefits.
- **Inventory:** For income tax purposes, inventory is the all the goods, finished or otherwise, that are either held for sale or intended to be converted to finished goods for sale to customers in the ordinary course of a trade or business. A taxpayer must choose both an inventory identification method and an inventory valuation method in order to determine the items included in and the costs associated with its inventory, so it can then compute income from sales of inventory.