

# 1120 BEDFORD, INC. CASE STUDY FACTS (CASBEM)

Bedford, Inc. is a small C corporation. Bedford, Inc. is not part of a consolidated group, nor is it a personal holding company or a personal service corporation. Bedford, Inc. uses the cost method for inventory valuation. The company purchased two assets this year and sold one asset. Book depreciation is the same as the tax amount.

## TARGETED AREAS

- Practice for new users
- Entering basic 1120 data
- Transmittal letter and filing instructions

## RETURN INFORMATION

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## DATA ENTRY

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# RETURN INFORMATION

Some data is already entered for you. Use the [Data Entry \(page 9\)](#) section for instructions and hints on entering any data you are unsure how to enter. You should verify all the information when it has changed or is missing based on the information in these facts.

## GENERAL INFORMATION

NAME	<i>Bedford, Inc.</i>
ADDRESS	<i>120 Maple Street Bayside Hills, NY 11364</i>
EIN	<i>98-8888888</i>
METHOD OF ACCOUNTING	<i>Accrual</i>
BUSINESS ACTIVITY CODE	<i>421700</i>
BUSINESS ACTIVITY	<i>Wholesale</i>
PRODUCT	<i>Hardware</i>

## INCOME

### INTEREST INCOME

FIRST NATIONAL BANK	<i>\$ 1,850</i>
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### COST OF GOODS SOLD

BEGINNING INVENTORY	<i>\$ 25,000</i>
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<b>PURCHASES</b>	<b>\$150,000</b>
<b>ENDING INVENTORY</b>	<b>\$ 50,000</b>

## DEDUCTIONS

### TAXES

<b>REAL ESTATE TAXES</b>	<b>\$ 7,200</b>
<b>PAYROLL TAX</b>	<b>\$ 70,000</b>
<b>NEW YORK STATE TAXES</b>	<b>\$ 15,800</b>

### CURRENT YEAR CONTRIBUTIONS

<b>UNITED WAY</b>	<b>\$ 16,380</b>
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## DEPRECIATION

### FORM 4562 INFORMATION

Summary depreciation information for assets acquired before 2024

<b>MACRS DEDUCTION FOR ASSETS PLACED IN SERVICE DURING PRIOR TAX YEARS</b>	<b>\$ 9,250</b>
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OTHER DEPRECIATION	\$ 60,831
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### ASSET #1 DETAIL

DESCRIPTION	<i>Office Furniture</i>
DATE PLACED IN SERVICE	<i>01/01/2024</i>
COST	<i>\$ 50,000</i>
METHOD	<i>7-year MACRS</i>

### ASSET #2 DETAIL

DESCRIPTION	<i>PC Equipment</i>
DATE PLACED IN SERVICE	<i>09/01/2024</i>
COST	<i>\$ 25,000</i>
METHOD	<i>5-year MACRS</i>

1. Scroll down to **Property Type**.
2. Click **Listed property/vehicle over 6,000 lbs.**

## SCHEDULE E

OFFICER	1	2
NAME	<i>John Sample</i>	<i>Jane Sample</i>
SSN	<i>111-22-3333</i>	<i>444-55-6666</i>

TITLE	President/CEO	Vice President
PERCENTAGE OF TIME DEVOTED TO BUSINESS	100%	100%
COMMON STOCK OWNED	50%	50%
COMPENSATION	\$150,000	\$100,000

## SCHEDULE L

OTHER CURRENT ASSETS	BEGINNING	ENDING
Prepaid Insurance	8,000	10,000
Prepaid Interest	2,000	1,000
Capital Stock-Common	500,000	500,000

Verify under the **Accrual Options** tab that the depreciation options to calculate the ending balance sheet amount and carry the book-tax difference to Schedules M-1/M-3 are checked.

## SCHEDULE M-1

EXPENSES RECORDED ON BOOKS THIS YEAR NOT DEDUCTED		
Officers' Life Insurance Premium	Line 5c, Other	\$ 9,000
DEDUCTIONS IN RETURN NOT CHARGED AGAINST BOOK INCOME		
	Line 8b, Other	\$ 7,726

## GAINS AND LOSSES

1. Select **Quick Track > Sales of Business Prop.**

OR

Select **Gains and Losses > Disposition of Property > Disposition Detail > Create Dispositions of Property.**

2. Enter **Equipment Sales** in the **Description of Property** entry box.
3. Go to **Disposition Type**.
4. Click the drop-down arrow and click **Form 4797**.
5. Go to **Type of Property**.
6. Click the drop-down arrow, and click **Section 1245**.
7. Do a full recompute after **Type of Property** is entered.
8. Select **Sales of Business Property > Equipment Sales**.
9. Verify the **Description of Property** as **Equipment Sales** and **Type of Property** as **Section 1245**.

## FORM 4797

<b>DESCRIPTION</b>	<b>Equipment Sales</b>
<b>TYPE OF SALE</b>	<b>Sec. 1245</b>
<b>DATE ACQUIRED</b>	<b>01/01/2006</b>
<b>DATE DISPOSED</b>	<b>12/31/2024</b>
<b>COST OR OTHER BASIS</b>	<b>\$ 20,000</b>
<b>GROSS SALES PRICE</b>	<b>\$ 14,000</b>
<b>ACCUMULATED DEPRECIATION (OR DEPLETION)</b>	<b>\$ 8,000</b>

## SCHEDULE D

DESCRIPTION	<b>100 Shares - ABC Corp.</b>
DATE ACQUIRED	<b>07/01/2009</b>
DATE DISPOSED	<b>09/01/2024</b>
COST OR OTHER BASIS	<b>\$ 10,000</b>
GROSS SALES PRICE	<b>\$ 13,000</b>

## TRANSMITTAL LETTER AND FILING INSTRUCTIONS

Bedford, Inc. requires both transmittal letter and filing instructions. The return will be filed at the **Cincinnati, OH** IRS Center (automatic generation).

The transmittal letter requires an optional paragraph that states that ***We sincerely appreciate this opportunity to serve you. Please contact us if you have any questions...***

Perform a full recompute of the return.

# DATA ENTRY

## PRINT AND DEFAULT OPTIONS

Most options can be set for all 1120 returns in your account by your Administrator. You can review and/or change these options on a return-by-return basis.

1. Select **General Information > Return and Print Options or Tax Defaults**.
2. Click each tab or select the appropriate folder to view the various processing options.

## GENERAL INFORMATION

1. Select **Quick Track > Entity Information**.

OR

Select **General Information > Basic Return Information**.

2. Verify the name and address information.
3. Verify Bedford's EIN in the **EIN** field.
4. Enter the date of incorporation: **06/30/1995**.



When entering employer identification number and Social Security numbers, be sure to include the dashes.

## INCOME AND DEDUCTIONS

Several income and deduction items have been entered for you.

1. Select **Quick Track > Income**.

OR

Select **Income and Deductions > Income**.

2. Enter the interest income from First National Bank.

3. To enter the COGS, select **Quick Track > Cost of Goods Sold**.

OR

Select **Income and Deductions > COGS/COOPS**.

4. Enter the applicable data.

5. To enter the deduction items, select **Quick Track > Deductions**.

OR

Select **Income and Deductions > Deductions > Detail**.

6. Scroll down to the **Taxes Excluding Income** group.

7. Enter the amounts for **real estate tax** and **payroll tax**.

8. Enter the New York state taxes under **State and Local Taxes**.

9. To enter the Contributions, select **Income and Deductions > Deductions > Contributions > Current Year Contributions** tab.

10. Verify the description and amount for the current year contributions.

11. To enter the two assets purchased during 2024, select **Quick Track > Depreciation Detail**. This takes you to the **Add new Asset** box.

12. Enter the first description. Repeat this step for the second asset.

OR

Select **Deductions > Depreciation and Amortization > General Depreciation and Amortization > Asset Detail**.

13. Click **Add new Asset** and enter the first description.

14. Repeat this step for the second asset.

15. Enter the information in the appropriate fields for the two assets.

## To enter summary depreciation information for assets acquired before 2007:

1. Select **General Depreciation and Amortization > Form 4562 Information > 4562 Overrides**.
2. Scroll down to locate the section titled **Overrides for Other Depreciation, Listed Property, and Section 263A Costs**.
3. Enter the MACRS and Other Depreciation amounts in their respective fields.

## OFFICERS' COMPENSATION

1. To enter Officers' Compensation, select **Quick Track > Officer Compensation > Enter Officer Detail**. This takes you to the **Add new Officer** box.
2. Enter the **Officer's name**, and click **OK**.
3. Repeat these steps for the other officer.

OR

Select **Income and Deductions > Deductions > Officers Compensation > Individual Officers > Add new Officer**, and click **OK**.

4. Enter the information for Officer 1.
5. Select **Add new Officer** from the **Officers' Compensation** drop-down list.
6. Enter the **Officer's name**, and click **OK**.
7. Enter the information for Officer 2.

## BALANCE SHEET

1. Select **Quick Track > Assets**. This takes you to the **Assets** screen.

OR

Select **Balance Sheet/M1-M2-M3 > Balance Sheet**.

2. Click the **Assets** tab.
3. Scroll down to **Other Current Assets**.

4. Enter the amount for the two prepaid items ending balances.
5. Click the **Stockholders' Equity** tab.
6. Enter the amounts for **Capital Stock - Common ending balances**. No description is necessary.
7. To accrue depreciation, click the **Accrual Options** tab.
8. Verify that the **Calculate the ending balance sheet amount** option in the depreciation section is selected.
9. To automatically calculate ending unappropriated retained earnings, select **General Information > Return and Print Options**.
10. Click the **Pg 1-5 Options** tab.
11. Click the fourth check box from the top in **1120 Options**.

## **SCHEDULE M-1**

1. To enter the M-1 items, select **Balance Sheet/M1-M2-M3 > Schedule M1/M2**.
2. Scroll down to **Expenses Recorded on Books Not Deducted in this Return**.
3. Go to the section **Other Book Expense not on Return**.
4. Enter the **Officers' Life Insurance Premium** here.
5. Scroll down to **Other Tax Deductions not on Book**.
6. Enter the data for **Line 8b, Other** here.

## **SCHEDULE D**

1. Select **Quick Track > Capital Gains/Losses**.
2. The **Add new Description of Property** box appears.

3. Enter the description of the property.

OR

Select **Gains and Losses > Capital Gains and Losses > Capital Asset Sale Detail > Add new Description of Property**.

4. Enter the **Description of Property**, and click **OK**.

5. Enter the Schedule D information.



The **date acquired (Print Only)** and the **date sold (Print Only)** are used for print purposes only. To print the dates as *Var (Various)* or as *Jan 01*, you would use those fields. Other date fields require a month, day, and year to calculate properly, i.e. *MM/DD/YYYY*. Dashes or slashes are not needed.

## TRANSMITTAL LETTERS AND FILING INSTRUCTIONS

1. To enter letter information, select **Letters and Filing Instructions > General Options**.

2. Select **Separate Transmittal Letter and Filing Instructions**.



The system default is to suppress letters.

3. Select **Letter Options**.

4. Select the **Preparer Options** button.

5. Select **1120 Transmittal Letter** on the left side of the screen.

6. Select the option to print the statement: ***These return(s) were prepared from information provided by you or your representative. The preparation of tax returns does not include the independent verification of information used....***

# REVIEWING THE RETURN

## Compute Before Review

1. Before reviewing the return, make sure your return is completely computed.
2. Select **Compute > Full Recompute** from the menu bar.

## Review

The complete return can be viewed on screen and any changes made before printing. Use Tax Forms to review the return. During your review, access supporting workpapers by selecting any field with blue arrows to the right of the field, and then check for diagnostics and overrides.

The review process consists of:

- Reviewing diagnostics and overrides
- Reviewing through Tax Forms
- Reviewing work papers
- Entering corrections and changes
- Reviewing through Print Preview.

## Print Preview

1. Access Print Preview to see the return as it will print.
2. View all statements by selecting **Print** on the menu bar.

## Diagnostics and Overrides

### DIAGNOSTICS

1. To review the diagnostics, select **View > Diagnostics**.
2. A screen displays a list of the diagnostics by type: *Severe*, *Informational*, or *E-file*.
3. To go to the screen where the diagnostic originates, select a diagnostic from the list.

### OVERIDES

1. Viewing and accessing overrides works like the review of diagnostics explained above. Select the override to go to the screen where you entered the override.
2. Verify your overrides and clear any unnecessary overrides by clicking the overridden amount and selecting **Clear Override** from the right-click menu.



If you have entered data only through the Organizer screens, no overrides should exist.

## Comparison Screens

Once you have completed this case study, you can compare your entries with the master return completed using the same data. To compare the return you prepared to the master, select **Help > Case Study Comparisons** inside the return.

Differences between the amount in your return and the amount in the master return are noted in the **Difference** column. If you entered the data correctly, there should be no amounts in the **Difference** column.

If you have differences, begin by selecting **Compute > Full Recompute**.

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Last Updated: August 21, 2024