

1120 BONCO, INC. CASE STUDY FACTS (CASBOM)

The general ledger data for Bonco, Inc. has been entered and saved as a DIF file. Your task is to complete the Trial Balance application by entering the required data, balance the data, merge the data into the 1120 tax application, and then completing that application.

TARGETED AREAS

- 1120 Bridging from a DIF file using Trial Balance
- Reviewing transfer errors
- Assigning TRCs (Tax Return Codes)
- Journal entries
- Merging data into the 1120 tax application

RETURN INFORMATION

Some data has already been entered for you. Use Data Entry for instructions and hints on entering the remaining amounts.

Two errors are built into the exercise:

1. **Transfer error:** The heading of the worksheet was not deleted prior to translating the file into DIF format.
2. **Missing TRC:** The tax return code for Interest Expense was not assigned in the worksheet. The TRC is **41-500**.

Officers' compensation of **\$40,000** is included in the administrative salaries and wages, account **510B**.

DATA ENTRY

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DATA ENTRY

GENERAL INFORMATION

See the Trial Balance Guide for an overview of trial balance, definition of terms, and explanation of the trial balance import process.

Access **Trial Balance**. If you have the tax application installed, from within the return, select **Tools > Trial Balance**.

TRANSFERRING THE EXCEL FILE INTO TRIAL BALANCE

Trial Balance must be told the kind of source file that contains the trial balance information that you will be using.

1. Select **File > Import**. The **Data Source Selection** dialog box appears.
2. Since you will be importing a DIF file and not one of the predefined general ledger or audit packages, under **Data Source**, be sure **User Defined** is selected. This activates the **New** button.
3. Click the **New** button. The **User Defined Import Template** dialog appears.



The **Trial Balance** radio button is already highlighted since that choice is the default.

4. Enter **TRIALBAL1** as the **Template Name** (no spaces are permitted in the template name field). Enter **STANDARD TRIAL BALANCE NUMBER 1** as the description. (For this lesson, put your initials in the description.)



You may use any name and description that you prefer. However, the names chosen should be meaningful to you so that they can easily be found later for use with other returns, if needed.

5. Under **Source File Format**, **Automatic Detection** should be selected.

6. Enter the drive, path, and filename of your source file.

OR

Click **Browse**, and then select the file from the **Open** dialog. The drive/path field for this exercise's DIF file is the drive/path for Trial Balance (for example, **C:\ProgramFiles (x86)\RIA\RS2024\BONCO.DIF**).

7. Click **Open**, and then click **OK**. The **User Defined Import Template** dialog appears.
8. Select the items to be imported under **Import Item**.
9. Highlight **Account Number** by clicking it once.
10. In the **Mark Import Item** area on the lower portion of the screen, highlight the column in the source file containing the account numbers.
11. The column designator appears in the **Column** field next to the **Import Item**.
12. Repeat this process for **Account Description**, **Tax Return Code**, **Prior Year Balance**, and **Current Year Balance**.

The file **BONCO.DIF** is located in the **C:\ProgramFiles\ RIA\RS2024** directory.

COLUMN	DESCRIPTION
A	General ledger account number
B	General ledger account description
C	Tax return code
D	Prior year adjusted balance
E	Current year book balance

13. Data in the DIF file begins on line 2. Enter the row number where you want the import to start. Data on the row you select and all following rows will be imported.
14. Click the **Save** button. The **Import** dialog appears.

15. The new trial balance template that you created, **Standard Trial Balance Number 1**, appears in the **Description** field.
16. Highlight that template, and click the **Import** button.

OR

Select the template name on the list. The **Import Trial Balance** dialog appears.

17. Enter the drive, path, and file name of your source file (for example, **C:ProgramFiles(x86)\RIA\RS2024\BONCO.DIF**).

OR

Click **Browse**, and then select the file from the **Open** dialog. Then click **Open**.

Under **Import Items**, select the items you want to import. **Account Number** and **Account Description** are **mandatory** items, so they are preselected. **Tax Return Code**, **Prior Year Balance**, and **Current Year Balance** should also be selected.

 For returns that have been completed by the software in prior years, you do not usually import prior year balances because they already exist in the tax return file.

18. Click the **Import** button. The **Import Progress** dialog appears along with the **Import Trial Balance** dialog box.
19. When the import process is complete, a confirmation message appears and also indicates if errors were found. The message *Import Complete, Errors found* appears.

REVIEWING TRANSFER ERRORS

1. Click the **OK** button. The **Trial Balance** dialog appears again with the message *Do you want to add this File and Format to the Auto Import List*.
2. Click the **No** button, and then click **Done**.
3. The **Import** dialog appears.

 Any entries that appear in the error list will be excluded from the import into Trial Balance.

4. The error message was generated because the account description for the **Account Number** "Bonco, Inc." is missing. This error occurred because the first line of the DIF file contained "Bonco, Inc." and it was transferred into the account field. On the **Format** dialog, we can designate where we want to begin the import. Since we made no entry, Trial Balance started with the first line in our DIF file: the company name, "Bonco, Inc." While this particular error may be ignored, in some situations you may want to designate the proper import starting position or make changes in the DIF source file in order to get the proper entries imported into Trial Balance from a DIF file.
5. The **Import Trial Balance** dialog appears. Click **Done**.
6. The **Import** dialog appears. Click **Done**.
7. The Trial Balance appears with the imported account information.

CHECKING FOR IN-BALANCE

1. Select **Options > Calculate Now**. The **Calculating Summary Totals** dialog appears.
2. When all calculations are complete, select **View > Tax Summary**. The **Tax Summary** screen appears. This screen identifies out-of-balance returns by showing any differences in Income, Balance Sheet, and Reconciliation of Equity items.
3. The Ending Balance Sheet is **out of balance by \$425**. While there may be several reasons for this error, a common one is that an entry is missing a TRC code. This would exclude the amount from the trial balance totals. Let's return to our Trial Balance Grid to look for an entry in the amount of \$425.
4. Close the **Tax Summary** screen.

ASSIGNING A TRC

1. The Trial Balance Grid appears.
2. Scroll right to view the **CYB** column (Current Year Balance).
3. Scroll down to look for an entry in the amount of \$425.
4. When located, notice that the entry is missing a TRC code.
5. Scroll left. Notice that the entry is for Interest Expense and is for Account No. 550B.
6. To assign a TRC, click the drop-down list arrow for **TRC** in the upper portion of the screen.

7. Scroll down the list until you find **41-500 Interest** and select it. 41-500 is the TRC for Interest Expense.
8. Click the **TRC** field for Interest Expense and then click the **Assign Coding** button. You may also simply enter the TRC in the proper column and press **Enter**.
9. Select **Options > Calculate Now**. When all calculations are complete, select **View > Tax Summary** once again to insure that the change that was made balanced the data. This time the data is in balance.
10. Close the **Tax Summary** window.

JOURNAL ENTRIES

1. Select **Ledger > Journal Entries** from the menu bar.
2. To enter the journal entry for Officers' Compensation, select **Tax Reclassification** as the type of journal entry. Click the **New** button. Enter **OFFICERS' COMPENSATION** as the journal entry description.
3. Tab to the Journal Entry Grid. Enter **TAX41-210** in the **Account** field. The TRC for Officers' Compensation is 41-210. You can use the word *TAX* followed by the TRC to create an account used only for tax return amounts.
4. Enter **\$40,000** in the **Debit** column.
5. On the next line, enter **510B** in the **Account** column and **\$40,000** in the **Credit** column. The **Description** column is completed automatically.
6. Click **Done**, and then click **Done** again.
7. After all journal entries have been made, insure that the files remain in balance (see *Checking for In-Balance* above).

MERGING TRIAL BALANCE INFORMATION

You have transferred data from an Excel file into Trial Balance, corrected errors, posted a journal entry, and checked to ensure the data is in balance.

1. Select **Options > Merge Now** from the menu bar. This will combine data from the Trial Balance files with the tax return files. Click **Yes** if the program asks if you want to continue.
2. Close Trial Balance.
3. Select **Organizer > Income and Deductions > Deductions > Detail**.

4. Verify that **\$11,150** is in the **Depreciation to Page 1 (if no detail or override)** data entry field.
5. Select **Organizer > Balance Sheet M1-M2-M3 > Schedule M1/M2 > Reconciliation (M-1)** tab.
6. Verify that **\$23,566** is in the **Net income per books** data entry field.
7. Verify that **\$5,693** is in the **Federal income tax** data entry field.
8. Perform a full recompute of the return. Select **Compute > Full Recompute**.

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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