

1. A corporation's penalty for underpaying federal estimated taxes is
- A. Fully deductible if reasonable cause can be established for the underpayment.
 - B. Partially deductible.
 - C. Not deductible.
 - D. Fully deductible in the year paid.

ANSWER: C

The US tax code does not allow taxpayers to deduct penalties assessed by the Internal Revenue Service. IRS penalties are treated as an addition to tax. Subsequently, the IRS penalty is not deductible.

2. For the last five years, Getzlaf Company has been doing business as a partnership. The owners incorporated Getzlaf in Delaware. Getzlaf Company has branch offices in Delaware and Florida. Which of the following is correct?

- A. Getzlaf must also incorporate in Florida because it has branch offices there.
- B. Getzlaf is a domestic corporation in Florida.
- C. Getzlaf is a foreign corporation in Florida.
- D. Getzlaf is a de facto corporation in Florida.

ANSWER: C

The corporation is "domestic" only in the state where Getzlaf filed the formation document. In this case that is Delaware. Getzlaf is foreign corporation in Florida.

3. Under the Bankruptcy Code, one of the elements that must be established for the bankruptcy trustee to void a preferential transfer to a creditor who is not an insider is that

- A. The transferee-creditor received more than he would have received in a liquidation proceeding under the Bankruptcy Code.
- B. The transfer was in fact a contemporaneous exchange for new value given to the debtor.
- C. Permission was received from the bankruptcy judge prior to the trustee's signing an order avoiding the transfer.
- D. The transferee-creditor knew or had reason to know that the debtor was insolvent.

ANSWER: A

Under the Bankruptcy Code, one of the elements which must be established in proving that a preferential transfer was made is that the transferee-creditor received more than he would have received in a liquidation proceeding.