**ACCT 4611 - Controllership I Dr. Hagan**

**Corporate Tax Return Problem July 19, 2015**

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On May 1, 1989, Brendan McLeod and Duncan Ryan formed Angler Corporation to sell fishing tackle. Pertinent information regarding Angler is summarized as follows:

1. The business address is 3027 Woodland Ridge Blvd., Baton Rouge, Louisiana 70816.
2. The employer identification number is 75-3392543; the principal business activity code is 451110.
3. Brendan and Duncan each own one-half of the outstanding common stock; no other class of stock is authorized. Brendan is president of the company, and Duncan is secretary-treasurer. Both are full-time employees of the corporation, and each receives a salary of $140,000. Brendan’s Social Security number is 145-26-2593. Duncan’s Social Security number is 287-43-4945.
4. The corporation uses the accrual method of accounting and reports on a calendar basis. Inventories are determined by using the lower of cost or market method. For book and tax purposes, the straight-line method of depreciation is used.
5. During 2014, the corporation distributed a cash dividend of $80,000.

Selected portions of Angler’s profit and loss statement of 2014 reflect the following debits and credits:

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| --- | --- | --- | --- |
| **Account** |  | **Debit** | **Credit** |
| Gross sales |  |  | $2,180,000 |
| Sales returns and allowances |  | $70,000 |  |
| Cost of goods sold |  | 950,000 |  |
| Dividends received from stock  investments in less than 20%  owned U.S. corporations |  |  | 120,000 |
| Interest income |  |  |  |
| State bonds |  | $14,000 |  |
| Certificates of deposit |  | 10,000 | 24,000 |
| Premiums on term life insurance  policies on the lives of Brendan  and Duncan; Angler Corporation  is the designated beneficiary |  | 12,000 |  |
| Salaries-officers |  | 280,000 |  |
| Salaries-clerical and sales |  | 290,000 |  |
| Taxes (state, local, and payroll) |  | 40,000 |  |
| Repairs |  | 28,000 |  |
| Interest expense |  | 17,000 |  |
| Fines for dumping toxic waste |  | 8,000 |  |
| Advertising |  | 6,000 |  |
| Rental Expense |  | 39,000 |  |
| Depreciation |  | 40,000 |  |

A comparative balance sheet for Angler Corporation reveals the following information:

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| **Assets** | **January 1, 2014** | **December 31, 2014** |
| Cash | $480,000 | $334,100 |
| Trade notes and accounts receivable | 808,200 | 1,065,600 |
| Inventories | 600,000 | 731,000 |
| Certificates of Deposit | 140,000 | 140,000 |
| State bonds | 160,000 | 160,000 |
| Prepaid Federal tax | --- | 2,800 |
| Buildings and other depreciable assets | 240,000 | 240,000 |
| Accumulated depreciation | (88,800) | (128,800) |
| Land | 20,000 | 20,000 |
| Other assets | 3,600 | 1,000 |
|  |  |  |
| Total assets | $2,363,000 | $2,565,700 |

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| **Liabilities and Equity** |  |  |
| Accounts payable | $340,000 | $274,000 |
| Other current liabilities | 57,860 | 40,000 |
| Mortgages | 220,000 | 200,000 |
| Capital stock | 500,000 | 500,000 |
| Retained earnings | 1,245,140 | 1,551,700 |
|  |  |  |
| Total liabilities and equity | $2,363,000 | $2,565,700 |

Net income per books (before any income tax accrual) $544,000

Income Tax Expense 157,440

Net Income $386,560

During 2014, Angler Corporation made estimated tax payments of $160,240 to the IRS. Prepare a Form 1120 for Angler Corporation for tax year 2014. Include Forms 1125-A, 1125-E and Schedule G (Form 1120).