37) Which of the following statements regarding disproportionate distributions is false?

A. A disproportionate distribution occurs when a partner receives less than his or her proportionate share of the partnership's hot assets.

B. A disproportionate distribution occurs when a partner receives more than his or her proportionate share of the partnership's hot assets.

C. The tax provisions related to disproportionate distributions attempt to preserve the partners' share of ordinary income potential.

D. Disproportionate distributions will only occur in liquidating distributions.

38) Which of the following statements is true when property is contributed in exchange for a partnership interest?

A. The partnership's inside basis is typically increased by any gain the partner recognizes from the property contribution.

B. Any contributed property in a partnership has a carryover basis, and the character of the property is determined by the way the contributing partner used the property.

C. The holding period for a partner's partnership interest depends on the type of assets a partner contributes.

D. Services are not allowed to be contributed to a partnership in return for a partnership interest.

39) Which of the following are prohibited from being an S corporation shareholder?

A. U.S. citizens

B. Foreign citizens that are U.S. residents

C. Corporations

D. 51 unrelated individuals

40) Suppose at the beginning of 2010, Jamaal's basis in his S corporation stock was $27,000 and that Jamaal has loaned the S corporation $10,000. During 2010, the S corporation reported an $80,000 ordinary business loss and no separately stated items. How much of the ordinary loss is deductible by Jamaal if he owns 50% of the S corporation?

A. $27,000

B. $10,000

C. $37,000

D. $40,000

45) In what order should the tests to determine a partnership's year-end be applied?

A. Principal partners test, majority interest taxable year, least aggregate deferral

B. Majority interest taxable year, principal partners test, least aggregate deferral

C. Principal partners test, least aggregate deferral, majority interest taxable year

D. Majority interest taxable year, least aggregate deferral, principal partners test

47) Which requirement must be satisfied in order to specially allocate partnership income or losses to partners?

A. At least one partner must agree to the special allocations.

B. Special allocations must reduce the combined tax liability of all the partners.

C. Special allocations must be insignificant.

D. Special allocations must have economic effect.

48) Vanessa contributed $20,000 of cash and land with a fair market value of $100,000 and an adjusted basis of $40,000 to Cook, Inc. (an S corporation) when it was formed. The land was encumbered by a $30,000 mortgage executed two years before. What is Vanessa's tax basis in Cook, Inc. after formation?

A. $30,000

B. $80,000

C. $60,000

D. $20,000