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Question 1

Question Type: MultipleChoice

Which of the following statements concerning executors is correct?

Options:

- A- The executor named in the will of a deceased person is automatically authorized to act.
- B- All executors must post bonds.
- C- The executor must be a licensed attorney in the decedent's state of domicile.
- D- An executor can be given broad and discretionary powers with respect to the management of the estate.

Answer:

D

Question 2

Question Type: MultipleChoice

Which of the following acts by a person other than a lawyer is clearly an unauthorized practice of law?

Options:

- A- A trust officer gives a client advice about the taxation of a trust.
- B- A CPA designs an estate plan for presentation to a client.
- C- A sister drafts a will for her brother using printed forms.
- D- A CLU explains to a client how a life insurance policy may solve estate liquidity needs.

Answer:

C

Question 3

Question Type: MultipleChoice

On January 1, 2004 a father gave his daughter a \$1,50,000 straight (ordinary) life insurance policy on his life. Premiums are paid annually. The pertinent facts about the policy are:

Date of issue: July 1, 1992

Premium paid on July 1, 2003 \$2 400

Terminal reserve on July 1, 2003 15,000

Terminal reserve on July 1, 2004 18,000

What is the value of the policy for federal gift tax purposes?

Options:

A- \$16,200

B- \$17,400

C- \$17,700

D- \$150,000

Answer:

C

Question 4

Question Type: MultipleChoice

Mr. Allen died early this year survived by his spouse Mrs. Allen. Among the items of family property are:

- 1 .A \$200,000 life insurance policy on Mr. Allen's life with Mrs. Allen designated as beneficiary. Mrs. Allen has been the owner of the policy ever since it was issued 4 years ago.
2. The family residence with a fair market value of \$300,000. Mr. and Mrs. Allen own the residence jointly with the right of survivorship even though Mr. Allen purchased it with his separate funds.
3. A\$20,000 bank account. Mr. and Mrs. Allen own the account jointly with the right of survivorship even though Mrs. Allen made all the deposits. What amount of the family property will be included in Mr. Allen's gross estate for federal estate tax purposes?

Options:

- A-** \$160,000
- B-** \$300,000
- C-** \$350,000
- D-** \$360,000

Answer:

A

Question 5

Question Type: MultipleChoice

Among the assets in a decedent's gross estate is stock in a closely held corporation that was left to a nephew. The interest passing to the nephew is required to bear the burden of all estate taxes and expenses. The relevant facts concerning this estate are:

Adjusted gross estate \$1,600,000

Fair market value of stock in the

closely held corporation 700,000

Funeral expenses 30,000

Executor's commission 50,000

Federal and state death tax 160,000

What amount of closely held corporate stock can be redeemed under IRC Section 303 so that the redemption will be treated as a sale or exchange rather than a dividend distribution?

Options:

A- 0

- B- \$80,000
- C- \$240,000
- D- \$700,000

Answer:

C

Question 6

Question Type: MultipleChoice

Which of the following types of real property ownership will be deemed to be a tenancy in common?

Options:

- A- Two brothers own equal amounts of all the common stock in a corporation, the only asset of which is real property.
- B- Two brothers own equal undivided interests in a piece of real property, with each brother being able to divest himself of his interest by sale, gift, or will.
- C- Two brothers are equal partners in a general partnership that owns a piece of real property used in the partnership business.
- D- Two brothers own equal fractional interests in a piece of real property and at the death of one of the brothers the survivor will own the

entire piece of property.

Answer:

B

Question 7

Question Type: MultipleChoice

Mr. Conrad died early this year. Under the terms of his will, he left all his real estate and tangible personal property to his son. All the remainder of his probate estate was left to his wife, Mrs. Conrad. The following is a list of Mr. Conrad's probate assets and their fair market values at the time of his death:

Commercial real estate \$150,000

Furniture and fixtures 50,000

Listed common stock 100,000

Other securities 200,000

In addition, Mr. Conrad also owned a \$300,000 life insurance policy on his life with Mrs. Conrad designated as beneficiary. Based on this information, what is the amount of property in Mr. Conrad's estate qualifying for the federal estate tax marital deduction?

Options:

A- \$300,000

B- \$400,000

C- \$600,000

D- \$800,000

Answer:

C

Question 8

Question Type: MultipleChoice

Which of the following actions on the part of a trustee is a breach of his duties?

Options:

A- Purchasing assets for personal use from the trust at their fair market value with the approval of all beneficiaries

- B-** Placing cash from the sale of securities in a high yield money market fund pending a decision to invest the funds elsewhere
- C-** Purchasing securities in good faith from a third party just prior to a sharp decrease in their value
- D-** Investing all trust assets in securities that favor the income beneficiaries to the detriment of remainder persons

Answer:

D

Question 9

Question Type: MultipleChoice

When the owner of a closely held business dies, the payment of a portion of the federal estate tax may be deferred for a period of several years if the estate otherwise qualifies under the provisions of IRC Section 6166. Which of the following statements concerning this deferral of federal estate tax is correct?

Options:

- A-** The interest rate on the deferred tax is determined by the prime rate in effect on the date of death.
- B-** The interest on the unpaid estate tax is payable over the first 10 years, after which the tax plus interest on the balance is payable in equal installments for the last 5 years.

C- To qualify for the tax deferral, the closely held business must represent more than 50 percent of the value of the decedents adjusted gross estate.

D- Under certain circumstances, the estate will forfeit its right to tax deferral, and all the remaining unpaid estate tax will become due and payable immediately.

Answer:

D

Question 10

Question Type: MultipleChoice

Which of the following statements concerning charitable remainder annuity trusts is correct?

Options:

A- It provides a fixed annuity income interest to a qualified charity.

B- The donor receives an estate tax charitable deduction for the value of the remainder interest.

C- The term of charitable remainder annuity arrangements is limited to 10 years.

D- The interest paid to the charity must be paid at least quarterly.

Answer:

B

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