



HS330^{Q&As}

Fundamentals of Estate Planning test

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**QUESTION 1**

Which of the following statements concerning ownership of property under a tenancy by the entirety is correct?

- A. It is a form of property ownership available only to married persons.
- B. It is a form of property ownership that applies only to personal property.
- C. One tenant can freely transfer his or her property interest to a third person.
- D. The property will be in the probate estate of the first joint tenant to die.

Correct Answer: A

QUESTION 2

All the following are characteristics of a buy-sell agreement EXCEPT

- A. It provides for the continuation of the business
- B. It provides liquidity for estate settlement needs
- C. It provides a market for the business
- D. It provides for easier probating of the business

Correct Answer: D

QUESTION 3

On January 1, 2004 a father gave his daughter a \$200,000 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 \$3,200

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Terminal reserve on July 1, 2003 20,000

-

Terminal reserve on July 1, 2004 24,000

A.

\$200,000

B.



\$ 23,200

C.

\$ 23,600

D.

\$ 21,600

Correct Answer: C

QUESTION 4

A taxable gift has been made in which of the following situations?

1.

A father manages his disabled son's business for a year without compensation since a replacement manager would have cost \$25,000.

2.

A father verbally promises his 21-year-old daughter that he will give her his antique Mercedes when she graduates from college next year.

A. Neither 1 nor 2

B. Both 1 and 2

C. 1 only

D. 2 only

Correct Answer: A

QUESTION 5

The executor of an estate has a choice of waiving the executor's fee. Factors that should be considered by the executor in making this choice include all the following EXCEPT

A. the estate tax bracket of the estate

B. the income tax brackets of the other beneficiaries

C. whether the executor is otherwise a beneficiary of the estate

D. the income tax bracket of the executor

Correct Answer: B



QUESTION 6

Which of the following provisions is (are) generally common to all buy-sell agreements?

1.

Provisions specifying how the purchase price is to be funded.

2.

Statement indicating the purpose of the agreement.

A. 2 only

B. Neither 1 nor 2

C. 1 only

D. Both 1 and 2

Correct Answer: D

QUESTION 7

Which of the following statements concerning filing the federal estate tax return is correct?

A. A one-year extension for filing the estate tax return is granted when the estate contains a closely held business interest.

B. An automatic two-year extension for filing the estate tax return is granted when the decedent dies overseas.

C. The estate tax return must be filed within 9 months of death unless an extension is granted by the IRS.

D. For persons dying under current law, an estate tax return must be filed for all U.S. citizen decedents.

Correct Answer: C

QUESTION 8

Which of the following terms applies to the blending together of separate and community properties of spouses in community-property states?

A. Proration

B. Inception

C. Commingling

D. Transmutation

Correct Answer: C

**QUESTION 9**

In which of the following situations will the grantor be taxed on income from trust property.

1.
The grantor of a trust gives one of the trust beneficiaries the right to add or delete beneficiaries.
 2.
An adverse party to the grantor holds the power to determine the timing of trust distributions to the beneficiaries.
- A. Both 1 and 2
B. 2 only
C. 1 only
D. Neither 1 nor 2

Correct Answer: D

QUESTION 10

Which of the following factors is (are) used to make a choice between having an entity-purchase or a cross-purchase partnership buy-sell agreement?

1.
The number of partners
 2.
The divergence of the partners\' business knowledge and skills
- A. Both 1 and 2
B. 2 only
C. Neither 1 nor 2
D. 1 only

Correct Answer: D

QUESTION 11

Alan, a widower, is a retired executive with substantial assets. He wishes to provide for the financial security of his two grandchildren since their father, Alan\'s son, has always managed money poorly. This year Alan would like each grandchild to receive a substantial gift. Which of the following statements concerning the generation-skipping transfer tax (GSTT) on these gifts is (are) correct?

-Federal estate or gift tax will not be imposed if the gift is otherwise subject to the GSTT.



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Assuming no prior gifts, Alan can gift a cumulative total of (not including the annual exclusion) \$1.5 million to his grandchildren without the imposition of the GSTT.

- A.
2 only
- B.
Neither 1 nor 2
- C.
Both 1 and 2
- D.
1 only

Correct Answer: A

QUESTION 12

If a grantor establishes an irrevocable trust, the income of the trust will be taxed to the grantor if it is used to pay premiums for life insurance on the life of

- A. a child of the grantor
- B. the spouse of the grantor
- C. a grandchild of the grantor
- D. the father of the grantor

Correct Answer: B

QUESTION 13

A wife makes outright gifts of \$66,000 this year to her son, and her husband agrees to split the gifts with her. Which of the following correctly states the amount of the taxable gifts?

- A. Wife \$12,000, husband \$32,000
- B. Wife \$32,000, husband \$32,000
- C. Wife \$22,000, husband \$22,000
- D. Wife \$44,000, husband 0

Correct Answer: C

**QUESTION 14**

All the following statements concerning transfers at death under a will are correct EXCEPT:

- A. Specific bequests of a decedent's property are satisfied prior to distribution of the decedent's residuary estate.
- B. If during lifetime a decedent disposed of property that was the subject of a specific bequest, ademption occurs.
- C. It is common for a will to contain a clause that exempts the executor from posting bond.
- D. The most appropriate way to sever a joint tenancy with right of survivorship is for the joint tenant-decedent to make a specific bequest of the property under a will.

Correct Answer: D

QUESTION 15

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?

- 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 decedent's 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.

Correct Answer: D

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