

Tax Test--POST

Multiple Choice. Please circle the correct response to the following questions:

1. **Cooperatives are generally taxed under:**
 - a. Subchapter C of the IRS code.
 - b. Subchapter S of the IRS code.
 - c. Subchapter T of the IRS code.

2. **A "patron" is a:**
 - a. person with or for whom a cooperative does business.
 - b. member of a cooperative.
 - c. lead character in an Al Pacino movie.
 - d. both a and b.

3. **A Written Notice of Allocation is:**
 - a. required by State Department of Taxation.
 - b. a bill from the accountant.
 - c. a method for distributing patronage refunds.

4. **A Written Notice of Allocation must be sent:**
 - a. by certified mail.
 - b. within 8 1/2 months of the close of the cooperative's tax year.
 - c. within 3 1/2 months of the close of the cooperative's tax year.

5. **A cooperative has ____ options when distributing patronage refunds:**
 - a. One
 - b. Two
 - c. Three

6. **If a cooperative is to "retain" and "qualify" patronage refunds, it must:**
 - a. Notify the bank.
 - b. include at least 50% of the refund in cash to the patron.
 - b. include at least 20% of the refund in cash to the patron.

7. **The basic accounting equation for a balance sheet is:**
 - a. Assets = Liabilities + Member's Equity.
 - b. Current Assets + Current Liabilities.
 - c. $E=MC^2$.

8. **Net margins are:**
 - a. equal to cash on the balance sheet.
 - b. Total income from all sources less expenses.
 - c. a Hawaii based professional hockey team.

9. **Allocated Equity:**
 - a. represents the ownership interest which has been distributed to patron's, either in cash or on account.
 - b. is represented by net margin's and per-unit retains.
 - c. both a and b.

10. **Unallocated Equity:**
 - a. net margins retained by the cooperative and which is not distributed to patron's. It belongs to

the cooperative.

- b. is represented by net margin's and per-unit retains.
- c. both a and b.

11. **A qualified written notice of allocation is:**

- a. a document issued by the cooperative and sent to patron's notifying them of the allocated equity being retained by the cooperative. The cooperative must also pay at least 20% of this allocation in cash to the patron.
- b. puts the tax burden onto the patron.
- c. both a and b.

12. **A nonqualified written notice of allocation is:**

- a. a document issued by the cooperative and sent to patron's notifying them of the allocated equity being retained by the cooperative.
- b. puts the tax burden onto the cooperative.
- c. both a and b.

13. **A patronage refund is:**

- a. a payment from a cooperative to a patron from net margins based on quantity or value of business done with or for the patron.
- b. is required by law.
- c. both a and b.

14. **This test was:**

- a. helpful.
- b. worthless.
- c. too easy.
- d. too hard.