

**CPA REVIEW SCHOOL OF THE PHILIPPINES**  
**Manila**

**ESTATES AND TRUSTS**

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1. The property, rights and obligations of a person which are not extinguished by his death and those which accrued thereto since the opening of succession
  - a. Assets
  - b. Capital
  - c. Estate
  - d. Income
2. The term applied to the person whose property is transmitted through succession, whether or not he left a will
  - a. Decedent
  - b. Transferor
  - c. Transferee
  - d. Grantor
3. The term applied to the answer in No. 2 if he left a will
  - a. Transferor
  - b. Grantor
  - c. Donor
  - d. Testator
4. The person called to the succession either by the provision of a will or by operation of law
  - a. Heir
  - b. Devisee
  - c. Legatee
  - d. Trustor
5. The person to whom a gift of real property is given by virtue of a will
  - a. Heir
  - b. Devisee
  - c. Legatee
  - d. Trustor
6. The person to whom a gift of personal property is given by virtue of a will
  - a. Heir
  - b. Devisee
  - c. Legatee
  - d. Trustor
7. The person who establishes a trust
  - a. Heir
  - b. Devisee
  - c. Legatee
  - d. Trustor
8. The person in whom confidence is reposed as regards property for the benefit of another person
  - a. Devisee
  - b. Trustee
  - c. Legatee
  - d. Heir
9. The person for whose benefit the trust has been created
  - a. Legatee
  - b. Heir
  - c. Beneficiary
  - d. Trustee
10. For income tax purposes, any person or corporation that holds in trust an estate of another person or persons
  - a. Beneficiary
  - b. Fiduciary
  - c. Legatee
  - d. Devisee
11. Which of the following statements is correct?
  - a. Estates and trusts are allowed a personal exemption of P50,000 if the executor or trustee is married.
  - b. The income tax rates for corporate taxpayers apply to taxable estates and trusts.
  - c. The taxable year of estates and trusts may be calendar or fiscal year.
  - d. For a trust to be taxable, it must be irrevocable, both as to corpus (principal) and income.
12. A died on January 2, 2016, survived by his wife and four qualified dependent children. He left a net estate of P80,000,000 which is in the hands of an executor. In 2016, 2017, and 2018, the estate had identical gross receipts of P7,000,000, cost of sales of P4,000,000 and business expenses of P2,200,000. The net taxable incomes of the estate in 2016, 2017 and 2018 are:
  - a. P650,000; P780,000; P800,000
  - b. P650,000; P650,000; P650,000
  - c. P300,000; P650,000; P900,000
  - d. None of the above

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13. A died on January 2, 2018 leaving a net estate of P4,000,000. The estate is in the hands of an executor. B, a nephew of A, married, is one of the heirs of A.

In 2019, the estate had a gross income of P800,000 and expenses of P500,000 on the properties in the estate. B, has his own gross sales of P600,000, cost of sale of P400,000, and business expenses of P120,000. The executor distributed to B the following:

From the properties in the estate	P250,000
From the current year's income, net of 15% CWT	85,000

For 2019, both the estate of A and B do not avail of the 8% income tax rate option.

Determine:

- The taxable income of the estate in 2019 Answer:
- The taxable income of B in 2019 Answer:
- Income tax payable/refund of B in 2019 Answer:

14. A created two trusts, Trust 1 and Trust 2 with different trustees but with a common beneficiary. The following data pertain to the trusts and the beneficiary's own account:

	<u>Trust 1</u>	<u>Trust 2</u>	<u>Beneficiary</u>
Gross Income	P450,000	P1,090,000	P250,000
Allowable Deductions	75,000	125,000	100,000
Income distributed to beneficiary (gross of CWT)	150,000	175,000	

Required: Determine the taxable income of:

- (a) Trust 1                      (b) Trust 2                      (c) Consolidated Trusts                      (c) Beneficiary

15. In 2017, A created a trust for his daughter, B and appointed C as the trustee. A transferred a 10-door apartment where rent income of P190,000 per month (net of 5% withholding tax) was received by the trust with cost of revenues of P400,000, and deductible expenses of P580,000 in each of the taxable years 2017 and 2018. In both years, 30% of the net income was given to B. Determine the income tax still due from the trust. Answer: 2017:                      2018:

16. A, a resident citizen died 2 years ago leaving a net estate of P4,000,000. His estate is still under administration. In 2018, the net estate, which includes an apartment, realized a total income of P2,280,000 (net of 5% tax). The executor distributed P200,000 and P300,000 to A's daughter and son respectively. 75% of the amount distributed came from the income of the estate while 25% came from A's estate. The estate also incurred expenses amounting to P1,200,000, but 25% of which is a non-deductible expense. Required: Determine the tax still due from the estate in 2018.

Answer:

17. Mr. J. Yaman established in December 2016, a trust for the benefit of his grandsons, Yael and Dingdong. He transferred to the trust 2 income-producing properties:

- (1) A vacant lot leased for P100,000 monthly, gross of withholding tax of 5%; and
- (2) An office building with a monthly rental income of P23,750, net of withholding tax of 5%.

He appointed Atty. W. Tiwala as trustee. In 2018, ordinary trust expenses totaled P1.3 Million. Income distributed to the beneficiaries amounted to P75,000 each, gross of the 15% CWT. Compute income tax payable of the trust in taxable year 2018. Answer:

**The End!!!**