

**Form 1120-PC ATS Test Scenario 13**  
**Taxpayer: Bass Insurance**  
**EIN: 00-1120013**

**1120 Test Scenario 13 includes the following forms:**

- **Form 1120-PC**

**Header Info:**

- MultSoftwarePackagesUsedInd: No
- OriginatorGrp
  - EFIN: Self-select
  - OriginatorTypeCd: ERO
- BusinessOfficerGrp
  - PersonNm: Dory Poisson
  - PersonTitleTxt: President

**Attachments:**

**Form 1120-PC, Schedule A, Line 31, ItemizedOtherDeductionsSchedule**

Desc	Amt
Legal fess	73,500
Other operating expenses	650,000
Management fees	50,500
Miscellaneous	51,000
<b>Total</b>	<b>825,000</b>

**Form 1120-PC, Schedule L, Line 14, ItemizedOtherAssetsSchedule**

Desc	Beginning Amt	Ending Amt
Deferred taxes	50,000	500,000
Long-term assets	1,950,000	4,500,000
<b>Total</b>	<b>2,000,000</b>	<b>5,000,000</b>

Form 1120-PC

U.S. Property and Casualty Insurance Company
Income Tax Return

OMB No. 1545-0123

Department of the Treasury
Internal Revenue Service

For calendar year 2025, or tax year beginning 01/01, 2025, ending 12/31, 20 25

2025

Go to www.irs.gov/Form1120PC for instructions and the latest information.

A Check if: 1 Consolidated return (attach Form 851) [ ]
2 Life-nonlife consolidated return [ ]
3 Schedule M-3 (Form 1120-PC) attached [ ]
B Employer identification number 00-1120013
C Date incorporated 04/01/2010
D Check applicable box(es) if an election has been made under section(s): [ ] 831(b) [ ] 953(c)(3)(C) [ ] 953(d)
E Check if: (1) [ ] Final return (2) [ ] Name change (3) [ ] Address change (4) [ ] Amended return

Table with 17 main rows and sub-rows (a-z) for tax computation and payments. Includes taxable income, taxes, credits, and total tax. Total tax is 952,468.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here: Signature of officer, Date, Title. May the IRS discuss this return with the preparer shown below? See instructions. [ ] Yes [ ] No

Paid Preparer Use Only: Preparer's name, signature, date, PTIN, firm's name, address, EIN, phone no.

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**Schedule A Taxable Income—Section 832** (see instructions)

		1	2	
<b>Income</b>	<b>1</b> Premiums earned (Schedule E, line 7)		19,150,678	
	<b>2</b> Dividends and inclusions (Schedule C, line 17)			
		(a) Interest received	(b) Amortization of premium	
	<b>3a</b> Interest (including tax-exempt interest)	175,000		
	<b>b</b> Interest exempt under section 103			
	<b>c</b> Subtract line 3b from line 3a	175,000		
	<b>d</b> Taxable interest. Subtract line 3c, column (b), from line 3c, column (a)			175,000
	<b>3d</b>			
	<b>4</b> Rents			
	<b>5</b> Royalties			
	<b>6</b> Capital gain net income (see instructions) (attach Schedule D (Form 1120))			
	<b>7</b> Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			
	<b>8</b> Certain mutual fire or flood insurance company premiums (section 832(b)(1)(D))			
	<b>9</b> Income on account of special income and deduction accounts			
<b>10</b> Income from protection against loss account (see instructions)				
<b>11</b> Mutual interinsurers or reciprocal underwriters—decrease in subscriber accounts				
<b>12</b> Reserved for future use				
<b>13</b> Other income (attach statement)				
<b>14</b> Gross income. Add lines 1 through 13			19,325,678	
<b>Deductions (See instructions for limitations on deductions.)</b>	<b>15</b> Compensation of officers (see instructions) (attach statement)			
	<b>16</b> Salaries and wages (less employment credits)			
	<b>17</b> Agency balances and bills receivable that became worthless during the tax year			
	<b>18</b> Rents			
	<b>19</b> Taxes and licenses			
	<b>19</b>			4,543,210
	<b>20a</b> Interest	<b>b</b> Less tax-exempt interest exp.	<b>c</b> Bal.	
	<b>20c</b>			
	<b>21</b> Charitable contributions			
	<b>22</b> Depreciation (attach Form 4562)			
	<b>23</b> Depletion			
	<b>24</b> Pension, profit-sharing, etc., plans			
	<b>25</b> Employee benefit programs			
	<b>26</b> Losses incurred (Schedule F, line 14)			13,005,000
	<b>27</b> Reserved for future use			
	<b>28</b> Other capital losses (Schedule G, line 12, column (g))			
	<b>29</b> Dividends to policyholders			
	<b>30</b> Mutual interinsurers or reciprocal underwriters—increase in subscriber accounts			
	<b>31</b> Other deductions (see instructions) (attach statement)			825,000
	<b>32</b> <b>Total deductions.</b> Add lines 15 through 31			18,373,210
	<b>33</b> <b>Subtotal.</b> Subtract line 32 from line 14			952,468
	<b>34a</b> Special deduction for section 833 organizations (Schedule H, line 6)	<b>34a</b>		
<b>b</b> Deduction on account of special income and deduction accounts	<b>34b</b>			
<b>c</b> <b>Total.</b> Add lines 34a and 34b				
<b>34c</b>				
<b>35</b> <b>Subtotal.</b> Subtract line 34c from line 33			952,468	
<b>36a</b> Dividends received and other special deductions (Schedule C, line 30)	<b>36a</b>			
<b>b</b> Net operating loss deduction	<b>36b</b>			
<b>c</b> <b>Total.</b> Add lines 36a and 36b				
<b>36c</b>				
<b>37</b> <b>Taxable income.</b> Subtract line 36c from line 35. Enter here and on page 1, line 1			952,468	

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**Schedule B Part I—Taxable Investment Income of Electing Small Companies** (section 834) (see instructions)

		(a) Interest received	(b) Amortization of premium		
<b>Income</b>	<b>1a</b> Interest (including tax-exempt interest) . . . . .				
	<b>b</b> Interest exempt under section 103 . . . . .				
	<b>c</b> Subtract line 1b from line 1a . . . . .				
	<b>d</b> Taxable interest. Subtract line 1c, column (b), from line 1c, column (a) . . . . .			<b>1d</b>	
	<b>2</b> Dividends and inclusions (Schedule C, line 17) . . . . .			<b>2</b>	
	<b>3</b> Rents . . . . .			<b>3</b>	
	<b>4</b> Royalties . . . . .			<b>4</b>	
	<b>5</b> Gross income from a trade or business, other than an insurance business, and from Form 4797 . . . . .			<b>5</b>	
<b>6</b> Income from leases described in sections 834(b)(1)(B) and 834(b)(1)(C) . . . . .			<b>6</b>		
<b>7</b> Capital gain net income from Schedule D (Form 1120), line 18 . . . . .			<b>7</b>		
<b>8</b> Gross investment income. Add lines 1d through 7 . . . . .			<b>8</b>		
<b>Deductions</b>	<b>9</b> Real estate taxes . . . . .			<b>9</b>	
	<b>10</b> Other real estate expenses . . . . .			<b>10</b>	
	<b>11</b> Depreciation (attach Form 4562) . . . . .			<b>11</b>	
	<b>12</b> Depletion . . . . .			<b>12</b>	
	<b>13</b> Trade or business deductions as provided in section 834(c)(8) (attach statement) . . . . .			<b>13</b>	
	<b>14</b> Interest . . . . .			<b>14</b>	
	<b>15</b> Other capital losses (Schedule G, line 12, column (g)) . . . . .			<b>15</b>	
	<b>16 Total.</b> Add lines 9 through 15 . . . . .			<b>16</b>	
	<b>17</b> Investment expenses (see instructions) (attach statement) . . . . .			<b>17</b>	
	<b>18 Total deductions.</b> Add lines 16 and 17 . . . . .			<b>18</b>	
	<b>19</b> Subtract line 18 from line 8 . . . . .			<b>19</b>	
	<b>20</b> Dividends received and other special deductions (Schedule C, line 30) . . . . .			<b>20</b>	
	<b>21 Taxable investment income.</b> Subtract line 20 from line 19. Enter here and on page 1, line 2 . . . . .			<b>21</b>	

**Part II—Invested Assets Book Values**

**Note:** Complete only if claiming a deduction for general expenses allocated to investment income.

		(a) Beginning of tax year	(b) End of tax year
<b>22</b>	Real estate . . . . .	<b>22</b>	
<b>23</b>	Mortgage loans . . . . .	<b>23</b>	
<b>24</b>	Collateral loans . . . . .	<b>24</b>	
<b>25</b>	Policy loans, including premium notes . . . . .	<b>25</b>	
<b>26</b>	Bonds of domestic corporations . . . . .	<b>26</b>	
<b>27</b>	Stock of domestic corporations . . . . .	<b>27</b>	
<b>28</b>	Government obligations, etc. . . . .	<b>28</b>	
<b>29</b>	Bank deposits bearing interest . . . . .	<b>29</b>	
<b>30</b>	Other interest-bearing assets (attach statement) . . . . .	<b>30</b>	
<b>31 Total.</b>	Add lines 22 through 30 . . . . .	<b>31</b>	
<b>32</b>	Add columns (a) and (b), line 31 . . . . .		<b>32</b>
<b>33</b>	Mean of invested assets for the tax year. Enter one-half of line 32 . . . . .		<b>33</b>
<b>34</b>	Multiply line 33 by 0.0025 . . . . .		<b>34</b>
<b>35</b>	Income base. Line 1b, column (a), plus line 8 less the sum of line 1b, column (b), and line 16 . . . . .	<b>35</b>	
<b>36</b>	Multiply line 33 by 0.0375 . . . . .	<b>36</b>	
<b>37</b>	Subtract line 36 from line 35. Don't enter less than zero . . . . .	<b>37</b>	
<b>38</b>	Multiply line 37 by 0.25 . . . . .		<b>38</b>
<b>39</b>	Limitation on deduction for investment expenses. Add lines 34 and 38 . . . . .		<b>39</b>

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**Schedule C Dividends, Inclusions, Dividends-Received Deduction, and Other Special Deductions**  
(see instructions)

Income		Dividends and Inclusions	
		(a) Subject to section 832(b)(5)(B)	(b) Dividends and inclusions
1	Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)	1	
2	Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)	2	
3	Dividends on certain debt-financed stock of domestic and foreign corporations	3	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	4	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	5	
6	Dividends from less-than-20%-owned foreign corporations and certain foreign sales corporations (FSCs)	6	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs	7	
8	Dividends from wholly owned foreign subsidiaries and certain FSCs	8	
9	Dividends from certain affiliated companies	9	
10	Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)	10	
11	Dividends from foreign corporations not included on line 3, 6, 7, 8, or 10 (including any hybrid dividend)	11	
12a	Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)	12a	
b	Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)	12b	
c	Other inclusions from CFCs under subpart F not included on line 12a, 12b, or 13 (attach Form(s) 5471)	12c	
13	Global intangible low-taxed income (GILTI) (attach Forms 5471 and 8992)	13	
14	Gross-up for foreign taxes deemed paid	14	
15	Reserved for future use	15	
16	Other dividends (attach statement)	16	
17	<b>Total dividends and inclusions.</b> Add lines 1 through 16. Enter here and on Schedule A, line 2, or Schedule B, line 2, whichever applies	17	
Deductions		Dividends Received and Other Special Deductions	
		(a) Subject to section 832(b)(5)(B)	(b) Total dividends received and special deductions
18	Multiply line 1 by 50% (0.50)	18	
19	Multiply line 2 by 65% (0.65)	19	
20	Deduction for line 3 (see instructions)	20	
21	Multiply line 4 by 23.3% (0.233)	21	
22	Multiply line 5 by 26.7% (0.267)	22	
23	Multiply line 6 by 50% (0.50)	23	
24	Multiply line 7 by 65% (0.65)	24	
25	Enter the amount from line 8	25	
26	<b>Total.</b> Add lines 18 through 25. (See instructions for limitations.)	26	
27	<b>Total.</b> Add line 26, column (a), and line 9, column (a). Enter here and on Schedule F, line 10	27	
28	Section 250 deduction (attach Form 8993) (see instructions for limitations)	28	
29	Reserved for future use	29	
30	<b>Total deductions.</b> Add line 26, column (b), and lines 9, 10, 12a, and 28, column (b). Enter here and on Schedule A, line 36a, or Schedule B, line 20, whichever applies	30	

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**Schedule E Premiums Earned—Section 832** (see instructions)

<b>1</b>	Net premiums written . . . . .		<b>1</b>	20,000,123
<b>2</b>	Unearned premiums on outstanding business at the end of the preceding tax year:			
<b>a</b>	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and unearned premiums of section 833 organizations. See instructions . . . . .	<b>2a</b>	500,222	
<b>b</b>	Enter 90% of unearned premiums attributable to insuring certain securities . . . . .	<b>2b</b>		
<b>c</b>	Discounted unearned premiums attributable to title insurance . . . . .	<b>2c</b>		
<b>d</b>	Enter 80% of all other unearned premiums. See instructions . . . . .	<b>2d</b>	1,200,333	
<b>e</b>	<b>Total.</b> Add lines 2a through 2d . . . . .	<b>2e</b>		1,700,555
<b>3</b>	<b>Total.</b> Add lines 1 and 2e . . . . .	<b>3</b>		21,700,678
<b>4</b>	Unearned premiums on outstanding business at the end of the current tax year:			
<b>a</b>	Enter 100% of life insurance reserves included in unearned premiums (section 832(b)(7)(A)) and unearned premiums of section 833 organizations. See instructions . . . . .	<b>4a</b>	550,000	
<b>b</b>	Enter 90% of unearned premiums attributable to insuring certain securities . . . . .	<b>4b</b>		
<b>c</b>	Discounted unearned premiums attributable to title insurance . . . . .	<b>4c</b>		
<b>d</b>	Enter 80% of all other unearned premiums. See instructions . . . . .	<b>4d</b>	2,000,000	
<b>e</b>	<b>Total.</b> Add lines 4a through 4d . . . . .	<b>4e</b>		2,550,000
<b>5</b>	Subtract line 4e from line 3 . . . . .	<b>5</b>		19,150,678
<b>6</b>	Transitional adjustments under section 832(b)(7)(D) (see instructions) . . . . .	<b>6</b>		
<b>7</b>	<b>Premiums earned.</b> Add lines 5 and 6. Enter here and on Schedule A, line 1 . . . . .	<b>7</b>		19,150,678

**Schedule F Losses Incurred** (section 832) (see instructions)

<b>1</b>	Losses paid during the tax year (attach reconciliation to annual statement) . . . . .	<b>1</b>		8,625,000
<b>2</b>	Balance outstanding at the end of the current tax year for:			
<b>a</b>	Unpaid losses on life insurance contracts . . . . .	<b>2a</b>	425,000	
<b>b</b>	Discounted unpaid losses . . . . .	<b>2b</b>	5,580,000	
<b>c</b>	<b>Total.</b> Add lines 2a and 2b . . . . .	<b>2c</b>		6,005,000
<b>3</b>	Add lines 1 and 2c . . . . .	<b>3</b>		14,630,000
<b>4</b>	Balance outstanding at the end of the preceding tax year for:			
<b>a</b>	Unpaid losses on life insurance contracts . . . . .	<b>4a</b>	375,000	
<b>b</b>	Discounted unpaid losses . . . . .	<b>4b</b>	1,250,000	
<b>c</b>	<b>Total.</b> Add lines 4a and 4b . . . . .	<b>4c</b>		1,625,000
<b>5</b>	Subtract line 4c from line 3 . . . . .	<b>5</b>		13,005,000
<b>6</b>	Estimated salvage and reinsurance recoverable at the end of the preceding tax year . . . . .	<b>6</b>		
<b>7</b>	Estimated salvage and reinsurance recoverable at the end of the current tax year . . . . .	<b>7</b>		
<b>8</b>	Losses incurred (line 5 plus line 6 less line 7) . . . . .	<b>8</b>		13,005,000
<b>9</b>	Tax-exempt interest subject to section 832(b)(5)(B) . . . . .	<b>9</b>		
<b>10</b>	Dividends-received deduction subject to section 832(b)(5)(B) (Schedule C, line 27) . . . . .	<b>10</b>		
<b>11</b>	The increase in policy cash value of section 264(f) policies, as defined in section 805(a)(4)(F) . . . . .	<b>11</b>		
<b>12</b>	<b>Total.</b> Add lines 9, 10, and 11 . . . . .	<b>12</b>		
<b>13</b>	Reduction of deduction under section 832(b)(5)(B). Multiply line 12 by applicable percentage. See instructions . . . . .	<b>13</b>		
<b>14</b>	<b>Losses incurred deductible under section 832(c)(4).</b> Subtract line 13 from line 8. Enter here and on Schedule A, line 26 . . . . .	<b>14</b>		13,005,000

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**Schedule G Other Capital Losses** (see instructions)

**Note:** Include capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.

<b>1</b>	Dividends and similar distributions paid to policyholders . . . . .	<b>1</b>	
<b>2</b>	Losses paid . . . . .	<b>2</b>	
<b>3</b>	Expenses paid . . . . .	<b>3</b>	
<b>4</b>	<b>Total.</b> Add lines 1, 2, and 3 . . . . .	<b>4</b>	
<b>Note:</b> Adjust lines 5 through 8 to cash method if necessary.			
<b>5</b>	Interest received . . . . .	<b>5</b>	
<b>6</b>	Dividends received and inclusions (Schedule C, line 17) . . . . .	<b>6</b>	
<b>7</b>	Gross rents, gross royalties, lease income, etc., and gross income from a trade or business other than an insurance business including income from Form 4797 (include gains for invested assets only) . . . . .	<b>7</b>	
<b>8</b>	Net premiums received . . . . .	<b>8</b>	
<b>9</b>	<b>Total.</b> Add lines 5 through 8 . . . . .	<b>9</b>	
<b>10</b>	Limitation on gross receipts from sales of capital assets. Line 4 less line 9. If zero or less, enter -0-	<b>10</b>	

(a) Description of capital asset	(b) Date acquired	(c) Gross sales price	(d) Cost or other basis	(e) Expense of sale	(f) Depreciation allowed (or allowable)	(g) Loss ((d) plus (e) less the sum of (c) and (f))
<b>11</b>						
<b>12</b>	<b>Totals.</b> Column (c) must not be more than line 10. (Enter amount from column (g) on Schedule A, line 28, or Schedule B, line 15, whichever applies.) . . . . .					

**Schedule H Special Deduction and Ending Adjusted Surplus for Section 833 Organizations** (see instructions)

<b>1</b>	Healthcare claims incurred during the tax year and liabilities incurred during the tax year under cost-plus contracts . . . . .	<b>1</b>	
<b>2</b>	Expenses incurred during the tax year in connection with the administration, adjustment, or settlement of healthcare claims or in connection with the administration of cost-plus contracts . . . . .	<b>2</b>	
<b>3</b>	<b>Total.</b> Add lines 1 and 2 . . . . .	<b>3</b>	
<b>4</b>	Multiply line 3 by 0.25 . . . . .	<b>4</b>	
<b>5</b>	Beginning adjusted surplus . . . . .	<b>5</b>	
<b>6</b>	<b>Special deduction.</b> If you checked "No" on line 13 of Schedule I, enter -0- here; you can't take the special deduction. All others subtract line 5 from line 4. If zero or less, enter -0-. Enter amount here and on Schedule A, line 34a. See instructions for limitation . . . . .	<b>6</b>	
<b>7</b>	Net operating loss deduction (Schedule A, line 36b) . . . . .	<b>7</b>	
<b>8</b>	Net exempt income:		
<b>a</b>	Adjusted tax-exempt income . . . . .	<b>8a</b>	
<b>b</b>	Adjusted dividends-received deduction . . . . .	<b>8b</b>	
<b>9</b>	Taxable income (Schedule A, line 37) . . . . .	<b>9</b>	
<b>10</b>	<b>Ending adjusted surplus.</b> Add lines 5 through 9 . . . . .	<b>10</b>	

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Schedule I Other Information (see instructions)

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Table with 3 columns: Question, Yes, No. Contains 15 numbered questions regarding accounting methods, company type, stock ownership, and NOL carryover.

**Schedule I Other Information** (see instructions) (continued)

	Yes	No
<b>16</b> During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions. . . . .		✓
If "Yes," enter the total amount of the disallowed deductions . . . . . \$ _____		
<b>17</b> Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions . . . . .		✓
<b>18</b> Is the corporation required to file Form 8990, Limitation on Business Interest Expense Under Section 163(j), to calculate the amount of deductible business interest? See instructions . . . . .		✓
<b>19</b> Is the corporation a member of a controlled group? If "Yes," attach Schedule O (Form 1120). See instructions . . . . .		✓
<b>20</b> Corporate Alternative Minimum Tax:		
<b>a</b> Was the corporation an applicable corporation under section 59(k)(1) in any prior tax year? . . . . .		✓
If "Yes," go to question 20b. If "No," skip to question 20c.		
<b>b</b> Is the corporation an applicable corporation under section 59(k)(1) in the current tax year because the corporation was an applicable corporation in the prior tax year? . . . . .		✓
If "Yes," complete and attach Form 4626. If "No," continue to question 20c.		
<b>c</b> Does the corporation meet the requirements of the safe harbor method as provided under section 59(k)(3)(A) for the current tax year? See instructions . . . . .	✓	
If "No," complete and attach Form 4626. If "Yes," the corporation is not required to file Form 4626.		

**Schedule L Balance Sheets per Books**

**Note:** All filers are required to complete this schedule.

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
<b>1</b> Cash . . . . .		5,500,000		8,500,000
<b>2a</b> Trade notes and accounts receivable . . . . .	2,500,000		11,500,000	
<b>b</b> Less allowance for bad debts . . . . .	( )	2,500,000	( )	11,500,000
<b>3</b> Inventories . . . . .				
<b>4</b> U.S. Government obligations . . . . .				
<b>5</b> Tax-exempt securities (see instructions)				
<b>6</b> Other current assets (attach statement)				
<b>7</b> Loans to shareholders . . . . .				
<b>8</b> Mortgage and real estate loans . . . . .				
<b>9</b> Other investments (attach statement) . . . . .				
<b>10a</b> Buildings and other depreciable assets . . . . .				
<b>b</b> Less accumulated depreciation . . . . .	( )		( )	
<b>11a</b> Depletable assets . . . . .				
<b>b</b> Less accumulated depletion . . . . .	( )		( )	
<b>12</b> Land (net of any amortization) . . . . .				
<b>13a</b> Intangible assets (amortizable only) . . . . .				
<b>b</b> Less accumulated amortization . . . . .	( )		( )	
<b>14</b> Other assets (attach statement) . . . . .		2,000,000		5,000,000
<b>15 Total assets</b> . . . . .		10,000,000		25,000,000
<b>Liabilities and Shareholders' Equity</b>				
<b>16</b> Accounts payable . . . . .		2,500,000		7,500,000
<b>17</b> Mortgages, notes, bonds payable in less than 1 year				
<b>18</b> Insurance liabilities (see instructions) . . . . .		2,400,000		5,000,000
<b>19</b> Other current liabilities (attach statement)				
<b>20</b> Loans from shareholders . . . . .				
<b>21</b> Mortgages, notes, bonds payable in 1 year or more				
<b>22</b> Other liabilities (attach statement) . . . . .		3,500,000		10,900,000
<b>23</b> Capital stock: <b>a</b> Preferred stock . . . . .				
<b>b</b> Common stock . . . . .	200,000	200,000	200,000	200,000
<b>24</b> Additional paid-in capital . . . . .		1,400,000		1,400,000
<b>25</b> Retained earnings—appropriated (attach statement)				
<b>26</b> Retained earnings—unappropriated . . . . .				
<b>27</b> Adjustments to shareholders' equity (attach statement)				
<b>28</b> Less cost of treasury stock . . . . .	( )		( )	
<b>29 Total liabilities and shareholders' equity</b>		10,000,000		25,000,000

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**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**

**Note:** Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more. See instructions.

<p><b>1</b> Net income (loss) per books . . . . .</p> <p><b>2</b> Federal income tax per books . . . . .</p> <p><b>3</b> Excess of capital losses over capital gains . . . . .</p> <p><b>4</b> Income subject to tax not recorded on books this year (itemize):</p> <p>-----</p> <p><b>5</b> Expenses recorded on books this year not deducted in this return (itemize):</p> <p><b>a</b> Depreciation \$ _____</p> <p><b>b</b> Charitable contributions \$ _____</p> <p><b>c</b> Travel and entertainment \$ _____</p> <p>-----</p> <p><b>6</b> Add lines 1 through 5 . . . . .</p>	<p><b>7</b> Income recorded on books this year not included in this return (itemize):</p> <p><b>a</b> Tax-exempt interest \$ _____</p> <p>-----</p> <p><b>8</b> Deductions in this tax return not charged against book income this year (itemize):</p> <p><b>a</b> Depreciation \$ _____</p> <p><b>b</b> Charitable contributions \$ _____</p> <p>-----</p> <p><b>9</b> Add lines 7 and 8 . . . . .</p> <p><b>10</b> Income (Schedule A, line 35, or Schedule B, line 19, if applicable)—line 6 less line 9 . . . . .</p>
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**Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (line 26, Schedule L)**

<p><b>1</b> Balance at beginning of year . . . . .</p> <p><b>2</b> Net income (loss) per books . . . . . 275,000</p> <p><b>3</b> Other increases (itemize):</p> <p>-----</p> <p>-----</p> <p>-----</p> <p><b>4</b> Add lines 1, 2, and 3 . . . . . 275,000</p>	<p><b>5</b> Distributions: <b>a</b> Cash . . . . .</p> <p style="padding-left: 20px;"><b>b</b> Stock . . . . .</p> <p style="padding-left: 20px;"><b>c</b> Property . . . . .</p> <p><b>6</b> Other decreases (itemize):</p> <p>-----</p> <p><b>7</b> Add lines 5 and 6 . . . . .</p> <p><b>8</b> Balance at end of year (line 4 less line 7) 275,000</p>
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