



# Illustration of a Current-Year Earnings and Profits Computation

XYZ Corporation, E. I. No. 00-000000

123 Main Street  
Anycity, Yourstate 20200

Incorporated 1/1/54 Accrual Method of Accounting		Retained Earnings Shown in Books		Earnings and Profits Current-Year		Accumulated Credit Balance	Key
		Debit	Credit	Debit	Credit		
<b>12/31/74 Balance forward</b>			\$225,000			\$20,900	
	<b>1975</b>						
Taxable income from line 28, page 1 of return . . . . .			214,700		\$214,700		✓
Federal income taxes shown in books . . . . .		\$89,556					a
Federal income taxes shown on tax return . . . . .				\$89,556			a
Excess of capital losses over capital gains (tax basis) . . . . .		3,600		3,600			✓
Section 312(m) depreciation adjustment . . . . .					24,000		
Depreciation adjustment on property disposition . . . . .				4,000			
Contributions in excess of limitation . . . . .	\$200			200			✓
Life insurance premium in excess of cash surrender value (CSV) . . . . .	9,500			9,500			✓
Non-deductible interest paid to carry tax-exempt bonds . . . . .	850			850			✓
Unallowed contributions . . . . .	500			500			✓
Total itemized from line 5, Schedule M-1 . . . . .		11,050					
Life insurance proceeds in excess of CSV . . . . .	6,000				6,000		✓
Bad debt recovery (not charged against taxable income) . . . . .	3,500						1-1973
Tax-exempt interest on municipal bonds . . . . .	5,000				5,000		✓
Total itemized from line 7, Schedule M-1 . . . . .			14,500				
Refund of 1971 Federal income taxes . . . . .			18,000				1-1974
Premium paid on redemption of preferred stock . . . . .		25,000					
Reserve for contingencies . . . . .		10,000					
				108,206	249,700		
					141,494		
<b>Current-Year Earnings and Profits</b>							
<i>Cash Distributions:</i>							
Preferred:	3/15, 6/15, 9/15, 12/15/75		20,000		20,000		✓
	\$0.50/Sh—10,000 Shs						
Common:	3/31/75						
	\$1.00/Sh—90,000 Shs	%	60,747		60,747		✓
From current-year earnings and profits		xx	20,900			(20,900)	✓
From accumulated earnings and profits		xx					
		90.72%	81,647				
From Other		9.28	8,353				
Total distribution		100 %	90,000				
	9/30/75						
	\$1.00/Sh—90,000 Shs		60,747		60,747		✓
From current-year earnings and profits		67.50%	29,253				
From Other		32.50					
Total distribution		100 %	90,000				
Total cash distributions			200,000				
			339,206	247,200	141,494	141,494	
Current-year change . . . . .			92,006			(20,900)	
Balance forward 12/31/75 . . . . .				132,994		\$—0—	

NOTE: For Explanation of Key, See Rev. Proc. 75-17, 1975-13, I.R.B. 20