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Table of Contents

Welcome

Thank you for taking the time to review the *2003 Drake Software* and Evaluation Guide. We appreciate this opportunity to familiarize you with our software and its capabilities. This guide is designed to assist you with program setup, navigation and preparation of tax returns. You may also review the materials and receive CPE credits. Answer the review questions throughout the guide and submit the completed exam to receive a maximum of 4 CPE credits.

Upon completion of this Evaluation Guide you will be able to:

- Navigate *Drake Software*,
- Prepare a basic 1040 and 1120 return,
- Examine returns,
- E-file returns.

If you have any questions about the *2003 Drake Software*, please feel free to contact your salesperson at 1.800.890.5900 or our courteous and knowledgeable support staff at 1.828-524.8020.

This Evaluation CD contains:

- A complete copy of the *2003 Drake Software.*
- All State Programs
- Computer Based Tutorials
- Practice Returns and Solutions in PDF format
- 2003 Drake User's Manual in PDF format
- 2003 Drake Business Package Manual in PDF format
- 2003 Client Write Up and CWU Manual in PDF format

We are proud to offer our tax preparation software as one complete suite:

- Tax preparation software for Forms 1040, 1065, 1120, 1120S, 990, 706, 709 and 1041.
- All State Personal and Business tax preparation packages
- Electronic Filing
- Bank Products
- Blank Federal and State Forms for viewing and printing
- CCH Online Master Tax Guide
- Many other features

Drake is a pioneer in the Tax Software and Electronic Filing Industry. This year alone *Drake* filed over 3.5 million IRS accepted electronic returns. If you are not already e-filing your client's returns, let us help you! Electronic Filing is FREE for Federal and State returns in *Drake Software.*

Thank you for reviewing our product.

Software Installation

Install the *2003 Drake Software Evaluation CD* using the instructions located on the back of the CD cover. Additional installation may be necessary. Please read the topics below for details.

State and City Program Installation

Installing state and city programs is optional, as states and cities do not have to be installed on the hard drive in order to process state tax returns. State and city returns will calculate directly from the CD if it remains in the CD drive at the time of calculation.

Access State and City Programs directly from the CD

1. Insert the *2003 Drake CD* in the CD drive.
2. Open the *Drake* program. Go to **Setup > Directories/Paths.**
3. In the “Drive Letter for CD” field, select the CD drive letter from the drop-down menu. Click [OK].
4. Access the state screens by typing the two-digit state code in the selector field at the bottom of the “**Data Entry Selection**” menu in data entry. Cities are found on the City tab within the appropriate state.

Install State and City Programs

1. Insert the *2003 Drake CD* into your CD drive.
2. Open the *Drake* Program. Go to **Setup > Directories/Paths.**
3. In the “Drive Letter for CD” field, select the CD drive letter from the drop-down menu. Click [OK].
4. From the Menu Bar, select **Tools > Install Updates.**
5. In the blank field, enter ‘4’ for **States from CD**.
6. A listing of all available state and city programs displays. Click the corresponding box to select states and/or cities to install, or click [Select All] to select all the states and cities. You must select Michigan’s cities individually, if you install MI, the corresponding cities will not automatically install (this is not the case for NY, MO, PA, DE or OR).
7. Click [OK] to install state and city updates.
8. Once the installation is complete, click [EXIT].

States and cities automatically calculate with the Federal return if indicated on the Federal data entry screens. For example, if you indicate that the W2 is for ‘NY’ in the “State” field, the New York return generates along with the Federal.

Other Drake Reference Guides

The following manuals are available in PDF format on this CD:

- **2003 Quick Start Manual** - Designed to aid in pre-season software preparation. Highlights installation steps, set up procedures and the basics of navigating the software.
- **2003 Drake User's Manual** - A comprehensive resource for all your software questions.
- **Drake Business Manual** - Walk step-by-step through the fields required to enter a business return in the software. Packages include 1120, 1120S, 1065, 990 and 706.

PDF format allows the manuals to be viewed and printed directly from the CD. Use the Adobe Acrobat Reader to read the PDF files, practice returns and IRS forms and publications. If Acrobat Reader is not installed, use the following instructions.

Adobe Acrobat Reader Installation

If Acrobat Reader is not installed, complete the following installation steps:

1. Insert the *2003 Drake Evaluation CD* into the CD drive.
2. Click **Start** > **Run**.
3. In the "Open" field, type D:\PDF\READER\AR500ENU.EXE (substitute correct CD drive letter if not 'D').
4. Click [OK] and follow the instructions. An icon is created for the Acrobat Reader after installation is complete.

Open Documents in Adobe Acrobat Reader

Once the reader has been installed, PDF files can be opened from the CD.

1. Insert the *2003 Drake Evaluation CD* into the CD drive.
2. Go to **Start > Run.**
3. In the "Open" field, type: D:\PDF\MANUAL (substitute correct CD drive letter if not 'D').
4. Double-click a PDF to view the *Drake User's Manual, Quick Start Manual* or the *Business Manual.*

> ***Program Features:***
>
> *The Drake User's Manual pages are updated in PDF format throughout tax season, allowing you to easily print and replace the outdated pages.*

VIEW DRAKE TUTORIALS

Drake Computer Based Tutorials (CBT) can be run directly from the Evaluation CD. They enable you to learn the basics of the software by watching a short video.

- Amortization
- Batch Letters
- E-file
- Envelopes
- Introduction to Data Entry
- Letters
- Macros
- Mailing Labels
- Organizers and Proformas
- Print Sets
- Reports
- Scheduler
- State Database

To access the tutorials from the CD, complete the steps below.

1. Insert the *2003 Drake Evaluation CD* into the CD drive.
2. Open the *Drake* program. Go to **Help > Tutorial.**
3. Select the drive letter of your CD drive from the drop-down box.
4. Double-click a CBT from the list to begin.
5. To exit the tutorial any time during the presentation, press [ESC].

Program Setup

The following screens must be completed before beginning tax preparation and electronic filing.

Firm Setup

Enter and edit information about a specific firm on the "**Firm**" screen. There is no default firm information in the program. This information must be created individually for each firm.

1. From the Menu Bar, go to **Setup** > **Firm**.
2. Select [NEW FIRM]. The bottom half of the screen becomes active.
3. Enter the firm information.
4. Click [SAVE] to save the information. Click [CANCEL] to exit without saving changes.

ERO/State ERO Information

Electronic Return Originator (ERO) Setup is required only if you plan to do one or all of the following in the software:

- E-file a return
- Use the 'E-mail to *Drake*' function
- Download service packs using **Tools > Install Updates**
- Access "Your EF Database" from **EF > Search EF Database > F10**

The temporary EFIN (Electronic Filing Identification Number) assigned by *Drake* does not enable electronic filing, but allows system testing and access to *Drake* Internet utilities. Preparers who are new to e-filing must apply to the IRS for an EFIN.

To enter ERO information in the software, complete the following steps.

1. From the Menu Bar, go to **Setup** > **ERO/State ERO Information.**
2. Enter ERO information.
3. Click [OK] to save and exit.

Preparer Setup

Each preparer must be entered on the "**Preparers**" screen. Enter preparers in the program to assign them a preparer number. The preparer number is then used to display the preparer information on letters and returns.

Data entry (DE) operators may be listed along with paid preparers in "**Preparers**." Entering the DE number on returns is used primarily for tracking purposes.

To enter a new preparer in the software, complete the following steps:

1. On the Menu Bar, go to **Setup** > **Preparers**.
2. Click [NEW PREPARER]. The bottom half of the setup screen becomes active.
3. Enter preparer information.
4. Create security rights (see next section, "Preparer Security Settings").

5. Click [SAVE] to save changes. Notice that the preparer is now saved with a preparer number.
6. Click [EXIT].

PREPARER SECURITY SETTINGS

The Security Setup information defines what a preparer can do in the program. When the program opens, the preparer is prompted to enter his/her login name and password. Menu options *not* accessible to the preparer are greyed out.

Choose from two types of security options:

CUSTOMIZE SECURITY SETUP

Determine what areas of the program a preparer can access.

1. With the preparer selected and in edit mode, click to select the "Customize Security" radio button. Click [CUSTOMIZE].
2. Click the menu items to display the drop-down menus. Click to select or deselect menu items for accessibility. Checked boxes indicate access is permitted.
3. Click [SAVE SETTINGS]. When prompted, click [OK].
4. Click [SAVE] to save the preparer settings. Click [EXIT].

OTHER SECURITY OPTIONS

With a preparer selected and in edit mode, click the radio button to select one of the following options:

- Set Security to equal Preparer # — Select this option and enter a preparer number in the box. This sets the current preparer's security rights to match the preparer entered.
- Set Security to Allow No Options — The preparer cannot access any items in the program.
- Set Security to Allow All Options — The preparer has rights to access all areas of the program.

PRINTER SETUP

Run the Setup Wizard to set up printers quickly and easily. The **"Printer Setup"** allows more then one printer to be accessed in the program.

SETUP WIZARD

1. On the Menu Bar, go to **Setup > Equipment > Printer Setup**.
2. Click [RUN SETUP WIZARD] from the menu at the bottom of the screen.
3. Select the printer from the drop-down list in the window that appears.
4. Next, select the type of printer from the drop-down list. (This field may be auto filled. If so, do not change the setting).
5. Click [NEXT] to continue. The first page of the 1040 is sent as a test page to the printer.
6. Check the printer for the test page.
7. Answer the questions that follow by clicking the appropriate [YES] or [NO] button.

8. The next window prompts "Apply this printer to the following sections". Click the check-boxes to select.
9. Click [FINISH] to complete the wizard.

> Different printers can be selected to print reports, letters, forms, checks, etc.

OPTIONAL PROGRAM SETUP

OPTIONS

Select program preferences from the "**Options**" screen. The software defaults to the most common preferences. To change or view the defaults, follow the steps below.

1. From the Menu Bar, go to **Setup > Options**.
2. Click the tabs to change the options screen that displays. After selecting an option, press [OK] to save.

The following options are available:

Data Entry Tab

- Enlarge Data Entry screens for easier viewing.
- Use 25-row screen size for 50-row screens (Sch. C, 1099, etc.).
- Use grid Data Entry format for select screens (DIV, INT, 4562, etc.).
- Tab to zip code field (skip city/state and use zip code database).
- Language for Data Entry – Select English or Spanish.
- Letter Case for Data Entry – Select Upper Case or Lower Case. Choose to use either all uppercase or mixed case in Data Entry.

Calculate and View Tab

- Auto-calculate tax return when exiting Data Entry.
- Display client fee on calculation screen.
- Print only one overflow statement per page.
- Return to same location in Data Entry (CTRL + E).
- Audible Notification of Calculation Error Messages.
- Layout for Depreciation Schedule – Select "Portrait" or "Landscape" from the drop-down menu.
- Pause Option for Calculation – "Always after calculation" pauses when the calculation is complete (**File > Calculate**). "After Ctrl - View/Print" will pause only after a Ctrl-View or Ctrl-Print are used to calculate. "Only when using File > Calculate" will pause only when calculating from the main menu.
- Display Forms in View Mode –Forms display the same as printed forms or in text mode. Text Mode is a computer generated mode with larger text.
- Days to keep print file – If the return is needed after the software removes the Print file, recalculating the return will recreate the print file.

Form and Schedule Options Tab

- Print Schedule A only when required.

- Print Schedule B only when required.
- Print Form 1116 for Alt-Min. tax worksheet.
- Print 4562 only when required.
- Print 6251 only when required.
- Form 8867/EIC Worksheet – The form 8867 is the IRS form for EIC verification. The VER_EIC is a form designed in-house that preparers prefer. Use this option to indicate your choice.
- 1040A/EZ Suppress
- Form 1045 page 2 (NOL) - Select to prepare when needed, or only when indicated in data entry.
- Form 2210- Select to prepare when needed, or only when indicated in data entry.

Optional Documents Tab

Check the appropriate boxes to print the following with each return:

- Folder Cover sheet
- Next Year Depreciation Schedule
- Preparer Notes page when applicable
- Prior Year Comparison
- Privacy Letter
- Return Summary
- Optional Worksheets
- W2/1099 detail list — Prints landscape with city amounts. Selected by default.
- W2/1099 forms
- Referral Coupons (3 per sheet) – Customize the text of these coupons in Setup > Letters > Coupon. Enter the number of sheets to print with each return and the amount of the coupon.
- Envelope Address Sheet - Select small, medium or large.
- Result Letter – Select letter 1 -9. Customize these letters in Setup > Letters.

Optional Items on Return

Click the corresponding check box to print an item on the returns:

- Gross Social Security only when required.
- Date on return – This date pulls from the date on the computer. To change this date, enter the required date on the **“MISC”** screen.
- Taxpayer phone number – Pulls from “**Screen 1**.”
- Third Party Designee – Prints on the main form for the tax return.
- Rounding Amounts – Select dollar or penny rounding. Dollar rounding is required for electronic filing. Penny rounding prints penny amounts on all forms.

Billing Tab

Click the corresponding check box to turn a feature on:

- Print taxpayer’s SSN on bill.
- Print preparer’s name on bill.

- Show RAL preparer fees as withheld on bill.
- Show bank fees on bill.
- Sales Tax – Sales tax percent to add to client statement. Enter a number greater than 1. For example, 4.5 would represent a sales tax rate of 4.5%.
- Billing Statement Format – Select a statement option. "Show forms, form prices and total", "Show form list and total", "Bill by time" or "Do not prepare bill".

States Tab

There are specific options available for some states. Select the state from the drop down list and select the options that apply. Set up each desired state separately.

EF Tab

Click the corresponding check box to turn a feature on:

- Print 8453 (or 8879/8878 if using PIN) when eligible for EF.
- Require 'Ready for EF' indicator on "**EF**" screen.
- Lock client data file after EF acceptance – Log in as "ADMIN" to edit /unlock a file that has been transmitted and accepted. Allow preparers the same ability by giving them access to **Tools > File Maintenance > Unlock Client Files** in their security settings.
- Print bank application when keyed on a return.
- Print 9325 when eligible for EF.
- Suppress Federal EF
- Combine EF steps (Select, Transmit, Post Acks). If this option is selected, the only screen that needs to be opened on the EF menu is "**Select Returns for EF**." After the returns are selected, click [OK] to start the remainder of the EF routine. No further steps are necessary.
- EF Status Page - Print the EF Status page.
- State EF – Suppress
- ERO SSN Indicator – Choose from preparer #1 - #9, paid preparer or blank. This field will tell the preparer who to use as the ERO on the return. The default can be overridden in Data Entry.
- Check for service pack during EF transmit/receive.
- Prompt before downloading service pack – If this option is selected, a prompt will give the estimated download time and size of the file instead of automatically starting the download.
- Advanced option - Passive FTP (Facilitates firewalls by using a defined port range).
- Check for email during the EF Transmit/Receive.

Review Questions Part 1

Answer the questions below. See “Answers Part 1” on page 11 for explanations of answers.

1. In *Drake* Software **Setup > Options**, what tab would you choose to select a third party designee for all your returns?

   a) Optional Items on a Return

   b) States

   c) EF

   d) Billing

2. In *Drake* Software **Setup > Options**, which tab would you select to check for Service Pack updates during electronic filing?

   a) Optional Documents

   b) States

   c) EF

   d) Billing

3. In *Drake* Software **Setup > Options,** which tab would you select to bill by time?

   a) Optional Documents

   b) States

   c) EF

   d) Billing

4. In *Drake* Software **Setup > Options** which tab would you select to adjust the sales tax on your bill?

   a) Optional Documents

   b) States

   c) EF

   d) Billing

5. In *Drake* Software **Setup > Options,** which tab would you select to print the taxpayer’s phone number and/or the current date on tax return?

   a) Optional Items on the Return

   b) States

   c) EF

   d) Billing

ANSWERS PART 1

1. The correct answer is **A, Optional Items on a Return.** Use the Third Party Designee drop-down box to select which preparer will be the third party designee for all returns. An override is available on screen 5.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. The EF Tab contains options available for electronic filing. You can select to suppress individual states, combine the EF steps and several other EF related options.

D is incorrect. Enter sales tax amount, choose a billing format, select to show bank fees on bill and other billing related options on the Billing Tab.

2. The correct answer is **C, EF.** Use this tab to select to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

A is incorrect. The Optional Documents Tab is used to select specific items to print with returns or select the result letter to print.

B is incorrect. The States Tab contains customization options for each state.

D is incorrect. Options associated with the client's bill are found on the Billing Tab.

3. The correct answer is **D, Billing.** Use the Billing Statement Format drop-down box to select "Bill by Time" from the list of billing options.

A is incorrect. Use the Optional Documents Tab to setup the referral coupon dollar amounts and the quantity to print per return.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. Select to turn on various EF features on the EF Tab, including "Require 'Ready for EF Indicator' on EF screen" and "Lock Client Data File after EF Acceptance".

4. The correct answer is D, **Billing**. Enter the amount of tax to charge in the "Sales Tax" field.

A is incorrect. The Optional Documents Tab is used to select specific items to print with returns or select the result letter to print.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. Select the EF Tab to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

5. The correct answer is **A, Optional Items on the Return.** Check the corresponding box to turn this feature ON.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. Go here and select to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

D is incorrect. Options associated with the client's bill are found on the Billing Tab.

Program Navigation

Learning to navigate the program *before* tax season saves time and frustration. Use this section to become acquainted with *Drake Software's* menu structure.

DRAKE FOR WINDOWS

The navigation choices when using Windows include the mouse, Tool Bar and the computer keyboard.

THE MOUSE

Left mouse button — Move the pointer over an item and click the left mouse button to select that item.

Right mouse button — During data entry, right-click the mouse in any grey area to display a menu of common program functions or right-click in a data entry field to cut, copy, view help or paste.

TOOL BAR

Speed Buttons are located under the Menu Bar on the Tool Bar. Speed Buttons are shortcuts to maneuver the program quickly. Different areas of the program are associated with different Speed Buttons.

- **Open** — Open or create a new return.
- **Calculate** — Perform a batch calculation.
- **Print** — Print a return from the return selector.
- **View** — View a return from the return selector.
- **Internet** — Launch your internet browser to support.drakesoftware.com
- **Tax Help** — Launch CCH Online Resource.
- **Scheduler** — Opens the Scheduler utility, which enables you to create preparer schedules, make appointments and run reports.
- **Exit** — Exits the program.

ESC

Press the [ESC] to exit a screen. Information on that screen is saved. Press [ESC] on the "**Home**" screen to exit the *Drake* program.

THE KEYBOARD

The computer keyboard can be used to maneuver through the program. See "Hot Keys" on page 57 of the Appendix for a list of shortcuts keys used during data entry.

Press [ALT] to display the underlined shortcut key for each option on the Menu Bar. The underlined letter for each option is the shortcut key. Example: File; Press [ALT] + [F] to

Open the File Menu. After the menu is selected, the shortcut keys can be executed by pressing the shortcut key; [ALT] is not necessary.

> To open field-specific help during return data entry, press [SHIFT] + [?].
>
> To open on-screen Help instructions, press [F1].

GENERAL FLOW OF COMMANDS

Instructions to reference parts of the program are as follows:

- **Menu Bar** — the list of menu options across the top of the window.
- **Drop Down Menus** — the list of available actions shown when an option is selected from the menu bar.
- **Speed Buttons or Tool Bar** — the Tool Bar directly under the Menu Bar in the Windows program only. Speed Buttons are used for quick access to commonly used program functions.
- **Data Entry Selection Menu** — the "home base" for return preparation. These screens display the data entry options.
- **Tabs** — the Data Entry Selection Menu displays tabs along the top of the screen. Select a tab to display an additional list of data entry screens.
- **Drop-Down Box** — some fields in Windows display a down-arrow next to the open box. Click the arrow to open a drop-down list of available choices.
- **Buttons** — the Windows program offers additional buttons, which can be mouse-clicked to perform an action.
- **Selector Field** — In data entry, the entry field located in the bottom left corner of the screen. Type corresponding screen codes and press [ENTER] to access data entry screens.

When instructions are given to perform an action, the flow of commands is as follows:

1. Select the Menu Bar option to show the Drop-Down Menus (e.g. Tools).
2. Select the action form the Drop-Down Menus (e.g. File Maintenance)
3. If the action displays ▸ to the right, another list will open.
4. Select the action from that list (e.g. Backup/Restore).

To shorten the commands in the instructions, the flow of commands is given with arrows between each function:

Tools > File Maintenance > Backup/Restore

Use the keyboard or the mouse to select the menu options.

Refer to the following lists for the Menu drop-down options and related function keys.

<table>
<tr><th>FILE [F1]</th><th>EF [F2]</th><th>TOOLS [F3]</th></tr>
<tr>
<td>

Open Return [F1]
Calculate [F2]
Print [F3]
View [F4]
Pre-Prepared Entry [F5]
Quick Estimator [F6]
Exit [F7]
Logout Preparer

</td>
<td>

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Check Print [F4]
Check Setup [F5]

Setup New [F1]
Void Unused [F2]

Check Register [F6]
Search EF Database [F7]
Copy EF Returns to Disk[F8]
Copy EF Returns from Disk [F9]
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</td>
<td>

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Backup/Restore [F1]
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Letters [F1]
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Envelopes [F3]
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Amortization [F7]
Edit EIN Database [F8]
Stock Search [F9]
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</td>
</tr>
</table>

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• All Client Reports [F2]
    • Standard [F1]
    • Custom [F2]
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HELP [F7]
• Check Installation [F1] • Version Info [F2] • Copyright Notice [F3] • Support [F4] • *Drake* 2003 Help Topics [F5] • Show Setup (Admin) [F6] • Tutorial [F7] • CCH Tax Research [F8] • Show Users [F9]

FEATURES

Drake Software offers numerous value-added features to enhance and simplify tax preparation. The software is designed to ease the return preparation process. In addition to the program resources highlighted below, the program boasts the following convenient features.

- Information flows to related forms automatically.
- Message pages display errors or alerts that may prevent successful e-filing and/or IRS rejection.
- Zip code and Employer Identification Number databases speed data entry in several key forms.
- Built in calculator is accessible in any data entry screen by pressing [F10].
- Blank forms are available to view or print.
- Unformatted worksheets are available by pressing [CTRL] + [W].
- Calculate amortization or search *Drake*'s stock index from within the Tools section of the Menu Bar.

HEADS DOWN DATA ENTRY

Drake Software enables users to enter data by keying it directly into screens or using the Heads Down Method. The Heads Down Method uses field codes that correspond with Proformas your clients can prepare during an interview. This option is a great time saver – as it allows data to be gathered by a tax professional and entered by a data entry operator. Toggle between data entry methods by pressing [CTRL] + [N].

EMAILING

Use **Email to Drake** to send and receive emails from within the *Drake Software* program. Some of the benefits of using this utility include:

- Receive *EMonday* emails from *Drake*. These emails provide information on important IRS updates and software changes.
- The *Drake* support staff sends important program files via this connection.
- Easily attach client files to emails and send them to *Drake* Support.
- Use the built-in *Drake Address Book* to quickly and easily send support related emails to *Drake*.

To access the email function, go to the Menu Bar, select **EF > Email to Drake**. The email interface displays e-mail messages and the available options. The **Check Mail** option retrieves waiting messages.

> Your *Drake* email address is *YourEFIN*@1040.com. You must have your EFIN and password entered in Setup > ERO/ERO State Information to use this utility.

SPLIT RETURNS

Drake Software allows you to easily compare Married Filing Joint (MFJ) and Married Filing Separate (MFS). From the "**Data Entry Selection Menu**" screen on a joint return, split their return using [CTRL] + [S] or use the speed button labeled [Split].

The program splits the return. On the resulting "Return Selector" screen, the return displays in three ways: Married Filing Joint, Taxpayer separate and Spouse separate. Included on this screen are the following:

- Summaries of both Federal and State refunds or amounts due,
- the resulting savings,
- the option to save any one or all three of the return formats,
- the ability to print this summary screen (press 'P'),
- exiting without saving the MFS formats.

If both returns are saved, each time you open the return you choose the MFJ or the MFS format. In this case, either return can have additional data entered.

SUPPORT.DRAKESOFTWARE.COM

Select the **Internet** Speed Button from the tool bar to log onto support.drakesoftware.com for access to 24-hour software information, including resource links for tax preparers, the Knowledge Base and "Your EF database".

ONLINE STATE RESOURCE

The Online State page is available through support.drakesoftware.com enabling the search of state-specific questions including reject codes, exclusions, state instructions and e-filing explanations and instructions.

CCH

Go to **Tax Help** on the tool bar to access CCH. All *Drake* clients receive access to the online U.S. Master Tax Guide Plus from CCH Incorporated. This product features a comprehensive online tax information library which includes the following: U.S. Master Tax Guide, Internal Revenue Code, Revenue Rulings, IRS Publications, IRS Announcements, IRS Notices and U.S. Tax Cases.

SERVICE PACKS

Install software updates from within the program through your internet connection. From the menu bar, go to **Tools > Install Updates** and choose from the following options:

- Online Service Pack — Downloads the latest federal software updates.
- States Online — Select specific states and download the latest full version of the state program.

Drake 2003 Hot Keys

Hot Keys enable you to perform specific actions quickly and easily. Knowing when and where to use these keys can save you valuable time during tax season.

Data Entry

Produce field-specific help information in data-entry or to verify a valid Social Security Number.	[SHIFT] + [?} or [ALT] + [?]
Insert today's date into any field.	[ALT] + [D]
Delete a screen	[CTRL] + [D]
Reset a screen	[CTRL] + [U]
Exit and save a screen	[ESC]
Exit without saving	[SHIFT] + [ESC]
Force an entry	[CTRL] + [F]
Open an unformatted schedule	[CTRL] + [W]
Toggle heads-down in standard data entry.	[CTRL] + [N]
Open the Online Help screen	[F1]
View the Pop Up Calculator	[F10]
Carry data to an amended return	[CTRL] + [X]

Calculate, View and Print

Calculate a return	[CTRL] + [C]
View a return	[CTRL] + [V]
Print a return	[CTRL] + [P]
Split MFJ return to MFS return	[CTRL] + [S]
Return to data entry	[CTRL] + [E]

Electronic Filing

Look up reject codes in EF > Search EF Database	[F4]
Return to data entry from EF > Search EF Database	[F5]
Check your online EF database from EF > Search EF Database.	[F10]

Review Questions Part 2

Answer the questions below. See “Answers Part 2” on page 20 for the correct answers.

1. How do I delete a screen in *Drake*?
   a) [CTRL] + [F]
   b) [CTRL] + [D]
   c) [CTRL] + [S]
   d) [CTRL] + [N]
2. Can you split a joint return into two married filing separate returns? How?
   a) No
   b) Yes, [CTRL] + [F]
   c) Yes, [CTRL] + [W]
   d) Yes, [CTRL] + [S]
3. How can I create a detailed worksheet for a particular line item on a return.
   a) With your cursor in the data entry field on a *Drake* Screen press [CTRL] + [F].
   b) You cannot.
   c) With your cursor in the data entry field on a *Drake* Screen press [CTRL] + [W].
   d) With your cursor in the data entry field on a *Drake* Screen press [ESC].
4. How do I save screen information in a return?
   a) [CTRL] + [W]
   b) [CTRL] + [S]
   c) [ESC]
   d) [ALT] + [?]
5. Is it possible to insert the current date into a data entry field? How?
   a) Yes, press [Insert] + [D]
   b) Yes, press [CTRL] + [D]
   c) No
   d) Yes, press [ALT] + [D]

Answers Part 2

1. The correct answer is **B, [CTRL] + [D].** This Hot Key deletes the current screen.

A is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

C is incorrect. [CTRL] + [S] is used to split a MFJ return into two MFS returns, allowing you to compare the differences.

D is incorrect. [CTRL] + [N] enables the Heads Down Method. The Heads Down Method uses field codes that correspond with Proformas you can prepare during an interview.

2. The correct answer is **D, [CTRL] + [S].** Use this Hot Key to split a MFJ return into two MFS returns, allowing you to compare the differences.

A is incorrect. With *Drake Software* [CTRL] + [S] enables you to split the MFJ return.

B is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

C is incorrect. Use [CTRL] + [W] in any numeric field to access an unformatted schedule.

3. The correct answer is **C, With your cursor in the data entry field on a *Drake* Screen, press [CTRL] + [W].** Key this short cut in any numeric field to access an unformatted schedule.

A is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

B is incorrect. With *Drake Software* you can use [CTRL] + [W] in any numeric field to access an unformatted schedule.

D is incorrect. [ESC] is used to save and exit to the Data Entry Selection Menu.

4. The correct answer is **C, [ESC]**. This Hot Key is used to save a data entry screen and return to the Data Entry Selection Menu.

A is incorrect. Use [CTRL] + [W] in any numeric field to access an unformatted schedule.

B is incorrect. Use [CTRL] + [S] to split a MFJ return into two MFS returns, allowing you to compare the differences.

D is incorrect. Use [ALT] + [?] in any data entry field to view field-specific information. [SHIFT] + [?] functions the same way.

5. The correct answer is **D, [ALT] + [D]**. This enters the current date in any “**Date**” field.

A is incorrect. [Insert] + [D] is not a Hot Key in *Drake*.

B is incorrect. [CTRL] + [D] deletes a screen in data entry.

C is incorrect. You can enter the current date using [ALT] + [D].

Return Preparation

While there are many ways *Drake Software* simplifies tax preparation, the software cannot replace a fundamental understanding of tax laws. Your data will be calculated as entered on each screen. The screens, in almost every instance, reflect the corresponding tax form.

In this section, we will review the following:

- Opening Returns
- Navigating Fields and Forms
- Preparing a Return

> Returns are identified by either a Social Security Number (SSN) or an Employer Identification Number (EIN), in the case of business returns. The program accepts only numbers in the SSN or EIN fields - NO dashes, spaces or other characters.

Open a Return

On the menu bar, go to **File > Open Returns**. The "Open a Return" window appears.

There are several options:

- Type the SSN or EIN in the top box. Click [OK] or press [Enter].
- Select the desired return from those returns displayed in the lower box. Use the return selector buttons to the right to narrow your search.
- Empty the top field and press [Enter]. Scroll through the resulting list to select a return.
- Type a last name or company name in the entry field and press [Enter].

For a sample return, type the following SSN into the top field (without dashes): 400-00-6665. This is a completed version of our practice return. You will see that the "Data Entry Selection Menu" is organized into six different pages marked by Tabs: General, Income, Adjustments, Credits, Taxes and Other. You can navigate to each page by either clicking on the actual tab or using the arrow keys.

> If a SSN or EIN is not in the database, you are asked to create a new file.

Entering Data

Access a form for data entry by selecting the form description or by typing the form code into the selector field in the bottom left corner of the "**Data Entry Selection Menu**". Access installed state forms by typing the state's two letter abbreviation into this box**.**

Navigation

Move through the data entry fields on any form:

- Press [Tab], [Enter] or the Down arrow key to advance the cursor to the next field,
- Press [Shift] + [Tab] or the Up arrow key to move the cursor back one field,
- Use the Left/Right arrow keys to move the cursor within a data entry field,
- Press [ESC] to save and close the data entry screen and return to the "**Data Entry Selection Menu**".

> ***Program Feature:***
>
> *In any data entry field, you can find field specific explanations by pressing [Shift] + [?]. This help is available in any field and often contains selectable options for that field.*

PREPARING THE 1040 EVALUATION RETURN

In this section, we will enter a practice return and work through various data entry screens to become comfortable with *Drake Software.* The following sections provides step-by-step instructions for preparing, calculating, viewing, printing and electronic filing a return.

1. On the menu bar, select **File > Open Returns**.
2. In the "**Open a Return**" screen, type the following SSN (without dashes): 400-00-6666. Click [OK].
3. A message box will prompt you to create a new return. Click [Yes].
4. Next, select the type of return to create. Our sample is an Individual return. Since this is the default, press [Enter].

NAME AND ADDRESS SCREEN

Each time you create a new client, the "**Name and Address**" Screen opens initially. The information provided on this screen flows to each of the forms for this client.

Our Evaluation Taxpayers are William and Amelia Carter from Burlingame, CA.

- They are filing a joint return.
- They have two children, Richard, Carolyn.
- William receives a salary from two computer jobs.
- Amelia owns a bakery of which she is a sole-proprietor.

Fields	Taxpayer (TP) Data	Spouse Data
SSN*	400-00-6666	241-41-4441
First Name	William	Amelia
Last Name	Carter	Carter
Date of Birth**	5-25-1960	12-18-1962
Filing Status	2	

Program Feature:

Pressing [Shift] + [?] in a completed Social Security Number field will produce information about the validity of the entered SSN.

Enter the following data on the "Name and Address" screen for the Carter's return.

Program Feature:

Drake Software includes an integrated ZIP Code database. To speed data entry on "Screen 1", "W-2", "W-2G", "1099", "1099G" or the "Schedule C" screens, enter the zip code before entering the City and State fields. Typing the zip code populates the city, state, county and resident state fields.

Fields	Data
Address	14998 New Heights Road
Zip	94010
Daytime Phone*	415.344.3443
Evening Phone*	415.645.6456
Occupation	Computer Technician
Presidential Campaign Fund	No
* Enter number without dots or dashes.	

To avoid IRS rejection of electronically filed returns, use only the characters allowed in addresses: letters, numbers, ampersand (&), hyphen (-) and forward slash (/).

SAVING DATA

When the "**Name and Address**" screen is complete, press [ESC] to return to the "**Data Entry Selection Menu**." The information entered is saved automatically as it is typed. When you return to the "**Data Entry Selection Menu**" screen, notice the "**Name and Address**" selection is highlighted, indicating that data is entered on this screen.

If a screen is highlighted, but contains no data, the screen must be deleted or it can cause E-filing errors. Press [CTRL] + [D] to delete the current data entry form.

Entering Dependent Information

William and Amelia have two dependents. Press [PAGE DOWN] on the keyboard to produce an additional Dependent screen for the second child's information.

Enter the following information:

Fields	First Dependent Data	Second Dependent Data
First Name	Carolyn	Richard
SSN	239-21-1123	245-62-2235
Relationship	Daughter	Son
Months in home	12	12
Date of Birth	07-11-1995	12-18-1984
Qualifying Child Care Expenses	3450	
Hope Credit Expenses		4200
If Over 18 & a Student		X

Press [ESC] to return to the "**Data Entry Selection Menu**".

Entering Wages – W-2

In the first field of the W-2 screen, enter [T] for taxpayer or [S] for spouse. The corresponding taxpayer or spouse information is populated in the "**Employee Name/Address**" fields.

Remember, help is available in each data entry field. Press [Shift] + [?] to access detailed information for individual fields.

> ***Program Feature:***
>
> *Drake Software offers an Employer Identification Number Database. Each time a recognized EIN is entered on a W-2, 1099 or a 2441, the business name and address populates.*

When entering wages, notice *Drake Software* populates box 3-6 and 16 based on the wages entered in box 1. Because there are two W-2s included in this return, press [PAGE DOWN] for a blank W-2 screen. Enter the information on the next page for the W-2s.

Fields	Data
TS Field	T *
Federal ID	751122333**
Employer’s Name	Avalon Software
Employer’s Address	458 Spring Ave
Employer ZIP	94404
Wages	27850
Federal Tax Withheld	4575
State	CA
State ID	341115679
StateTax Withheld	1534
*This populates taxpayer information fields.	
**Once this employee ID is entered it is saved in the EIN database. Next time this number is entered in data entry, the employer’s city and state information will populate.	

The bottom portion of the W-2 screen allows input of State wage information.

Enter the information for the second W-2.

Fields	Data
TS Field	T
Federal ID	759988777
Employer’s Name	Catalyst Corporation
Employer Address	5877 Hurst Square
Employer ZIP	94061
Federal Tax Withheld	5677
Wages	25450
State	CA

Fields	Data
State ID	462333465
State Tax Withheld	1340

Press [ESC] to return to the "**Data Entry Selection Menu**".

ENTERING ITEMIZED DEDUCTIONS (SCHEDULE A)

To enter Itemized Deductions for a Schedule A, type 'A' in the selector field, then [Enter]. This form mirrors the IRS Schedule A form.

Enter the information shown below for the Carter's itemized deductions.

Fields	Data
TSJ Field	J
Medical/Dental Expenses	8777
State/Local Taxes	624
Real Estate	1567
Personal Property Taxes	245
Mortgage Interest from 1098	6788
Cash/Check Charitable Contributions	275
Other Charitable Contributions	190
Tax Prep Fees	125

ENTERING INTEREST INCOME (SCHEDULE B - 1099-INT)

The "**Schedule B - Interest Income**" screen is on the General Tab. Type 'INT' in the selector field, then press [Enter].

Enter the following account interest for the Carter's return:

Fields	Data
TSJ Field	J
Name of Payer	CCB
Interest Income	657

Press, [ESC] to return to the "**Data Entry Selection Menu**".

> Dividend Income is entered in the same manner as Interest. To open the Schedule-B Dividend Screen, select **DIV-Dividend Income** on the General Tab or enter [DIV] in the selector field.

ENTERING PROFITS OR LOSSES FROM BUSINESS (SCHEDULE C)

Although [**C-Self-Employed Income**] is found on the Income Tab, to open type 'C', then press [Enter].

Use the scroll bar on the right side of the screen, or press **[Page Up]/[Page Down]**, to view more of the form.

Fields	Data
TS	S
Business Name	Patty Cakes
Business Code	311800
Street Address	2579 W. Oak Street
Zip	94010
Accounting Method	Cash
Materially participated in 2003	Yes
Gross receipts or sales	78,657

Enter the following additional information on "**Schedule C**" for Patty Cakes:

Expenses	Data	Cost of Goods Sold	Data
Advertising	480	Inventory Valuation Method	Cost
Insurance	400	Beginning Inventory	2578
Rent: Other	7200	Purchases Less Personal	889
Taxes & Licenses	54	Cost of Labor	7000
Utilities	2734	Materials/Supplies	34255

ENTERING DEPRECIATION

Drake Software provides six data entry screens for Depreciation. On the Income Tab of the Forms Menu, the six screens are grouped together in a box labeled “Depreciable Assets”. Selection options are clearly marked and include **Form 4562 - Depreciation Detail** and five additional screens offering additional parts of **Form 4562.** The 4562 is usually the only screen necessary to enter depreciation. Screens 6-9 are used only when entering an existing return. Screen 10 contains the Bonus Depreciation Elections.

To create a **Form 4797** from within the 4562, select an asset with a mouse click and press [F3]. Complete the “If Sold” column on the bottom right. The only fields required are the date sold, the sales price and the property type.

For the Carter’s return, there are three separate depreciable assets. The first is the Patty Cakes’ baking oven and the others are the business vehicles.

To open the Depreciation data entry screen, type ‘4562’ (Depreciation Detail on the Income Tab). Enter the following information on the 4562 Screen. Press [PAGE DOWN] for the next entry.

Fields			Data
For:	AUTO	AUTO	C
Description	Delivery Van	Delivery Truck	Oven
Date Acquired	01-01-2003	05-01-2003	06-30-2003
Cost	15000	25000	7000
Business Percentage	100	100	100%
Method	M	M	M
Life	5	5	7

ENTERING CHILD & DEPENDENT CARE EXPENSES (FORM 2441)

To open the Child & Dependent Care Expenses Screen (Form 2441), type ‘2441’ in the selector field and press [Enter].

Fields	**Data**
SSN/EIN	587999556
EIN	X
Provider’s Name	Short-Stuff Academy
Address	5788 Elm Street
Zip	94010
Amount	3450

When entering child care expenses, make sure the expense amounts are listed on BOTH the Dependent Screen and the 2441 Screen.

Press [ESC] to return to the "**Data Entry Selection Menu**".

ENTERING "OFFICE IN HOME" INFORMATION

In addition to owning Patty Cakes Bakery, Amelia's storage facility is at her home for linens and other catering materials. She qualifies for "Office in Home" expenses which are entered on the "**8829"** screen.

To access this data entry screen, type '8829' **(Office in Home**). Enter 'C' in the "For" field. The storage room at the Carter's house is 180 sq.ft. of the 2000 sq.ft home. Input the following additional information:

Fields	Direct Expenses	Indirect Expenses
Insurance		250
Utilities		500
Other Expenses	250	

ENTERING MOVING EXPENSES (FORM 3903)

During the last year, the Carter's moved to a new location because Bill changed jobs. To open the "**Moving Expenses**" screen, type '3903' **(Moving Expenses** on the Adjustments Tab).

Enter the following moving expenses on the 3903 Screen:

Fields	Data
Miles from Old to New	125
Miles from Old to Old	14
Transportation & Storage	5400
Travel & Lodging	58
Amount Reimbursed	95

AUTO MILEAGE FOR SCHEDULE C

Enter mileage information on the AUTO screen. Type [AUTO].

Fields	Delivery Van	Delivery Truck
Description	Delivery Van	Delivery Truck
Date Placed in Service	01-01-2003	05-01-2003
Business Miles	12357	22335
Commuting Miles	0	0

Both vehicles were used primarily by the owner, and neither was available for personal use. Amelia maintains a policy prohibiting personal use of the vehicles. However, because there are no commuting miles on either vehicle, policies regarding commuting are not necessary.

Make sure to answer the Vehicle questions at the bottom of the screen to ensure acceptance by the IRS. These fields are required.

ENTERING PARTNERSHIP INFORMATION (SCHEDULE K-1)

Partnership information is entered on the Schedule K-1. To open the data entry screen, select [**K1 - Partnership K1**] on the Income Tab.

Field	Data
TS	T
Partnership ID	561122334
Partnership Name	Dynamic Distributing
This is a passive activity	X
This partner is a limited partner	X

Make sure to pay attention to the help text ([Shift] +[?]) to see to where, or if, information carries.

Enter the following amounts from the K1.

Line	Amount
1	2756
4a	65

ENTERING ESTIMATED TAXES

To override the system's automatic calculations and enter the estimated taxes you desire, select [**ES - Estimated Taxes**] on the General Tab. This screen is divided into columns and sections: 2003 Estimated Taxes Paid and 2004 Estimated Taxes Due.

ENTERING STATE DATA

State returns are easy to generate in *Drake Software*. First, either install the state software on the hard drive, or simply insert the "Evaluation CD" into the CD drive (see the State Installation instructions at the beginning of this guide for detailed directions).

State forms automatically generate, based on data entered on the Federal return. Calculation is based on the State entered on the "**Name & Address"** Screen for "Resident State", as well as the State codes indicated on W-2s, Schedule C, 1099, Schedule B, etc.

For specific information pertaining to the state, "**State Data Entry"** screens are available. On the "Data Entry Selection Menu", type the two-letter state code for the desired state and press [Enter]. Screens of available state forms appear.

VALID CITY CODES

DE	NY	MI	MO
• **WM**—Wilmington	• **NY**—New York City • **YO**—Yonkers	• **BC**—Battle Creek • **BR**—Big Rapids • **DT**—Detroit • **FT**—Flint • **GR**—Grand Rapids • **HC**—Hamtramck • **HP**—Highland Park • **IC**—Ionia City • **JC**—Jackson • **LN**—Lansing • **MC**—Muskegon • **MH**—Muskegon Heights • **PH**—Port Huron • **PT**—Pontiac • **SG**—Saginaw • **WL**—Walker	• **KC**—Kansas City • **SL**—St. Louis
• **PY**—Part-Year (use only on **"Screen 1"** in "Resident State" field)			

> New York city codes are entered NY or YO, with the exception of W2 locality codes, when they should be entered NYC or YONKERS.

On each of the forms screens, you will notice several symbols:

- If the field is marked "Override" (indicated by an '=' symbol), an entry in the field overrides any calculations or Federal data normally associated with that item.
- If the field is marked "Adjust" (indicated by a '+' symbol), any data entered in that field will be added to the calculated amount of Federal data normally associated with that field. To reduce an amount in an adjust field, enter a negative figure.
- All other entries are direct, no entry made means nothing appears on the form.

FAQ SCREEN

The FAQ Screen for each state is a great resource for state-specific information. Once on the Forms Menu for the state, the FAQ Screen should be the last listing on the page. Place your cursor in the desired field, and press [Shift] + [?] to access the information.

PART-YEAR RETURN

In the “Resident State” field of the “**Name & Address”** Screen, enter “PY” for a Part-Year return. If questions arise about what options are available for a specific field, press [Shift] + [?].

For those forms corresponding to a particular state (2106, 2441, W2, etc.), enter the necessary state in the **ST** field at the top of the screen. This prints the state information on the appropriate state form.

DIRECT DEPOSIT

Use the **“DD”** screen to elect direct deposit of the IRS refund to the taxpayer’s checking or savings account. Generally, direct deposit refunds are received one week earlier than paper checks.

The direct deposit account must be in the taxpayer’s name and cannot include the name of another person. If married filing joint, the account can be in either the taxpayer’s or the spouse’s name, or both. If married filing separate, the account can be a joint account, or in the name of the taxpayer, but not only in the name of the other spouse. “Payable through” accounts are *not* acceptable for direct deposit. After completing the screen, press [PAGE DOWN] to rekey account number information.

Use the **“SDD**” screen to arrange a direct deposit of state refunds. The account information on this screen is transmitted. After completing the screen, press [PAGE DOWN] to rekey the information. Direct deposit policies differ from state to state. Check with the specific state for more information.

PAYMENT

Use the “**PMT**” screen to pay the tax due amount through automatic withdrawal from the taxpayer’s bank account. Enter the taxpayer’s electronic funds withdrawal information. After completing the screen, press [PAGE DOWN] to rekey the information.

> Do *not* use this screen unless the return will be filed electronically.

> Use the **“SPMT”** screen for the following states only: AZ, CA, CT, DC, DE, IL, KS, LA, MA, MD, ME, MN, MT, NE, NJ, NM, NY, OH, OK, PA, SC and WV. Not all states allow electronic payments for taxes due.

BANK PRODUCTS

Bank products are available through Bank One and Household Tax Masters. Enter bank information on the **“B1**” or “**HTM**” screen.

FILING AN AMENDED RETURN

Form 1040X can be accessed from the Other Tab. This form cannot be e-filed, but can be populated with data from the original form. Enter [X] in the selector field to open the form. When you are prompted, click [YES] to auto-fill the 1040X with the original return’s information. Then change the data in the original return to reflect your amendments to the return.

Print out the return and check for accuracy. An amended return must be mailed to the IRS.

Filing an Extension

Use the "**EXT**" screen to file an extension. Only one extension can be generated at a time. If Form 4868 is filed in April, remove the "X" from that field and place it in the "2688" field to generate a later extension.

> A PIN2 screen must accompany a 4868 with a Payment [PMT] screen. A payment must accompany all 4868s with a balance due. These can be selected for EF (also complete line 66 of screen 5).

Calculate and Print the Return

RETURN CALCULATION

Drake Software automatically saves all data as it's being entered. However, it does not automatically calculate the return. From anywhere within the return, press [CTRL + [C] or [CTRL] + [V] to calculate the return.

- Press [CTRL] + [C] to calculate the return and view a calculation summary screen. Press [CONTINUE] to return to the "Data Entry Selection Menu".
- Press [CTRL] + [V] to calculate the return and enter View mode. View mode enables you to view the actual forms that will print for the return.

The program automatically calculates when you exit a return. This ensures that the latest figures are calculated and saved.

> To automatically calculate the return when you view or exit, go to **Setup > Options > Calculate View/Print Tab** and select to turn on "Auto Calculate Return when exiting data entry".

> If the "Pause Option for Calculation" option has been selected to "After view or print only" in **Setup > Options > Calculation & View/Print Tab**, the calculation summary screen will display after pressing [CTRL] + [V]. Press [ESC] or the [SPACE BAR] to continue.

When the "**View Mode**" screen opens, use one of these methods to select a form:

1. Double-click the form to view.
2. Use the up/down arrow keys to move through the list. Press [ENTER] when the desired form is highlighted.

In the open form, use [PAGE UP] or [PAGE DOWN] or the up/down arrow keys to scroll. Press [ESC] to close the form and return to the list.

To return to data entry, click [DATA ENTRY] in Windows or press [CTRL] + [E] in the console version.

> When you view a return a red "Message Page" or yellow "Notes Page" may be present. See "Message Pages" on page 43 for information about this feature.

PRINT FILES

When the return is calculated, a "print" file is created. A "print" file must exist before the return can be selected for electronic transmission.

From the Menu Bar, go to **Setup** > **Options** > **Calculation & View/Print Tab** and select the "Number of Days to Store Print Files".

PRINT

When satisfied with the return, press [CTRL] + [P] to open the "Print Mode" screen. Similar to "View Mode", a list of forms displays. From this point, choose to print single or multiple copies of one or more forms, including the entire return and sets:

- Double-click to select a form.
- Use the up/down arrow keys and [SPACE BAR] to select multiple forms to print. When the desired forms are highlighted, click [PRINT] or press [ENTER].
- Click [PRINT THE ENTIRE RETURN].
- Click [PRINT SETS] to open the "Print Sets" dialog box. Select the sets to print by checking or unchecking the "Print Set" boxes with a mouse click. When the correct sets have been checked, click [PRINT] or press [ALT] + [P].
- Use the Classic Mode check box to select the number of each form to print using the [+] and [-] keys. The number chosen for each form is saved.

Examining Returns

Now that you have completed a return, try entering a few more. In the PDF folder on this CD open the document *practice.pdf*. See “Adobe Acrobat Reader Installation” on page 3 for installation instructions for the PDF Reader. This document contains 7 returns for practice data entry. Solutions are found in *solutions.pdf* in the same folder.

Things to note when examining the completed practice returns:

- Additional Child Tax Credit is calculated using Form 8812. Since the software generates the Child Tax Credit automatically, you may need to refer to WK_8812 to examine the calculations used for line 49 of Form 1040 (line 33 of Form 1040A). To view this form check the Optional Worksheet box in the left column of **Setup > Options > Optional Documents**.The Additional Child Tax Credit is also calculated automatically. Examine Form 8812 to check the calculations for line 65 of Form 1040 (line 42 of Form 1040A).
- There are two forms in *Drake Software* for Earned Income Credit. The calculation is performed automatically. To examine the calculations for line 63 of Form 1040 (line 41 of Form 1040A) view WK_EIC. EIC cannot be generated for a Form 1040EZ. Form 8867 provides a checklist for EIC due diligence. The IRS examines these forms during audits. Complete and save Form 8867 for each taxpayer qualifying for EIC.
- To qualify for Child Care Credit, both parents must have earned income, be full time students or disabled. In *Drake Software*, fill out the dependent information on screen 2 including any child care expenses and then fill out Form 2441 completely including child care expenses again.

Review Questions Part 3

Answer the questions below. See "Answers Part 3" on page 39 for explanations of answers.

1. In return 400008001, why have we calculated a Child Tax Credit of $191?

    a) Examine Form 8812 calculations - line 13 reads $191.

    b) Examine Form 1040 line 49.

    c) Examine WK_8812 lines 1-11.

    d) You cannot tell why from the forms produced.

2. What form must be completed for due diligence and saved for each taxpayer qualifying for EIC?

    a) Form 8812

    b) Form WK_8812

    c) WK_EIC

    d) Form 8867

3. In return 400008003, why is there an EIC of $1,193?

    a) Examine the calculations on Form 8812

    b) Examine the calculations on Form 8867

    c) You cannot tell from a form produced with the software.

    d) Examine WK_EIC.

4. In return 400008003, why is there only $1200 of Additional Child Tax Credit and no Child Tax Credit?

    a) Examine Form 8812 and WK_8812

    b) Examine the EIC Form and WK_EIC

    c) Examine Form 8812 and Form 8867

    d) Examine Form 2441 and Form 8812

5. What two screens in the software must contain the Child Care expenses?

    a) Screen 1 and 2441 Screen

    b) Screen 2 and 2441 Screen

    c) Screen 3 and the MISC Screen

    d) Screen 1 and Screen 2

Answers Part 3

1. The correct answer is **C, Examine WK_8812 lines 1-11.** View this form to see the Child Tax Credit calculations, resulting in $191.

A is incorrect. Line 13 of the 8812 reads $409 and is the calculation for the Additional Child Tax Credit.

B is incorrect. This is the line on the 1040 for the CTC, but it does not show how it is calculated.

D is incorrect. View the WK-8812 lines 1-11 to examine the calculations.

2. The correct answer is **D, Form 8867.** The Preparer's Earned Income Checklist must be completed for due diligence and saved for each taxpayer qualifying for EIC.

A is incorrect. Examine the 8812 for the Additional Child Tax Credit calculations.

B is incorrect. Examine the WK_8812 for the Child Tax Credit calculations.

C is incorrect. Examine the WK_EIC for the Earned Income Credit calculations.

3. The correct answer is **D, Examine WK_EIC.** This worksheet shows how EIC was calculated.

A is incorrect. Examine the 8812 for the Additional Child Tax Credit calculations.

B is incorrect. The Preparer's Earned Income Checklist only determines EIC eligibility.

C is incorrect. You can view the WK_EIC to examine the calculations.

4. The correct answer is **A, Examine Form 8812 and WK_8812.** The 8812 calculates the $1200 in Additional Child Tax Credit. The WK_8812 calculates zero on line 15, Child Tax Credit.

B is incorrect. The EIC form does not display dollar amounts and the WK_EIC calculates the Earned Income Credit.

C is incorrect. You can view the total Additional Child Tax Credit on the 8812, but the 8867 is and an EIC eligibility checklist.

D is incorrect. The 2441 is used to report Child and Dependent Care expenses.

5. The correct answer is **B, Screen 2 and 2441 Screen.** Enter child care expenses on Screen 2, the "**Dependent**" screen and the 2441 Screen, "**Child and Dependent Care Expenses**".

A is incorrect. Screen 1 is the "**Name and Address**" screen. You would enter Child Care Expenses on the 2441 Screen and the "**Dependent**" screen.

C is incorrect. Screen 3 is the "**Income**" screen and the MISC screen is used to enter miscellaneous codes and notes.

D is incorrect. Screen 1 is the "**Name and Address**" screen. You would enter Child Care expenses on Screen 2.

Electronically File the Return

Drake users can electronically file Federal tax returns either through *Drake* or directly to an IRS Service Center. State returns can be piggybacked on Federal returns, or sent directly to the state, depending on state requirements. In addition, the Piggyback states can be sent separately *to the IRS* as a “State Only” packet, with the exception of Hawaii and Oregon. The flexibility in EF options that *Drake* offers can be useful when filing a multi-state return, or when the initial State return has been rejected and must be re-filed. Becoming an Electronic Return Originator (ERO) requires some pre-season planning, but pays off when tax season arrives.

ERO/State ERO Setup

The temporary EFIN assigned by *Drake* does not enable electronic filing, but allows system testing. Preparers who are new to E-filing must apply to the IRS for an EFIN.

> ERO information MUST be entered before attempting to electronically file live returns.

1. On the Menu Bar, go to **Setup** > **ERO/State ERO Information**.
2. Enter or edit the information.
3. Click [OK] or press [ESC] to save and exit

If the preparer is filing through *Drake* and has returns for more than one IRS Service Center, all the returns can be filed in the same batch without changing the processing site. *Drake* separates the returns and sends them to the correct IRS Service Center.

> Returns with bank products, multiple-state returns to different IRS Service Centers, and Direct State returns must be E-filed through *Drake*.

To apply to the IRS to become an ERO file form 8633. (Found in the software: **Tools > Blank Forms > Select 1040 > 8633 and 8633.PG2.**). Mail this completed form with a fingerprint card to the Internal Revenue Service; Andover Campus; Attention EFU Acceptance; Testing Stop 983; PO Box 4099; Woburn, MA 01888-4099. Call the IRS, 1.866.255.0654 or Drake Support, 1.828.524.8020 to obtain a Fingerprint Card.

In addition, some states require the IRS acceptance letter or a special application before you electronically file to their state. Please refer to the chart below for state application requirements.

The taxpayer does not sign the bottom of page 2 of the 1040 when electronic filing the return. The Signature page for electronic filing is either the 8879 to send an electronic signature or the 8453 which must be mailed to the applicable IRS Service Center within 3 business days after the ERO has received acknowledgement from the IRS that the return has been accepted. The 8879 must be signed by the taxpayer BEFORE the electronic return is transmitted and then is retained in the tax preparer’s office for 3 years.

If the PIN screen is completed within the software, Form 8879 is produced when electronic filing, otherwise Form 8453 is produced. To complete the PIN screen, the taxpayer and spouse must choose a 5 digit number to serve as their signature. This may be entered by the preparer. The preparer must also enter a 5 digit number on the PIN screen. This number is self-selected but must be used for the entire season.

STATE E-FILING

Each state has its own application requirements for Electronic Return Originators (ERO) and users of bank products. Refer to the following table to determine if a state application is needed to electronically file returns to that state, or if an application is required to offer bank products.

State	State EF Application Required	Bank Products/ Applications Required	EF Center
Alabama	All EROs are automatically accepted.		Memphis
Alaska	No tax		Philadelphia
Arizona	EROs must send a copy of IRS application and/or acceptance letter.		Philadelphia
Arkansas	All EROs are automatically accepted.		Memphis
California	EROs must complete state application.	Yes	Philadelphia
Colorado	All EROs are automatically accepted.		Philadelphia
Connecticut	All EROs are automatically accepted.		Andover
Delaware	All EROs are automatically accepted.		Andover
DC	All EROs are automatically accepted.		Andover
Florida	No tax		Kansas City
Georgia	All EROs are automatically accepted.		Memphis
Hawaii	All EROs are automatically accepted.		Philadelphia
Idaho	EROs must send a copy of IRS application and/or acceptance letter.		Philadelphia
Illinois	EROs must complete state application.	Yes	Austin
Indiana	All EROs are automatically accepted.		Kansas City
Iowa	All EROs are automatically accepted.		Austin
Kansas	All EROs are automatically accepted.		Austin
Kentucky	All EROs are automatically accepted.		Kansas City
Louisiana	EROs must send a copy of IRS application and/or acceptance letter.	Yes Call 225-922-0366 for more information.	Memphis
Maine	All EROs are automatically accepted.		Andover
Maryland	All EROs are automatically accepted.		Andover
Massachusetts	EROs must complete state application.	Yes	Andover
Michigan	EROs must complete state application.	Yes	Kansas City
Minnesota	All EROs are automatically accepted.		Austin
Mississippi	All EROs are automatically accepted.	Yes	Memphis

State	State EF Application Required	Bank Products/ Applications Required	EF Center
Missouri	All EROs are automatically accepted.		Austin
Montana	All EROs are automatically accepted.		Philadelphia
Nebraska	Acceptance is automatic with Federal acceptance.		Philadelphia
Nevada	No tax		Philadelphia
New Hampshire	No tax		Andover
New Jersey	All EROs are automatically accepted.		Andover
New Mexico	All EROs are automatically accepted.		Austin
New York	State requires separate application for new participants only.	Yes	Andover
North Carolina	Special application is no longer required.		Memphis
North Dakota	EROs must complete state application	Yes	Philadelphia
Ohio	All EROs are automatically accepted.		Kansas City
Oklahoma	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Oregon	All EROs are automatically accepted.	Yes Call 503-378-4140 for more information.	Philadelphia
Pennsylvania	EROs must send a copy of IRS application and/or acceptance letter.		Andover
Rhode Island	All EROs are automatically accepted.		Andover
South Carolina	All EROs are automatically accepted.		Kansas City
South Dakota	No tax		Philadelphia
Tennessee	No tax		Memphis
Texas	No tax		Austin
Utah	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Vermont	All EROs are automatically accepted.		Andover
Virginia	All EROs are automatically accepted.		Andover
Washington	No tax		Philadelphia
West Virginia	EROs must send a copy of IRS application and/or acceptance letter.		Kansas City
Wisconsin	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Wyoming	No tax		Philadelphia

EF Options in Data Entry

In Data Entry, the "**EF**" screen overrides items entered in **Setup > Options**. Use this screen to send the Federal alone, or a state in any of the following ways:

- **Direct State** returns are sent directly from *Drake* to the state E-file Service Center. Only a few states require direct filing (CA, IL, MA, ME, MN).
- **State Only** packets can be sent the same time the Federal return is sent. Unlike Piggyback returns, State Only packets are reviewed by the state, regardless of the IRS acknowledgement.
- **Piggyback** state returns are sent with the Federal return to the IRS. If the Federal return is Rejected, the state return is not sent.

A total of five states may be sent electronically each year per SSN. Only one Piggyback state is allowed.

In Data Entry, type [EF] in the selector field to access the "**EF Override**" screen. The program automatically sends the federal and piggyback state, unless an override is entered. Enter [X] to select which forms and states are to be sent. Only returns entered here will be filed electronically.

Some state have established mandates. This year, California, Minnesota, Michigan and Oklahoma have published electronic filing mandates. These are explained in Taxing Subjects, Volume 4, Issue 1 (www.taxingsubjects.com) as well as documented on our support site in the Knowledgebase.

MESSAGE PAGES

When you view a return, a red Message Page may be present. These pages are created when a return has certain issues that would cause an IRS/State Rejection. Each page lists the Drake error code and a brief description to help you resolve the code. When these issues are resolved, the return is ready for EF. You cannot select a return for electronic filing with a red message page.

Similarly, the yellow Notes Page provides reminders or tips about the tax return. Please read the Notes Pages for pertinent information, but the appearance of this page does not prevent electronic filing.

For example, examine the practice return you entered during "Return Preparation" on page 21. Click [OPEN] from the tool bar and enter 400-00-6666 in the "SSN" field without dashes. Click [OK] and then press [CTRL] + [V] to view the return. Double-click with your mouse to view the red CA Message Page.

The complete California return is prepared except for the California Child Care. The CA Message page informs you of all of the criteria necessary to complete the credit. Most of this information you have entered on the 2441 and screen 2 of the federal return. You must however enter the telephone number for the child care provider. Notice that the message page tells you to use the CA 3506 screen. Type CA in the **Return Selector** field to enter the California specific data. Type 3506 and enter a telephone number for the child care provider in the appropriate field. Now when you view the return it is ready to electronically file to the IRS and to California. The Message page has disappeared.

All the states operate in a similar manner.

THE EF MENU

SELECT RETURNS FOR EF

After the return has been created and calculated without message pages, it is ready for EF. From the Menu Bar, go to **EF > Select Returns for EF.**

1. The "**Return Selector**" screen displays. A selection window opens, listing all recently calculated files that are eligible for electronic filing. Use the arrow keys to scroll through the list of returns.
2. Click the returns to select or deselect the desired returns.
3. After selecting the returns, click [CONTINUE]. A report listing all returns included in the transmission opens. Select the [PRINT] option to print the report. Click [EXIT] to close.

TRANSMIT/RECEIVE

Transmitting tax returns and receiving acknowledgements is a simple process. With just a few clicks, you are able to electronically file returns to the IRS and State.

All returns transmitted through *Drake* are forwarded to the correct IRS Service Center. An immediate acknowledgement is sent to indicate a successful transmission. After the IRS and/or the state receive and process the forwarded return, acknowledgements are sent to *Drake*, indicating whether the return was accepted or rejected. The acknowledgements are then forwarded to the ERO the next time a connection is made to *Drake*.

Although you have the option of transmitting directly to the IRS, *Drake* users are encouraged to transmit returns through *Drake*. There are two advantages to this option:

- The ability to send all returns in a single transmission - IRS, Piggyback, State Only and State Direct.
- *Drake* support is easily accessible. Our trained support personnel can access returns for troubleshooting.

BEGIN THE TRANSMISSION

1. Select **EF > Transmit/Receive** on the Menu Bar.
2. The transmit screen opens, providing four possible options: Review, Send/Receive, Acks Only, Cancel and Help.

Review

Use this option to review the transmission file and remove any returns before connecting to *Drake.*

> The returns that are selected and highlighted will NOT transmit. The returns that are not selected will transmit.

1. To review the manifest, click [REVIEW].
2. To select all, click [SELECT ALL]. All returns are highlighted; these will be removed from the transmission file.To deselect all, click [DESELECT ALL]. For single returns, click to select or deselect returns.

3. Click [CONTINUE].

Send/Receive

Use this option to connect and transmit the file, and to pick up Federal and State acknowledgments, bank product acknowledgments, check authorizations, and service packs needed to update the program (if selected in **Setup > Options > EF**).

1. Click [SEND/RECEIVE] to continue.
2. The Declaration Control Record opens. Click [PRINT].
3. Click [CONTINUE].
4. The program connects and completes the transmission and automatically disconnects from *Drake* after the transmission is complete.

Acks Only

Use this option to pick up Federal and State acknowledgements, bank product acknowledgements, check authorizations, and service pack files needed to update the program. No files are transmitted to *Drake*.

1. Click [ACKS ONLY] to continue.
2. The program connects and retrieves the acknowledgements and any service packs. The program only retrieves the service pack files if the option is selected in **Setup > Option > EF**.
3. The program automatically disconnects from *Drake* after the transmission is complete.

TEST TRANSMISSIONS

Before attempting to transmit any actual tax returns, it is recommended that EROs should first transmit test returns.

▼ **CAUTION!** ▼

Do NOT transmit any test returns that contain social security numbers other than those in the 400-00 and 500-00 series included in the software. Any other returns are processed as actual tax returns and the ERO could be charged with filing fraudulent tax returns.

TEST TRANSMIT THROUGH DRAKE

1. A preparer with a new IRS EFIN must contact *Drake Accounting* to update his/her client information. Call 828-349-5900.
2. Go to **SETUP** on the Menu Bar, and complete the following screens:
   - **"Firm Information"**
   - **"Preparer"**

- **"ERO/State ERO Information"**— Make sure the current year Password is correct (from the *Drake* packing slip). Clients evaluating *Drake* may call 828-349-5900 to receive a password.

3. Open and calculate the first five test returns provided in the software (400-00-1001 through 400-00-1005). View the returns for "Messages." If there is a message, correct the error before calculating the return again.
4. Select **EF > Select Returns for EF** on the Menu Bar. Choose the test returns to transmit.
5. Transmit the file to *Drake* by selecting **EF > Transmit/Receive** on the Menu Bar. *Drake* posts test acknowledgements (T) when the transmission is received.
6. Select **EF > Process Acks** on the Menu Bar. Print the acknowledgements, if desired. See "Process Acknowledgements" below for instructions.

Test transmissions through *Drake* do not receive an additional IRS acknowledgement. The "T" acknowledgement indicates the transmission was successful.

PROCESS ACKNOWLEDGEMENTS

Every successfully transmitted tax return receives acknowledgements. EROs transmitting through *Drake* receive:

- Processed acknowledgements to indicate the transmission was received:
  (T) for test transmissions
  (P) for live transmissions
- Federal acceptance or rejection acknowledgements.
- State acceptance or rejection acknowledgements (when a State return is electronically filed).
- Bank acknowledgements to indicate when a bank product has been accepted or rejected.

Any available acknowledgements are received when the ERO connects to Drake, whether transmitting files or not. To process and print acknowledgements, select **EF > Process Acks** on the Menu Bar.

The acknowledgement report displays:

- Social Security Number of primary taxpayer
- Document Control Number (DCN) of the transmitted return
- Refund due on the return
- Acceptance/rejection code
- Number of errors recorded
- Two-letter state code for the state return

When the acknowledgements are processed they move to the EF Database for future reference. The EF Reports utility can pull information from this database.

SEARCH EF DATABASE

The EF Database contains information about all returns that have been electronically filed. A return that has been filed more than once has more than one record.

OPEN A RECORD IN THE EF DATABASE

1. Select **EF > Search EF Database** on the Menu Bar.
2. Type the SSN of the primary taxpayer (without spaces, dashes, or additional characters).
3. Press [ENTER], or click [OK] in Windows.
4. Use [PAGE UP] and [PAGE DOWN] to access additional records for a taxpayer.

The Main screen of the record opens. There are six separate screens available for viewing, with the following information on each screen:

1. **"Main"** screen [F1]
    - Taxpayer information
    - Federal and State acknowledgement codes
    - Acknowledgement dates
    - Transaction date
    - Filing status
    - Refund amount or balance due
    - Reject codes
    - Bank codes and loan status
    - Bank check information
2. **"Bank/DD Info"** [F2]
    - Detailed loan information
    - Direct deposit information
    - Document Control Number
3. **"Fees/Errors/Miscellaneous"** [F3]
    - Earned Income Credit (EIC)
    - Adjusted Gross Income (AGI)
    - PINs, firm number, preparer number, ERO number
    - Bank distribution fees
4. **"Reject"** [F4] – Enter and view the reject code description and solution.
5. **"DE"** [F5] – Open the first screen of return data entry for the SSN/EIN displayed.
6. **"WEB"** [F10]
    - Connect to "Your online EF Database" to check the most current information available from the Service Centers
    - View pending Bank, State and Federal Information about one or multiple clients
    - View reports of your EF information for the current tax season

Review Questions Part 4

Answer the following questions. See “Answers Part 4” on page 49 for explanations of answers.

1. To become an ERO, which of the following is NOT true.

    a) Contact the IRS at 1.866.255.0654 and ask to be added to the ERO list.

    b) Request and complete a fingerprint card.

    c) Send a completed 8633 to the IRS.

    d) Send the fingerprint card to the IRS.

2. To electronically file returns to the state of Wisconsin what must an ERO do?

    a) Nothing.

    b) Fill out the Wisconsin application and submit to the state.

    c) Send the ERO acceptance letter from the IRS to the state of Wisconsin.

    d) Call the Wisconsin DOR and request to be placed on their ERO approved list.

3. True or False:

    When a PIN screen is completed a Form 8879 is generated and signed by all parties and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.

4. If a return is electronically filed without a PIN what must happen?

    a) You cannot electronically file a return without a PIN.

    b) A third party designee must be chosen.

    c) A Form 8453 is produced and signed and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.

    d) A Form 8453 is produced that must be signed and kept in the business office for 1 year.

5. If a state is sent as a “piggyback” return with the federal return, what happens to that state return if the IRS rejects the federal return?

    a) The “piggyback” state return goes on to the state and is rejected by the state.

    b) The “piggyback” return goes on to the state and is accepted by the state.

    c) You cannot send a state return with a federal return. They must all be sent directly to the state DOR.

    d) The “piggyback” return is not processed and may be sent again with the corrected federal return.

ANSWERS PART 4

1. The correct answer is **A, Contact the IRS at 1.866.255.0654 and asked to be added to the ERO list.** This statement is false because a taxpayer must fill out an 8633 ERO Application and fingerprint card and submit it to the IRS to be considered.

> **B** is incorrect. This statement is true. Call the IRS or Drake Support to request a fingerprint card.
>
> **C** is incorrect. This statement is true. Print and 8633 from **Tools > Blank Forms > Select 1040 > 8633 and 8633.PG2.**
>
> **D** is incorrect. This statement is true. Send a fingerprint card along with the completed 8633 to the IRS to apply.

2. The correct answer is **C, Send the ERO acceptance letter from the IRS to the state of Wisconsin.** Wisconsin does not have it's own state-specific ERO application.

> **A** is incorrect. You must send the ERO acceptance letter from the IRS to Wisconsin.
>
> **B** is incorrect. Wisconsin does not have its own state-specific ERO application.
>
> **D** is incorrect. You must send Wisconsin the ERO acceptance letter form IRS. A phone call is insufficient.

3. The correct answer is **FALSE.** The 8879 is signed by the taxpayer and is retained by the tax preparer's office for three years.

4. The correct answer is **C, A Form 8453 is produced and signed and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.** When e-filing a return, if an 8879 is not produced, an 8453 must be used.

> **A** is incorrect. You can e-file a return with an 8453 without a PIN. The 8453 must be sent to the IRS within 3 business days of the receipt of an acknowledgement from the IRS.
>
> **B** is incorrect. A third-party designee is not a necessity when filing an 8453. A third party designee allows a third party to discuss the return with the IRS.
>
> **D** is incorrect. If a PIN is provides a Form 8879 is produced and must be signed and kept in the tax preparer's office for three years.

5. The correct answer is **D, The "piggyback" return is not processed and may be sent again with the corrected federal return.** If the return is rejected, it does not go on to the state.

> **A** is incorrect. The state return is not processed. It does not go on to the state.
>
> **B** is incorrect. The state return is not sent on to the state.
>
> **C** is incorrect. Many state returns can be sent with the federal return as "piggyback" or "state only". Illinois, New York, California, Massachusetts, Maine and Minnesota may be sent directly to the state.

Business Return

Prepare the 1120 Evaluation Return

To begin entering data in the Corporation Evaluation return, you need to create a new client.

1. From the **Tool Bar**, click [OPEN]**.**
2. In the available field, type the following EIN for our Evaluation Return: **400-00-2222** and click [OK] (to view the completed return, open 400-00-2223).
3. Click [YES] to create a new return.
4. Select the return **TYPE.** In this case, select “C Corp” and press [OK]. **“Screen 1”** displays.

Screen 1, Corporation General Information

The Corporation Evaluation client is Best Foods, Inc., which was incorporated in GA on 1-01-1986. The calendar year for the corporation ends 12-31-2003. Type all numbers without dashes (unless the number is negative), slashes, dollar signs or commas. Enter the following fields and press [ESC]:

Fields	Data
Address	4554 Middle Road
Zip	30525

Screen 2, State General Information

Enter the following data on “Screen 2” and press [ESC] when finished.

W/H Tax AC	417-02-00012222
Sales Tax #	0754474-38

Income

Enter the following data on “Screen 3” and press [ESC] when finished.

Fields	Data
Gross Receipts or Sales	538920

SCHEDULE L – BALANCE SHEETS – ASSETS

Type 'L' and press [Enter] to access the Schedule L. Enter the following data and press [ESC]. Press [PAGE DOWN] to access more of the screen or to access a new screen.

Fields	Beginning (a)	Beginning (b)	End of Year (c)	End of Year (d)
Cash		-6712		44576
Trade Notes & Accounts Receivable	0		123,356	
Other current assets		2860		1421
Loans to shareholders		19163		19163
Payable less than 1 year		2200		2200
Capital Stock: Common	15000		15000	
Retained Earnings - unappropriated		-49863		134123
Less cost of Treasury Stock		56375		56375

SCHEDULE A – COST OF GOODS SOLD

Type 'A' and press [Enter]. Enter the following data and press [ESC] when finished.

Fields	Data
Inventory at the beginning of the year	4000
Purchases less cost of items withdrawn for personal use	238190
Cost of labor	6000
Inventory at end of year	4000
9A	Cost
Do the rules of section 263A apply to the corporation	No

Fields	Data
9F	No

SCHEDULE E – COMPENSATION OF OFFICERS

Type ‘E’ and press [ENTER] to access the Sch E. Enter the following data and then press [ESC].

Name of Officer	SSN	Ownership & Participation Time	Percent of Corp Stock Owned		Compensation
			Common	Preferred	
Jane Doe	400005999	100	100	0	2100

SCHEDULE K – OTHER INFORMATION

Type ‘K’ and press [Enter]. Enter the following data into the correct fields and then press [ESC] to save the screen and exit.

Fields		Data
1	**Accounting Method**	Accrual
2	**Principle Business Code**	722110
2c	**Product or Service**	Restaurant
3	**Corporation Owned more than 50% of a domestic corp’s voting stock.**	No
4	**Is corp a sub. in an affiliated/parent-sub controlled group?**	No
5	**Did any entity at year end own 50% or more of corp voting stock?**	Yes
	Name	Robert T Dickson
	ID#	256807327
	Percent Owned	100

Fields		Data
6	**Did Corp pay dividends > current accumulated earnings and profits**	No
7	**Did one foreign person, during the tax year own at least 25%...**	No
10	**The number of shareholders at the end of the year**	2
11	**If the corp has an NOL and elects to forego carryback, enter X**	X

FORM 4562 – DEPRECIATION

The items in the tables below are 100% for business use, so leave that field blank. The date placed in service is 06-04-1986. The cost and depreciation basis are the same amounts.

Type 4562 to access Depreciation. Enter the following information and press [ESC] when complete.

Description	Cost	Method	Life	Prior Depreciation	
				Fed	State
Glass Building	8914.90	ARP	19	7996.67	7996.67
Tiling	8150	ARP	19	7310.55	7310.55
Roofing	6183	ARP	19	5546.15	5546.15
Air Cond	6000	ARP	19	5382.00	5382.00
Leasehold	49682.22	ARP	19	44564.95	44564.95
Leasehold	1330.45	ARP	19	1193.41	1193.41
Gas Range	5000	M	5	5000.00	5000.00
Deep Fry	2984.40	M	5	2984.40	2984.40
Exhaust Fan	4631.12	M	5	4631.12	4631.12
Refrigerator	17058.38	M	5	17058.38	17058.38
Equipment	669.25	M	5	669.25	669.25
Equipment	670.91	M	5	670.91	670.91

Description	Cost	Method	Life	Prior Depreciation	
				Fed	State
Equipment	152.88	M	5	152.88	152.88
Equipment	181.20	M	5	181.20	181.20
Oven	5142.29	M	5	5142.29	5142.29
Equipment	1452.38	M	5	1452.38	1452.38
Cabinets	2553.20	M	5	2553.20	2553.20

The items below should be entered.

Description	Date Acquired	Cost	Method	Life	Prior Depreciation	
					Fed	State
Ice Machine	02281991	2626.00	M	7	2626.00	2626.00
Printer	03211994	2904.40	M	5	2904.40	2904.40
Cash Register	04301994	1865.60	M	5	1865.60	1865.60
Blizzard Machine	06301994	589.89	M	7	589.89	589.89
HVAC Unit	08141997	7171.00	M	7	6210.99	6210.99
Toaster	03301995	716.98	M	5	716.98	716.98
Cash Register	04301995	493.98	M	5	493.98	493.98
HVAC Unit	09151997	5971.00	M	7	5171.00	5171.00
Office Equipment	05311998	404.90	M	5	381.58	381.58
Misty Mch	02011998	2000.00	M	5	1884.80	1884.80
Computer	06261999	5383	M	5	3683.65	3683.65

Description	Date Acquired	Cost	Method	Life	Prior Depreciation	
					Fed	State
Booths	05041988	9089.63	M	5	9089.63	9089.63
Paving	06041988	15695.87	ARP	5	15698.87	15698.87
Franchise	07022000	6000	AMT	15	600	600
Ice Maker	11282002	2560	M	7	91.39	91.39

LOSS – LOSS CARRY FORWARDS FROM PRIOR YEARS

Enter [LOSS] in the selector field to enter the information below.

Fields	Data
NOL – Unused for Year 2002	13603
NOL – Unused for Year 2001	0

SCHEDULE M1 – RECONCILIATION OF INCOME

PER BOOKS WITH RETURNS

Enter [M1] in the selector field for data entry of the following information. Line 5 in this screen has a blank field for description entries. In the example below you would enter Penalties in that box and 1184 in the amount field next to it.

Table 1:

Fields	Data
Line 5, Expense Item Box	Penalties
Line 5, Amount Field	1184

Appendix

Data Entry Navigation

Action	Keyboard Keys
Move cursor **forward** one field	ENTER, TAB or use the down Arrow
Move cursor **back** one field	SHIFT + TAB or UP Arrow
Move cursor within a field	RIGHT/LEFT Arrows
Delete character **behind** the cursor	BACKSPACE
Delete character before the cursor	DELETE
Insert character within existing text	INSERT (on)
Move to the **last** field on the screen	END
Move to the **first** field on the screen	HOME
Create additional Data Entry screens (e.g., W-2, 1099, schedules, etc.)	PAGE DOWN or CTRL + PAGE DOWN
Return to previous screen (exit)	ESC
Note: Use the mouse to position the cursor in a desired field.	

Overrides and Adjustments to Return Calculations

Override Fields	Adjustment Fields
Data Entry fields that allow overrides are preceded by an equal sign (=). An amount entered in these fields overrides program calculations.	Data Entry fields that allow adjustments are preceded by a plus sign (+). An amount entered in these fields adjusts program calculations. Enter a negative number to subtract an amount.

HOT KEYS

Action	Hot Keys	Additional Notes
Access help text during Data Entry	SHIFT +?	With the cursor in the field, press Shift +? for Data Entry information. If selections are listed, select the desired choice and press [ENTER] to insert data.
Exit a Data Entry screen without saving changes.	SHIFT + ESC	Press [ESC] to exit and save changes in Data Entry.
Verify a valid Social Security Number	ALT +?	After the SSN has been entered, press Alt +? for SSN verification.
Insert the current date in any date field	ALT + D	**CAUTION! [CTRL] + [D] deletes the screen!**
Calculate a return	CTRL + C	Open the return in Data Entry and press CTRL + C
View a return	CTRL + V	Open the return in Data Entry and press CTRL + V
Print a return	CTRL + P	Open the return in Data Entry and press CTRL + P
Split MFJ return to MFS return	CTRL + S	Open the joint return in Data Entry and press CTRL + S
Populate the Amended or "**X**" screen with data from the last calculation	CTRL + X	Use CTRL + X to update the Amended screen. This screen corresponds with Column "A" on the 1040X. After the "X" screen is populated, make changes to the other screens in the return. Screens other than the "X" will be used to calculate Column "B" on the 1040X.
Change or return to Data Entry	CTRL + E	Toggles pre-prepared and full-screen Data Entry. Also, returns to Data Entry from view mode or print mode
Undo the most recent, unsaved change.	CTRL + U	Available in Data Entry
Open an unformatted schedule	CTRL + W	Place the cursor in the desired field and press CTRL + W for a detail worksheet. Note: If all data has been removed from a data entry screen, the screen must be deleted to prevent e-filing errors.
Toggles heads down and standard Data Entry	CTRL + N	In Data Entry, use CTRL + N to turn on the numbers that correlate with the Proformas.
Delete a Data Entry screen	CTRL + D	With cursor in any field, press CTRL + D to permanently remove the screen. Note: If all data has been removed from a Data Entry screen, the screen must be deleted to prevent e-filing errors.
Activate the pop-up calculator	F10	Available in Data Entry

POP-UP CALCULATOR FUNCTION

There are three ways to enter numbers and their operators: (1) using the numeric keypad on the keyboard, (2) using the numbers on the typewriter keyboard, or (3) using the mouse to click the numbers and operators.

Function	Operator	Instructions
Addition	+	Enter the number to be added and press [+].

Function	Operator	Instructions
Subtraction	-	Enter the number to be subtracted and press [-]
Multiplication	*	Enter the first number in the equation and press [*]. Then enter the second [=] on the screen to complete the calculation.
Division	/	Enter the number divide and press [/]. Then enter the number that divides the first number. Press [ENTER] on the keyboard or [=] on the screen to complete the calculation.
Clear a number	NUM-LOCK	Press the [NUM-LOCK] key on the keyboard to clear the current calculation.
Insert calculation total in Data Entry field	F1 or **F1-Insert Result** Tab	With the desired total in the summary field, press [F1] on the keyboard, or the F1 Insert Result Tab on the screen. The calculator disappears and the calculation total transfers to the Data Entry field where the cursor is located.
To turn on the calculator	F10	Press [F10] to activate the calculator.
To turn off the calculator	ESC	To deactivate the calculator without inserting data in a field, press [ESC] on the keyboard or the ESC-Quit tab on the screen.

Frequently Used Codes for Data Entry

Field	Code	Application
TS or TSJ	T	Data is assigned to the primary taxpayer.
TS or TSJ	S	Data is assigned to the spouse.
TS or TSJ	J	Data is assigned to both the taxpayer and spouse.
F	Blank or 0 (zero)	To exclude data from the Federal return, enter 0 (zero).
ST	State Code	If a State return is being prepared, enter the appropriate two-letter state code (postal service abbreviation). If the field is left blank, the program defaults to the resident state.
ST	0 (zero)	To exclude data from any State return.
ST	PY	When preparing multi-state returns, use PY as the resident state code on "**Screen 1**". Do NOT use PY on any other screen.
C	City Code	When preparing city returns, enter the appropriate city code to indicate the source of income.
Multiple Form Code	1-99	When preparing Form 4562 (depreciation), indicate the appropriate schedule for the depreciated item and indicate where the information should be carried when there are multiple schedules.

Glossary of Menu Items

Task	Description	Location
Amortization	Prepare and print an amortization schedule using information furnished by the user. Amortize assets	Tools > Amortization 4562 in a return
Backup/Restore	Back up and restore Client files, EF Database, Setup and Pricing Files.	Tools > File Maintenance > Backup/Restore

Task	Description	Location
Blank Forms	Comprehensive list of Drake calculated Forms and Forms not available in the software to print or view. Blank Proformas and Organizers are available in “**Blank Forms**”.	Tools > Blank Forms
Build EINs from 2002	Update EIN database from the prior year.	Last Year Data > Build EINs from 2002
Change File Type	Changes the Return Type (Individual, Partnership, Corporate, Sub-S Corp, Fiduciary, Tax Exempt).	Tools > File Management > Change File Type
Calculate	Calculate single or batches of returns.	File > Calculate Returns
Change SSNs on File	Correct file name when changing a social security number.	Tools > File Maintenance > Change SSNs on File
Check Register	Prints a check register as a record.	EF > Check Register
Check Print	Print new checks or reprint damaged checks.	EF > Check Print
Clear BBS files	Delete BBS files after they are installed.	Tools > File Maintenance > Clear BBS Files
Client Reports	Generate reports based on default or user identified criteria.	Reports > Client Reports
Colors	Edit default colors displayed on-screen	Setup > Colors
Copy EF Returns to Disk	Copy print files of calculated returns from the hard drive to a disk.	EF > Copy EF Returns to Disk
Copy EF Returns from Disk	Copy print files of calculated returns from a disk to the hard drive.	EF > Copy EF Returns to Disk
Delete Client Files	Permanently delete client files.	Tools > File Maintenance > Delete Client Files
Delete Print Files	Delete the temporary print files that are created when returns are calculated.	Tools > File Maintenance > Delete Print Files
Depreciation List	Print a list of client’s depreciable assets.	Reports > Depreciation List
Directories/Paths	Set up CD drive letter, drive location of current year, last years files and shared drive letter for peer-to-peer networks.	Setup > Directories/Paths
Download Fonts	Copy Softfonts, which are necessary to print tax forms, to the printer. This must be run each time the printer is turned off.	Tools > Download Fonts
Edit EIN Database	Edit specific employer information in the EIN Database.	Tools > Edit EIN Database
EF	Set up Electronic Return Originator information	Setup > ERO/ State ERO Information
EF Reports	Create standard and custom reports of EF data.	Reports > EF Standard or Custom Reports
e-mail to Drake	Send e-mail directly to technical support. Receive broadcast e-mails from *Drake*, including a weekly update on tax changes, program tips and more.	EF > e-mail to Drake
Envelopes	Print envelopes.	Tools > Letters > Envelopes
Export Client Data	Exports data to a database file that can be opened and used for generating reports in Access, Excel, etc.	Tools > File Maintenance > Export Client Data

Task	Description	Location
Export EF Data	Export data to a database file that can be opened and used for generating reports, in Access, Excel, etc.	Tools > File Maintenance > Export EF Data
Filled In Screens	Print the Data Entry screens for a return.	Reports > Filled in Screens
Firm	Set up the preparer's firm information. This is the information that prints on the bottom of 1040s.	Setup > Firm
Fixed Asset Manager	Print various asset reports.	Reports > Fixed Asset Manager
Hash Totals	Print a report showing the number of screens, fields and keystrokes used on one return.	Reports > Hash Totals
Install Updates	Install update disks, CDs or Service Pack files.	Tools > Install Updates
Letters	Edit the coupon, estimate, pre-season, after-season and result letters for clients.	Setup > Letters
Letterhead	Activate or remove graphic letterhead for letters and bills.	Setup > Letterhead
Macros	Set up shortcut keys for commonly used words, phrases, addresses, etc. Samples are pre-programmed to show examples of input.	Setup > Macros
Mailing Labels	Generate mailing labels for clients, service centers, DORs, etc.	Tools > Letters > Mailing Labels
Open Returns	Open an existing return or create a new one.	File > Open Returns
Options	Set user preferences that affect viewing, printing, calculation, optional documents, EF, etc.	Setup > Options
Organizers	Print client information and preseason sheets for gathering tax data based on last year's information	Last Year Data > Organizers
Password Protect Files	Lock a file with a Password. **The preparer must remember or write down the password. There is no way to open the file without the correct password. Drake Support does not have access to the password.**	Tools > File Maintenance > Password Protect Files
Pay Per Return	Activate, order and view availability of returns for Pay Per Return clients.	Setup > Pay Per Return
Postcards	Addresses post cards to a selected group of clients.	Tools > Letters > Post Cards
Preparers	Set up Preparer information and level of security. Also set up hourly rates, password and PIN.	Setup > Preparers
Pre-Prepared Entry	Enter data from a return that has been previously prepared. This utility allows direct data entry to IRS forms; returns are not calculated through the program.	File > Pre-Prepared Entry
Pricing	Set prices per form or per item.	Setup > Pricing
Print	Print single or batch returns.	File > Print
Printer Setup	Select printers to use in program.	Setup > Equipment > Printer Setup
Process Acks	Print and post IRS, State, and Bank acknowledgements.	EF > Process Acks
Proformas	Print a summary of the prior year's return on an interview sheet.	Last Year Data > Proformas

Task	Description	Location
Quick Estimator	Prepare a quick estimate of the tax return with minimal data entry. Save information for later tax preparation.	File > Quick Estimator
Quickbooks Import	Import a client file created in Quickbooks	Tools > File Maintenance > Quickbooks Import
Repair Index Files	Re-index all database and client files.	Tools > Repair Index Files
Reprint Damaged Check	Reprint damaged checks.	EF > Check Print
Search EF Database	View client e-file status, EF information, reject code and reject code description.	EF > Search EF Database
Security	Administrator can set security levels for each preparer.	Setup > Preparers
Select Returns for EF	Select from a list of calculated returns to create an electronic transmission file.	EF > Select Returns for EF
Setup New (Checks)	Enter check range when new checks are received from bank	EF > Check Setup > Setup New
Transmit/Receive	Connect and transmit return.	EF > Transmit/Receive
Unlock Client Files	If a file has been locked, use this option to unlock and edit the return.	Tools > File Maintenance > Unlock Client Files
Update 2002 to 2003	Update the previous year’s client data.	Last Year Data > Update 2002 to 2003
Update Config 2002-2003	Bring forward last year’s setup; e.g., firms, preparers, pricing, macros, etc.	Last Year Data > Update Config 2002 to 2003
View	View the forms generated for a return	File > View Returns
Void Unused Check	Void checks in the system that have not been printed.	EF > Check Setup > Void Unused Check

Glossary

Bank Products: Enable a taxpayer to receive a refund faster and assists with paying for tax preparation service or any money owed to the IRS.

CBT: Computer Based Tutorial. CBTs enable the tax preparer to learn the basics of the software through short instructional videos.

CCH: The US Master Tax Guide Plus from CCH Incorporated is a comprehensive online tax information library available though the “Tax Help” speed button on the toolbar.

Data Entry Selection Menu: The “home base” for return preparation.

Direct State: E-filed returns that are sent directly from *Drake* to the State E-file Center. Only a few states require direct filing (CA, IL, MA, ME, MN).

EFIN: Electronic Filing Identification Number. Preparers new to e-filing must apply for an EFIN by preparing and submitting an 8633 to the IRS.

Email to Drake: Used to send and receive email in the *Drake* program.

EMonday: Email that provides information on important IRS updates and software changes. Receive these messages on Monday in the Email to Drake program.

ERO: Electronic Return Originator. To become an ERO, preparers must apply for an EFIN.

FAQ Screen: Frequently Asked Questions. On any state screen in data entry, type “FAQ” in the selector field to access state-specific information.

Heads Down Data Entry: Uses field codes that correspond with interview sheets (proformas). Data can be gathered by a tax preparer and entered by a data entry operator.

Hot Keys: Enable the user to perform specific actions quickly and easily using the keyboard. For example, press [CTRL] + [C] to calculate a return.

Menu Bar: The list of menu options across the top of the Drake screen.

Message Page: Red pages that appear in View or Print Mode when a return has certain issues that would cause an IRS/State rejection. You cannot select a return for electronic filing with a red Message page. Correct the issue and view the return. If the message page is gone, the return can be e-filed.

Notes Page: The yellow Notes page provides reminders or tips about a tax return and does not prevent e-filing.

PDF: PDF format allows *Drake* manuals and other materials to be viewed and printed directly from the CD. PDF (Portable Document Format) is a file format that captures all the elements of a printed document as an electronic image that can be viewed, navigated or printed. PDF files are created in Adobe Distiller, PDF995, or similar products. View the files with the Adobe Reader.

Piggyback: E-filed state returns that are sent with the Federal return to the IRS. If the Federal return is rejected, the state return is not sent.

Print mode: Enables the printing of the forms associated with a return. Press [CTRL] + [P] to enter Print mode.

Selector Field: In data entry, the entry field located in the bottom left corner of the screen. Type corresponding screen codes in the field and press [ENTER] to access data entry screens.

Service Packs: Program updates that can be installed through an internet connection. From the menu bar, go to **Tools > Install Updates** and choose the Online Service Pack (Federal Update) or State Service Pack.

Speed Button: Used for quick access to commonly used program function. Speed Buttons are located on the tool bar directly under the menu bar.

Split Return: Press [CTRL] + [S] to split a MFJ (Married Filing Joint) return into two MFS (Married Filing Separate) returns, enabling the preparer to easily compare and determine the best option for the taxpayers.

State Only: E-filed returns that can be sent through an IRS Service Center to a state by themselves. Unlike Piggyback state returns, State Only packets are reviewed by the state, regardless of the IRS acknowledgement.

View Mode: Enables you to view the actual forms that print with a return. Press [CTRL] + [V] to enter View mode.

CPE Exam

Answer the questions below. See “CPE Exam Answer Sheet” on page 67 for answer sheet and instructions for receiving credit.

1. In *Drake* **Setup > Options**, which tab would I select to change state options?

   a) EF Tab
   b) Optional Items on a Return Tab
   c) Billing Tab
   d) State Tab

2.What operation does [CTRL] + [S] perform?

   a) Splits a Married Filing Joint return into two Married Filing Separate returns.
   b) Opens a return.
   c) Saves a return.
   d) Saves Firm and ERO information.

3. What information is provided on WK_EIC?

   a) A check list for Additional Child Tax eligibility.
   b) A check list for EIC due diligence.
   c) Calculation used for determining EIC amounts.
   d) Calculation used for determining ACTC amounts.

4.Which of the following would not be used when electronic filing with *Drake Software*?

   a) Form 8453
   b) Form 8879
   c) The signature lines on the bottom of the 1040
   d) PIN Screen

5. Which pages in view mode of *Drake Software* would prevent electronic filing?

   a) Notes Pages
   b) Form 8879
   c) Form 8453
   d) Messages Pages

6. Which key combination inserts the current date into a data entry field with *Drake Software*?

   a) [CTRL] = [D]
   b) [CTRL] + [F]
   c) [ALT] + [D]
   d) [SHIFT] + [D]

7. True or False: A Form 4797 can be created by filling out the date sold, the selling price and the property type on the 4562 screen.

8. Automobile expenses are created from what screen in *Drake*?

a) 4562

d) 4797

c) AUTO

d) C

9. Once a W-2 has been entered in *Drake*, how can you create another blank form for a second W-2?

a) Press [Insert]

b) Press [Page Down]

c) Press [F3]

d) Press [ESC]

10. What information is found on WK_8812?

a) Due diligence information for the Child Tax Credit.

b) Due diligence information for the EIC

c) Calculation for the Advanced Child tax Credit.

d) Calculations for the Child Tax Credit.

11. Within *Drake Software* on the C screen, how can I find the business code?

a) You cannot. You must check the Schedule C instructions.

b) In the business code field Press [Shift] + [?].

c) You cannot. The client will know the appropriate code.

d) In the business code field press [ESC].

12. Press [F4] from EF > Search EF Database. This give you access to what information?

a) Taxpayer demographics

b) Federal Reject Codes

c) Bank or Direct Deposit Information

d) Sends you to “Your EF Database” on support.drakesoftware.com

13. How can you access blank federal and state forms within *Drake Software*?

a) From the Menu Bar choose Tools > Blank Forms.

b) From the Menu Bar choose Setup > Options > Blank Forms

c) You cannot get blank forms within the software.

d) Open a return and enter no information.

14. True or False: You can email returns, inquiries or information to *Drake* from within the software.

15. Which one of the following is NOT a method for opening a return in *Drake Software*?

a) Type the SSN or EIN in the top box of the “Open a Return” window.

b) Press [F3] from the “Open a Return” Window.

c) Select the desired return from those returns displayed in the lower box of the “Open a Return” window.

d) Type a last name or company name in the entry field of the “Open a Return” box and press [Enter].

16. How do you file an amended return with *Drake*?

a) Print out the blank form, complete and mail in to the IRS.

b) Reenter the return. Go directly to the [X] screen. Press [CTRL] +[X]. Then enter the changes needed to amend the return. Select for EF.

c) Reenter all information into the return and reprint. Mail to the IRS.

d) Reenter the return. Go directly to the [X] screen. Press [CTRL] +[X]. Then enter the changes needed to amend the return. This return must be paper filed to the IRS.

17. Is it possible to create a Part Year Return with *Drake Software*?

a) Yes, enter [PY] as the resident state on screen 1.

b) Yes, Type [PY] in the return selector field and fill out the screen.

c.) Yes, create two separate returns.

d.) No.

18.Which of the following does not calculate a return?

a) Press [CTRL] + [C].

b) Click [CALC] button on the Tool Bar.

c) Exit the return. (After selecting “Auto Calculate Return when exiting data entry” from Setup > Options > Calculate View/Print Tab)

d) Press [CTRL] + [E].

19. True or False: You can electronically file live returns with the temporary EFIN given to the user by *Drake Software*.

20. Which of the following methods of payment or refunds can be executed with *Drake*.

a) An automatic withdrawal of funds from taxpayer’s bank or savings account on a selected date in the future.

b) A direct deposit into the taxpayer’s bank or savings account.

c) A refund check printed in the tax preparer’s office.

d) All of the above.

CPE Exam Answer Sheet

Circle the appropriate response on this answer sheet for each of the questions on the CPE Exam. .

1.	A	B	C	D
2.	A	B	C	D
3.	A	B	C	D
4.	A	B	C	D
5.	A	B	C	D
6.	A	B	C	D
7.	True	False	n/a	n/a
8.	A	B	C	D
9.	A	B	C	D
10.	A	B	C	D
11.	A	B	C	D
12.	A	B	C	D
13.	A	B	C	D
14.	True	False	n/a	n/a
15.	A	B	C	D
16.	A	B	C	D
17.	A	B	C	D
18.	A	B	C	D
19.	True	False	n/a	n/a
20.	A	B	C	D

Please return completed Exam and Evaluation (see “2004 Evaluation Guide” on page 68) before January 1, 2005 to:

Education Department

Drake Software

235 E. Palmer Street

Franklin, NC 28734

2004 Evaluation Guide

Please take a moment and let us know what you think. We value your input and suggestions and strive to continually improve our educational tools to better suit your needs. For CPE credit, you must complete your name and address along with your evaluation of the course material. You must also include your signature on the form. Hours are based on a 100-minute hour. Credit is awarded to a score of 70% or better. Your CPE certificate will be mailed to you.

Please Print All Information Clearly. Circle the designation that applies to you.

CPA PA Enrolled Agent Tax Practitioner Attorney Other

Your Name (Mr/Mrs/Miss/Ms) ____

EFIN________________ E-mail: ____

Firm Name __________________________ Phone ____________________________

Address ____

City ____ ST ______ Zip _________

Regarding Content and Media (please circle one)

- Were the stated learning objects met? Yes or No
- Were program materials accurate and did they contribute to the achievement of the learning objectives? Yes or No
- Were the Eval Guide & Software appropriate? Yes or No
- Were prerequisite requirements appropriate? Yes or No

Comments:

____
____
____
____

To receive your CPE certificate, you must sign this form.

Your signature

____

Your Name (please print)

____

Index

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While every attempt has been made to produce an accurate and complete manual, there is no warranty, expressed or implied, to that effect. DRAKE ENTERPRISES, LTD. assumes no liability for damages or claims resulting from the use of the information contained herein.

TRADEMARKS

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Other product names mentioned in this manual may be trademarks or registered trademarks of their respective companies.

Table of Contents

Welcome

Thank you for taking the time to review the *2003 Drake Software* and Evaluation Guide. We appreciate this opportunity to familiarize you with our software and its capabilities. This guide is designed to assist you with program setup, navigation and preparation of tax returns. You may also review the materials and receive CPE credits. Answer the review questions throughout the guide and submit the completed exam to receive a maximum of 4 CPE credits.

Upon completion of this Evaluation Guide you will be able to:

- Navigate *Drake Software*,
- Prepare a basic 1040 and 1120 return,
- Examine returns,
- E-file returns.

If you have any questions about the *2003 Drake Software*, please feel free to contact your salesperson at 1.800.890.5900 or our courteous and knowledgeable support staff at 1.828-524.8020.

This Evaluation CD contains:

- A complete copy of the *2003 Drake Software.*
- All State Programs
- Computer Based Tutorials
- Practice Returns and Solutions in PDF format
- 2003 Drake User's Manual in PDF format
- 2003 Drake Business Package Manual in PDF format
- 2003 Client Write Up and CWU Manual in PDF format

We are proud to offer our tax preparation software as one complete suite:

- Tax preparation software for Forms 1040, 1065, 1120, 1120S, 990, 706, 709 and 1041.
- All State Personal and Business tax preparation packages
- Electronic Filing
- Bank Products
- Blank Federal and State Forms for viewing and printing
- CCH Online Master Tax Guide
- Many other features

Drake is a pioneer in the Tax Software and Electronic Filing Industry. This year alone *Drake* filed over 3.5 million IRS accepted electronic returns. If you are not already e-filing your client's returns, let us help you! Electronic Filing is FREE for Federal and State returns in *Drake Software.*

Thank you for reviewing our product.

Software Installation

Install the *2003 Drake Software Evaluation CD* using the instructions located on the back of the CD cover. Additional installation may be necessary. Please read the topics below for details.

State and City Program Installation

Installing state and city programs is optional, as states and cities do not have to be installed on the hard drive in order to process state tax returns. State and city returns will calculate directly from the CD if it remains in the CD drive at the time of calculation.

Access State and City Programs directly from the CD

1. Insert the *2003 Drake CD* in the CD drive.
2. Open the *Drake* program. Go to **Setup > Directories/Paths.**
3. In the "Drive Letter for CD" field, select the CD drive letter from the drop-down menu. Click [OK].
4. Access the state screens by typing the two-digit state code in the selector field at the bottom of the "**Data Entry Selection**" menu in data entry. Cities are found on the City tab within the appropriate state.

Install State and City Programs

1. Insert the *2003 Drake CD* into your CD drive.
2. Open the *Drake* Program. Go to **Setup > Directories/Paths.**
3. In the "Drive Letter for CD" field, select the CD drive letter from the drop-down menu. Click [OK].
4. From the Menu Bar, select **Tools > Install Updates.**
5. In the blank field, enter '4' for **States from CD**.
6. A listing of all available state and city programs displays. Click the corresponding box to select states and/or cities to install, or click [Select All] to select all the states and cities. You must select Michigan's cities individually, if you install MI, the corresponding cities will not automatically install (this is not the case for NY, MO, PA, DE or OR).
7. Click [OK] to install state and city updates.
8. Once the installation is complete, click [EXIT].

States and cities automatically calculate with the Federal return if indicated on the Federal data entry screens. For example, if you indicate that the W2 is for 'NY' in the "State" field, the New York return generates along with the Federal.

OTHER DRAKE REFERENCE GUIDES

The following manuals are available in PDF format on this CD:

- **2003 Quick Start Manual** - Designed to aid in pre-season software preparation. Highlights installation steps, set up procedures and the basics of navigating the software.
- **2003 Drake User's Manual** - A comprehensive resource for all your software questions.
- **Drake Business Manual** - Walk step-by-step through the fields required to enter a business return in the software. Packages include 1120, 1120S, 1065, 990 and 706.

PDF format allows the manuals to be viewed and printed directly from the CD. Use the Adobe Acrobat Reader to read the PDF files, practice returns and IRS forms and publications. If Acrobat Reader is not installed, use the following instructions.

ADOBE ACROBAT READER INSTALLATION

If Acrobat Reader is not installed, complete the following installation steps:

1. Insert the *2003 Drake Evaluation CD* into the CD drive.
2. Click **Start** > **Run**.
3. In the "Open" field, type D:\PDF\READER\AR500ENU.EXE (substitute correct CD drive letter if not 'D').
4. Click [OK] and follow the instructions. An icon is created for the Acrobat Reader after installation is complete.

OPEN DOCUMENTS IN ADOBE ACROBAT READER

Once the reader has been installed, PDF files can be opened from the CD.

1. Insert the *2003 Drake Evaluation CD* into the CD drive.
2. Go to **Start > Run.**
3. In the "Open" field, type: D:\PDF\MANUAL (substitute correct CD drive letter if not 'D').
4. Double-click a PDF to view the *Drake User's Manual, Quick Start Manual* or the *Business Manual.*

> ***Program Features:***
>
> *The Drake User's Manual pages are updated in PDF format throughout tax season, allowing you to easily print and replace the outdated pages.*

VIEW DRAKE TUTORIALS

Drake Computer Based Tutorials (CBT) can be run directly from the Evaluation CD. They enable you to learn the basics of the software by watching a short video.

- Amortization
- Batch Letters
- E-file
- Envelopes
- Introduction to Data Entry
- Letters
- Macros
- Mailing Labels
- Organizers and Proformas
- Print Sets
- Reports
- Scheduler
- State Database

To access the tutorials from the CD, complete the steps below.

1. Insert the *2003 Drake Evaluation CD* into the CD drive.
2. Open the *Drake* program. Go to **Help > Tutorial.**
3. Select the drive letter of your CD drive from the drop-down box.
4. Double-click a CBT from the list to begin.
5. To exit the tutorial any time during the presentation, press [ESC].

Program Setup

The following screens must be completed before beginning tax preparation and electronic filing.

Firm Setup

Enter and edit information about a specific firm on the "**Firm**" screen. There is no default firm information in the program. This information must be created individually for each firm.

1. From the Menu Bar, go to **Setup > Firm**.
2. Select [NEW FIRM]. The bottom half of the screen becomes active.
3. Enter the firm information.
4. Click [SAVE] to save the information. Click [CANCEL] to exit without saving changes.

ERO/State ERO Information

Electronic Return Originator (ERO) Setup is required only if you plan to do one or all of the following in the software:

- E-file a return
- Use the 'E-mail to *Drake*' function
- Download service packs using **Tools > Install Updates**
- Access "Your EF Database" from **EF > Search EF Database > F10**

The temporary EFIN (Electronic Filing Identification Number) assigned by *Drake* does not enable electronic filing, but allows system testing and access to *Drake* Internet utilities. Preparers who are new to e-filing must apply to the IRS for an EFIN.

To enter ERO information in the software, complete the following steps.

1. From the Menu Bar, go to **Setup > ERO/State ERO Information.**
2. Enter ERO information.
3. Click [OK] to save and exit.

Preparer Setup

Each preparer must be entered on the "**Preparers**" screen. Enter preparers in the program to assign them a preparer number. The preparer number is then used to display the preparer information on letters and returns.

Data entry (DE) operators may be listed along with paid preparers in "**Preparers**." Entering the DE number on returns is used primarily for tracking purposes.

To enter a new preparer in the software, complete the following steps:

1. On the Menu Bar, go to **Setup > Preparers**.
2. Click [NEW PREPARER]. The bottom half of the setup screen becomes active.
3. Enter preparer information.
4. Create security rights (see next section, "Preparer Security Settings").

5. Click [SAVE] to save changes. Notice that the preparer is now saved with a preparer number.
6. Click [EXIT].

Preparer Security Settings

The Security Setup information defines what a preparer can do in the program. When the program opens, the preparer is prompted to enter his/her login name and password. Menu options *not* accessible to the preparer are greyed out.

Choose from two types of security options:

Customize Security Setup

Determine what areas of the program a preparer can access.

1. With the preparer selected and in edit mode, click to select the "Customize Security" radio button. Click [CUSTOMIZE].
2. Click the menu items to display the drop-down menus. Click to select or deselect menu items for accessibility. Checked boxes indicate access is permitted.
3. Click [SAVE SETTINGS]. When prompted, click [OK].
4. Click [SAVE] to save the preparer settings. Click [EXIT].

Other Security Options

With a preparer selected and in edit mode, click the radio button to select one of the following options:

- Set Security to equal Preparer # — Select this option and enter a preparer number in the box. This sets the current preparer's security rights to match the preparer entered.
- Set Security to Allow No Options — The preparer cannot access any items in the program.
- Set Security to Allow All Options — The preparer has rights to access all areas of the program.

Printer Setup

Run the Setup Wizard to set up printers quickly and easily. The **"Printer Setup"** allows more then one printer to be accessed in the program.

Setup Wizard

1. On the Menu Bar, go to **Setup > Equipment > Printer Setup**.
2. Click [RUN SETUP WIZARD] from the menu at the bottom of the screen.
3. Select the printer from the drop-down list in the window that appears.
4. Next, select the type of printer from the drop-down list. (This field may be auto filled. If so, do not change the setting).
5. Click [NEXT] to continue. The first page of the 1040 is sent as a test page to the printer.
6. Check the printer for the test page.
7. Answer the questions that follow by clicking the appropriate [YES] or [NO] button.

8. The next window prompts "Apply this printer to the following sections". Click the check-boxes to select.
9. Click [FINISH] to complete the wizard.

> Different printers can be selected to print reports, letters, forms, checks, etc.

OPTIONAL PROGRAM SETUP

OPTIONS

Select program preferences from the "**Options**" screen. The software defaults to the most common preferences. To change or view the defaults, follow the steps below.

1. From the Menu Bar, go to **Setup > Options**.
2. Click the tabs to change the options screen that displays. After selecting an option, press [OK] to save.

The following options are available:

Data Entry Tab

- Enlarge Data Entry screens for easier viewing.
- Use 25-row screen size for 50-row screens (Sch. C, 1099, etc.).
- Use grid Data Entry format for select screens (DIV, INT, 4562, etc.).
- Tab to zip code field (skip city/state and use zip code database).
- Language for Data Entry – Select English or Spanish.
- Letter Case for Data Entry – Select Upper Case or Lower Case. Choose to use either all uppercase or mixed case in Data Entry.

Calculate and View Tab

- Auto-calculate tax return when exiting Data Entry.
- Display client fee on calculation screen.
- Print only one overflow statement per page.
- Return to same location in Data Entry (CTRL + E).
- Audible Notification of Calculation Error Messages.
- Layout for Depreciation Schedule – Select "Portrait" or "Landscape" from the drop-down menu.
- Pause Option for Calculation – "Always after calculation" pauses when the calculation is complete (**File > Calculate**). "After Ctrl - View/Print" will pause only after a Ctrl-View or Ctrl-Print are used to calculate. "Only when using File > Calculate" will pause only when calculating from the main menu.
- Display Forms in View Mode –Forms display the same as printed forms or in text mode. Text Mode is a computer generated mode with larger text.
- Days to keep print file – If the return is needed after the software removes the Print file, recalculating the return will recreate the print file.

Form and Schedule Options Tab

- Print Schedule A only when required.

- Print Schedule B only when required.
- Print Form 1116 for Alt-Min. tax worksheet.
- Print 4562 only when required.
- Print 6251 only when required.
- Form 8867/EIC Worksheet – The form 8867 is the IRS form for EIC verification. The VER_EIC is a form designed in-house that preparers prefer. Use this option to indicate your choice.
- 1040A/EZ Suppress
- Form 1045 page 2 (NOL) - Select to prepare when needed, or only when indicated in data entry.
- Form 2210- Select to prepare when needed, or only when indicated in data entry.

Optional Documents Tab

Check the appropriate boxes to print the following with each return:

- Folder Cover sheet
- Next Year Depreciation Schedule
- Preparer Notes page when applicable
- Prior Year Comparison
- Privacy Letter
- Return Summary
- Optional Worksheets
- W2/1099 detail list — Prints landscape with city amounts. Selected by default.
- W2/1099 forms
- Referral Coupons (3 per sheet) – Customize the text of these coupons in Setup > Letters > Coupon. Enter the number of sheets to print with each return and the amount of the coupon.
- Envelope Address Sheet - Select small, medium or large.
- Result Letter – Select letter 1 -9. Customize these letters in Setup > Letters.

Optional Items on Return

Click the corresponding check box to print an item on the returns:

- Gross Social Security only when required.
- Date on return – This date pulls from the date on the computer. To change this date, enter the required date on the **"MISC"** screen.
- Taxpayer phone number – Pulls from "**Screen 1**."
- Third Party Designee – Prints on the main form for the tax return.
- Rounding Amounts – Select dollar or penny rounding. Dollar rounding is required for electronic filing. Penny rounding prints penny amounts on all forms.

Billing Tab

Click the corresponding check box to turn a feature on:

- Print taxpayer's SSN on bill.
- Print preparer's name on bill.

- Show RAL preparer fees as withheld on bill.
- Show bank fees on bill.
- Sales Tax – Sales tax percent to add to client statement. Enter a number greater than 1. For example, 4.5 would represent a sales tax rate of 4.5%.
- Billing Statement Format – Select a statement option. "Show forms, form prices and total", "Show form list and total", "Bill by time" or "Do not prepare bill".

States Tab

There are specific options available for some states. Select the state from the drop down list and select the options that apply. Set up each desired state separately.

EF Tab

Click the corresponding check box to turn a feature on:

- Print 8453 (or 8879/8878 if using PIN) when eligible for EF.
- Require 'Ready for EF' indicator on "**EF**" screen.
- Lock client data file after EF acceptance – Log in as "ADMIN" to edit /unlock a file that has been transmitted and accepted. Allow preparers the same ability by giving them access to **Tools > File Maintenance > Unlock Client Files** in their security settings.
- Print bank application when keyed on a return.
- Print 9325 when eligible for EF.
- Suppress Federal EF
- Combine EF steps (Select, Transmit, Post Acks). If this option is selected, the only screen that needs to be opened on the EF menu is "**Select Returns for EF**." After the returns are selected, click [OK] to start the remainder of the EF routine. No further steps are necessary.
- EF Status Page - Print the EF Status page.
- State EF – Suppress
- ERO SSN Indicator – Choose from preparer #1 - #9, paid preparer or blank. This field will tell the preparer who to use as the ERO on the return. The default can be overridden in Data Entry.
- Check for service pack during EF transmit/receive.
- Prompt before downloading service pack – If this option is selected, a prompt will give the estimated download time and size of the file instead of automatically starting the download.
- Advanced option - Passive FTP (Facilitates firewalls by using a defined port range).
- Check for email during the EF Transmit/Receive.

Review Questions Part 1

Answer the questions below. See “Answers Part 1” on page 11 for explanations of answers.

1. In *Drake* Software **Setup > Options**, what tab would you choose to select a third party designee for all your returns?

    a) Optional Items on a Return

    b) States

    c) EF

    d) Billing

2. In *Drake* Software **Setup > Options**, which tab would you select to check for Service Pack updates during electronic filing?

    a) Optional Documents

    b) States

    c) EF

    d) Billing

3. In *Drake* Software **Setup > Options,** which tab would you select to bill by time?

    a) Optional Documents

    b) States

    c) EF

    d) Billing

4. In *Drake* Software **Setup > Options** which tab would you select to adjust the sales tax on your bill?

    a) Optional Documents

    b) States

    c) EF

    d) Billing

5. In *Drake* Software **Setup > Options,** which tab would you select to print the taxpayer’s phone number and/or the current date on tax return?

    a) Optional Items on the Return

    b) States

    c) EF

    d) Billing

ANSWERS PART 1

1. The correct answer is **A, Optional Items on a Return.** Use the Third Party Designee drop-down box to select which preparer will be the third party designee for all returns. An override is available on screen 5.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. The EF Tab contains options available for electronic filing. You can select to suppress individual states, combine the EF steps and several other EF related options.

D is incorrect. Enter sales tax amount, choose a billing format, select to show bank fees on bill and other billing related options on the Billing Tab.

2. The correct answer is **C, EF.** Use this tab to select to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

A is incorrect. The Optional Documents Tab is used to select specific items to print with returns or select the result letter to print.

B is incorrect. The States Tab contains customization options for each state.

D is incorrect. Options associated with the client's bill are found on the Billing Tab.

3. The correct answer is **D, Billing.** Use the Billing Statement Format drop-down box to select "Bill by Time" from the list of billing options.

A is incorrect. Use the Optional Documents Tab to setup the referral coupon dollar amounts and the quantity to print per return.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. Select to turn on various EF features on the EF Tab, including "Require 'Ready for EF Indicator' on EF screen" and "Lock Client Data File after EF Acceptance".

4. The correct answer is D, **Billing**. Enter the amount of tax to charge in the "Sales Tax" field.

A is incorrect. The Optional Documents Tab is used to select specific items to print with returns or select the result letter to print.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. Select the EF Tab to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

5. The correct answer is **A, Optional Items on the Return.** Check the corresponding box to turn this feature ON.

B is incorrect. The States Tab contains customization options for each state.

C is incorrect. Go here and select to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

D is incorrect. Options associated with the client's bill are found on the Billing Tab.

Program Navigation

Learning to navigate the program *before* tax season saves time and frustration. Use this section to become acquainted with *Drake Software's* menu structure.

DRAKE FOR WINDOWS

The navigation choices when using Windows include the mouse, Tool Bar and the computer keyboard.

THE MOUSE

Left mouse button — Move the pointer over an item and click the left mouse button to select that item.

Right mouse button — During data entry, right-click the mouse in any grey area to display a menu of common program functions or right-click in a data entry field to cut, copy, view help or paste.

TOOL BAR

Speed Buttons are located under the Menu Bar on the Tool Bar. Speed Buttons are shortcuts to maneuver the program quickly. Different areas of the program are associated with different Speed Buttons.

- **Open** — Open or create a new return.
- **Calculate** — Perform a batch calculation.
- **Print** — Print a return from the return selector.
- **View** — View a return from the return selector.
- **Internet** — Launch your internet browser to support.drakesoftware.com
- **Tax Help** — Launch CCH Online Resource.
- **Scheduler** — Opens the Scheduler utility, which enables you to create preparer schedules, make appointments and run reports.
- **Exit** — Exits the program.

ESC

Press the [ESC] to exit a screen. Information on that screen is saved. Press [ESC] on the "**Home**" screen to exit the *Drake* program.

THE KEYBOARD

The computer keyboard can be used to maneuver through the program. See "Hot Keys" on page 57 of the Appendix for a list of shortcuts keys used during data entry.

Press [ALT] to display the underlined shortcut key for each option on the Menu Bar. The underlined letter for each option is the shortcut key. Example: File; Press [ALT] + [F] to

Open the File Menu. After the menu is selected, the shortcut keys can be executed by pressing the shortcut key; [ALT] is not necessary.

> To open field-specific help during return data entry, press [SHIFT] + [?].
>
> To open on-screen Help instructions, press [F1].

General Flow of Commands

Instructions to reference parts of the program are as follows:

- **Menu Bar** — the list of menu options across the top of the window.
- **Drop Down Menus** — the list of available actions shown when an option is selected from the menu bar.
- **Speed Buttons or Tool Bar** — the Tool Bar directly under the Menu Bar in the Windows program only. Speed Buttons are used for quick access to commonly used program functions.
- **Data Entry Selection Menu** — the "home base" for return preparation. These screens display the data entry options.
- **Tabs** — the Data Entry Selection Menu displays tabs along the top of the screen. Select a tab to display an additional list of data entry screens.
- **Drop-Down Box** — some fields in Windows display a down-arrow next to the open box. Click the arrow to open a drop-down list of available choices.
- **Buttons** — the Windows program offers additional buttons, which can be mouse-clicked to perform an action.
- **Selector Field** — In data entry, the entry field located in the bottom left corner of the screen. Type corresponding screen codes and press [ENTER] to access data entry screens.

When instructions are given to perform an action, the flow of commands is as follows:

1. Select the Menu Bar option to show the Drop-Down Menus (e.g. Tools).
2. Select the action form the Drop-Down Menus (e.g. File Maintenance)
3. If the action displays ▸ to the right, another list will open.
4. Select the action from that list (e.g. Backup/Restore).

To shorten the commands in the instructions, the flow of commands is given with arrows between each function:

Tools > File Maintenance > Backup/Restore

Use the keyboard or the mouse to select the menu options.

Refer to the following lists for the Menu drop-down options and related function keys.

FILE [F1]	EF [F2]	TOOLS [F3]

• Open Return [F1]
• Calculate [F2]
• Print [F3]
• View [F4]
• Pre-Prepared Entry [F5]
• Quick Estimator [F6]
• Exit [F7]
• Logout Preparer
	• Select Returns for EF [F1]
	• Transmit/Receive [F2]
	• Process Acks [F3]
	• Check Print [F4]
	• Check Setup [F5]
	  • Setup New [F1]
	  • Void Unused [F2]
	• Check Register [F6]
	• Search EF Database [F7]
	• Copy EF Returns to Disk[F8]
	• Copy EF Returns from Disk [F9]
	• e-mail to Drake [F10]
		• Install Updates [F1]
		• Download Fonts [F2]
		• Blank Forms [F3]
		• Repair Index Files [F4]
		• File Maintenance [F5]
		  • Backup/Restore [F1]
		  • Change SSNs on File [F2]
		  • Clear BBS Files [F3]
		  • Export Client Data [F4]
		  • Export EF Data [F5]
		  • Password Protect Files [F6]
		  • Unlock Client Files [F7]
		  • Delete Print Files [F8]
		  • Delete Client Files [F9]
		  • Change File Type [F10]
		  • Quick Books Import [F11]
		• Letters [F6]
		  • Letters [F1]
		  • Mailing Labels [F2]
		  • Envelopes [F3]
		  • Postcards [F4]
		• Amortization [F7]
		• Edit EIN Database [F8]
		• Stock Search [F9]
		• Scheduler [F10]

REPORTS [F4]	LAST YEAR DATA [F5]	SETUP [F6]

• Depreciation List [F1]
• All Client Reports [F2]
  • Standard [F1]
  • Custom [F2]
  • Review [F3]
• EF Reports [F3]
  • Standard [F1]
  • Custom [F2]
  • Review [F3]
• Fixed Asset Manager [F4]
• Filled in Screens [F5]
• Hash Totals [F6]
	• Organizers [F1]
	• Proformas [F2]
	• Update 2002 to 2003 [F3]
	• Build EINs from 2002 [F4]
	• Update Config 2002 to 2003 [F5]
		• Options [F1]
		• Firm Information [F2]
		• ERO/State ERO Information [F3]
		• Preparers [F4]
		• Pay Per Return [F5]
		• Directories/Paths [F6]
		• Pricing [F7]
		• Macros [F8]
		• Letterhead [F9]
		• Letters [F10]
		• Colors [F11]
		• Equipment [F12]
		  • Printer Setup [F1]
		  • Modem Setup [F2]
		  • PDF Printer [F3]

HELP [F7]
• Check Installation [F1] • Version Info [F2] • Copyright Notice [F3] • Support [F4] • *Drake* 2003 Help Topics [F5] • Show Setup (Admin) [F6] • Tutorial [F7] • CCH Tax Research [F8] • Show Users [F9]

FEATURES

Drake Software offers numerous value-added features to enhance and simplify tax preparation. The software is designed to ease the return preparation process. In addition to the program resources highlighted below, the program boasts the following convenient features.

- Information flows to related forms automatically.
- Message pages display errors or alerts that may prevent successful e-filing and/or IRS rejection.
- Zip code and Employer Identification Number databases speed data entry in several key forms.
- Built in calculator is accessible in any data entry screen by pressing [F10].
- Blank forms are available to view or print.
- Unformatted worksheets are available by pressing [CTRL] + [W].
- Calculate amortization or search *Drake*'s stock index from within the Tools section of the Menu Bar.

HEADS DOWN DATA ENTRY

Drake Software enables users to enter data by keying it directly into screens or using the Heads Down Method. The Heads Down Method uses field codes that correspond with Proformas your clients can prepare during an interview. This option is a great time saver – as it allows data to be gathered by a tax professional and entered by a data entry operator. Toggle between data entry methods by pressing [CTRL] + [N].

EMAILING

Use **Email to Drake** to send and receive emails from within the *Drake Software* program. Some of the benefits of using this utility include:

- Receive *EMonday* emails from *Drake*. These emails provide information on important IRS updates and software changes.
- The *Drake* support staff sends important program files via this connection.
- Easily attach client files to emails and send them to *Drake* Support.
- Use the built-in *Drake Address Book* to quickly and easily send support related emails to *Drake*.

To access the email function, go to the Menu Bar, select **EF > Email to Drake**. The email interface displays e-mail messages and the available options. The **Check Mail** option retrieves waiting messages.

> Your *Drake* email address is *YourEFIN*@1040.com. You must have your EFIN and password entered in Setup > ERO/ERO State Information to use this utility.

Split Returns

Drake Software allows you to easily compare Married Filing Joint (MFJ) and Married Filing Separate (MFS). From the "**Data Entry Selection Menu**" screen on a joint return, split their return using [CTRL] + [S] or use the speed button labeled [Split].

The program splits the return. On the resulting "Return Selector" screen, the return displays in three ways: Married Filing Joint, Taxpayer separate and Spouse separate. Included on this screen are the following:

- Summaries of both Federal and State refunds or amounts due,
- the resulting savings,
- the option to save any one or all three of the return formats,
- the ability to print this summary screen (press 'P'),
- exiting without saving the MFS formats.

If both returns are saved, each time you open the return you choose the MFJ or the MFS format. In this case, either return can have additional data entered.

Support.drakesoftware.com

Select the **Internet** Speed Button from the tool bar to log onto support.drakesoftware.com for access to 24-hour software information, including resource links for tax preparers, the Knowledge Base and "Your EF database".

Online State Resource

The Online State page is available through support.drakesoftware.com enabling the search of state-specific questions including reject codes, exclusions, state instructions and e-filing explanations and instructions.

CCH

Go to **Tax Help** on the tool bar to access CCH. All *Drake* clients receive access to the online U.S. Master Tax Guide Plus from CCH Incorporated. This product features a comprehensive online tax information library which includes the following: U.S. Master Tax Guide, Internal Revenue Code, Revenue Rulings, IRS Publications, IRS Announcements, IRS Notices and U.S. Tax Cases.

Service Packs

Install software updates from within the program through your internet connection. From the menu bar, go to **Tools > Install Updates** and choose from the following options:

- Online Service Pack — Downloads the latest federal software updates.
- States Online — Select specific states and download the latest full version of the state program.

Drake 2003 Hot Keys

Hot Keys enable you to perform specific actions quickly and easily. Knowing when and where to use these keys can save you valuable time during tax season.

Data Entry

Produce field-specific help information in data-entry or to verify a valid Social Security Number.	[SHIFT] + [?} or [ALT] + [?]
Insert today's date into any field.	[ALT] + [D]
Delete a screen	[CTRL] + [D]
Reset a screen	[CTRL] + [U]
Exit and save a screen	[ESC]
Exit without saving	[SHIFT] + [ESC]
Force an entry	[CTRL] + [F]
Open an unformatted schedule	[CTRL] + [W]
Toggle heads-down in standard data entry.	[CTRL] + [N]
Open the Online Help screen	[F1]
View the Pop Up Calculator	[F10]
Carry data to an amended return	[CTRL] + [X]

Calculate, View and Print

Calculate a return	[CTRL] + [C]
View a return	[CTRL] + [V]
Print a return	[CTRL] + [P]
Split MFJ return to MFS return	[CTRL] + [S]
Return to data entry	[CTRL] + [E]

Electronic Filing

Look up reject codes in EF > Search EF Database	[F4]
Return to data entry from EF > Search EF Database	[F5]
Check your online EF database from EF > Search EF Database.	[F10]

Review Questions Part 2

Answer the questions below. See “Answers Part 2” on page 20 for the correct answers.

1. How do I delete a screen in *Drake*?
    a) [CTRL] + [F]
    b) [CTRL] + [D]
    c) [CTRL] + [S]
    d) [CTRL] + [N]
2. Can you split a joint return into two married filing separate returns? How?
    a) No
    b) Yes, [CTRL] + [F]
    c) Yes, [CTRL] + [W]
    d) Yes, [CTRL] + [S]
3. How can I create a detailed worksheet for a particular line item on a return.
    a) With your cursor in the data entry field on a *Drake* Screen press [CTRL] + [F].
    b) You cannot.
    c) With your cursor in the data entry field on a *Drake* Screen press [CTRL] + [W].
    d) With your cursor in the data entry field on a *Drake* Screen press [ESC].
4. How do I save screen information in a return?
    a) [CTRL] + [W]
    b) [CTRL] + [S]
    c) [ESC]
    d) [ALT] + [?]
5. Is it possible to insert the current date into a data entry field? How?
    a) Yes, press [Insert] + [D]
    b) Yes, press [CTRL] + [D]
    c) No
    d) Yes, press [ALT] + [D]

Answers Part 2

1. The correct answer is **B, [CTRL] + [D].** This Hot Key deletes the current screen.

   A is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

   C is incorrect. [CTRL] + [S] is used to split a MFJ return into two MFS returns, allowing you to compare the differences.

   D is incorrect. [CTRL] + [N] enables the Heads Down Method. The Heads Down Method uses field codes that correspond with Proformas you can prepare during an interview.

2. The correct answer is **D, [CTRL] + [S].** Use this Hot Key to split a MFJ return into two MFS returns, allowing you to compare the differences.

   A is incorrect. With *Drake Software* [CTRL] + [S] enables you to split the MFJ return.

   B is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

   C is incorrect. Use [CTRL] + [W] in any numeric field to access an unformatted schedule.

3. The correct answer is **C, With your cursor in the data entry field on a *Drake* Screen, press [CTRL] + [W].** Key this short cut in any numeric field to access an unformatted schedule.

   A is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

   B is incorrect. With *Drake Software* you can use [CTRL] + [W] in any numeric field to access an unformatted schedule.

   D is incorrect. [ESC] is used to save and exit to the Data Entry Selection Menu.

4. The correct answer is **C, [ESC]**. This Hot Key is used to save a data entry screen and return to the Data Entry Selection Menu.

   A is incorrect. Use [CTRL] + [W] in any numeric field to access an unformatted schedule.

   B is incorrect. Use [CTRL] + [S] to split a MFJ return into two MFS returns, allowing you to compare the differences.

   D is incorrect. Use [ALT] + [?] in any data entry field to view field-specific information. [SHIFT] + [?] functions the same way.

5. The correct answer is **D, [ALT] + [D]**. This enters the current date in any "**Date**" field.

   A is incorrect. [Insert] + [D] is not a Hot Key in *Drake*.

   B is incorrect. [CTRL] + [D] deletes a screen in data entry.

   C is incorrect. You can enter the current date using [ALT] + [D].

Return Preparation

While there are many ways *Drake Software* simplifies tax preparation, the software cannot replace a fundamental understanding of tax laws. Your data will be calculated as entered on each screen. The screens, in almost every instance, reflect the corresponding tax form.

In this section, we will review the following:

- Opening Returns
- Navigating Fields and Forms
- Preparing a Return

> Returns are identified by either a Social Security Number (SSN) or an Employer Identification Number (EIN), in the case of business returns. The program accepts only numbers in the SSN or EIN fields - NO dashes, spaces or other characters.

OPEN A RETURN

On the menu bar, go to **File > Open Returns**. The "Open a Return" window appears.

There are several options:

- Type the SSN or EIN in the top box. Click [OK] or press [Enter].
- Select the desired return from those returns displayed in the lower box. Use the return selector buttons to the right to narrow your search.
- Empty the top field and press [Enter]. Scroll through the resulting list to select a return.
- Type a last name or company name in the entry field and press [Enter].

For a sample return, type the following SSN into the top field (without dashes): 400-00-6665. This is a completed version of our practice return. You will see that the "Data Entry Selection Menu" is organized into six different pages marked by Tabs: General, Income, Adjustments, Credits, Taxes and Other. You can navigate to each page by either clicking on the actual tab or using the arrow keys.

> If a SSN or EIN is not in the database, you are asked to create a new file.

ENTERING DATA

Access a form for data entry by selecting the form description or by typing the form code into the selector field in the bottom left corner of the "**Data Entry Selection Menu**". Access installed state forms by typing the state's two letter abbreviation into this box**.**

NAVIGATION

Move through the data entry fields on any form:

- Press [Tab], [Enter] or the Down arrow key to advance the cursor to the next field,
- Press [Shift] + [Tab] or the Up arrow key to move the cursor back one field,
- Use the Left/Right arrow keys to move the cursor within a data entry field,
- Press [ESC] to save and close the data entry screen and return to the "**Data Entry Selection Menu**".

> ***Program Feature:***
>
> *In any data entry field, you can find field specific explanations by pressing [Shift] + [?]. This help is available in any field and often contains selectable options for that field.*

PREPARING THE 1040 EVALUATION RETURN

In this section, we will enter a practice return and work through various data entry screens to become comfortable with *Drake Software.* The following sections provides step-by-step instructions for preparing, calculating, viewing, printing and electronic filing a return.

1. On the menu bar, select **File > Open Returns**.
2. In the "**Open a Return**" screen, type the following SSN (without dashes): 400-00-6666. Click [OK].
3. A message box will prompt you to create a new return. Click [Yes].
4. Next, select the type of return to create. Our sample is an Individual return. Since this is the default, press [Enter].

NAME AND ADDRESS SCREEN

Each time you create a new client, the "**Name and Address**" Screen opens initially. The information provided on this screen flows to each of the forms for this client.

Our Evaluation Taxpayers are William and Amelia Carter from Burlingame, CA.

- They are filing a joint return.
- They have two children, Richard, Carolyn.
- William receives a salary from two computer jobs.
- Amelia owns a bakery of which she is a sole-proprietor.

Fields	Taxpayer (TP) Data	Spouse Data
SSN*	400-00-6666	241-41-4441
First Name	William	Amelia
Last Name	Carter	Carter
Date of Birth**	5-25-1960	12-18-1962
Filing Status	2	

> ***Program Feature:***
>
> *Pressing [Shift] + [?] in a completed Social Security Number field will produce information about the validity of the entered SSN.*

Enter the following data on the "Name and Address" screen for the Carter's return.

> ***Program Feature:***
>
> Drake Software includes an integrated ZIP Code database. To speed data entry on "Screen 1", "W-2", "W-2G", "1099", "1099G" or the "Schedule C" screens, enter the zip code before entering the City and State fields. Typing the zip code populates the city, state, county and resident state fields.

Fields	Data
Address	14998 New Heights Road
Zip	94010
Daytime Phone*	415.344.3443
Evening Phone*	415.645.6456
Occupation	Computer Technician
Presidential Campaign Fund	No
* Enter number without dots or dashes.	

> To avoid IRS rejection of electronically filed returns, use only the characters allowed in addresses: letters, numbers, ampersand (&), hyphen (-) and forward slash (/).

SAVING DATA

When the "**Name and Address**" screen is complete, press [ESC] to return to the "**Data Entry Selection Menu**." The information entered is saved automatically as it is typed. When you return to the "**Data Entry Selection Menu**" screen, notice the "**Name and Address**" selection is highlighted, indicating that data is entered on this screen.

> If a screen is highlighted, but contains no data, the screen must be deleted or it can cause E-filing errors. Press [CTRL] + [D] to delete the current data entry form.

Entering Dependent Information

William and Amelia have two dependents. Press [PAGE DOWN] on the keyboard to produce an additional Dependent screen for the second child's information.

Enter the following information:

Fields	First Dependent Data	Second Dependent Data
First Name	Carolyn	Richard
SSN	239-21-1123	245-62-2235
Relationship	Daughter	Son
Months in home	12	12
Date of Birth	07-11-1995	12-18-1984
Qualifying Child Care Expenses	3450	
Hope Credit Expenses		4200
If Over 18 & a Student		X

Press [ESC] to return to the "**Data Entry Selection Menu**".

Entering Wages – W-2

In the first field of the W-2 screen, enter [T] for taxpayer or [S] for spouse. The corresponding taxpayer or spouse information is populated in the "**Employee Name/Address**" fields.

Remember, help is available in each data entry field. Press [Shift] + [?] to access detailed information for individual fields.

> ***Program Feature:***
>
> *Drake Software offers an Employer Identification Number Database. Each time a recognized EIN is entered on a W-2, 1099 or a 2441, the business name and address populates.*

When entering wages, notice *Drake Software* populates box 3-6 and 16 based on the wages entered in box 1. Because there are two W-2s included in this return, press [PAGE DOWN] for a blank W-2 screen. Enter the information on the next page for the W-2s.

Fields	Data
TS Field	T *
Federal ID	751122333**
Employer's Name	Avalon Software
Employer's Address	458 Spring Ave
Employer ZIP	94404
Wages	27850
Federal Tax Withheld	4575
State	CA
State ID	341115679
StateTax Withheld	1534
*This populates taxpayer information fields.	
**Once this employee ID is entered it is saved in the EIN database. Next time this number is entered in data entry, the employer's city and state information will populate.	

> The bottom portion of the W-2 screen allows input of State wage information.

Enter the information for the second W-2.

Fields	Data
TS Field	T
Federal ID	759988777
Employer's Name	Catalyst Corporation
Employer Address	5877 Hurst Square
Employer ZIP	94061
Federal Tax Withheld	5677
Wages	25450
State	CA

Fields	Data
State ID	462333465
State Tax Withheld	1340

Press [ESC] to return to the "**Data Entry Selection Menu**".

ENTERING ITEMIZED DEDUCTIONS (SCHEDULE A)

To enter Itemized Deductions for a Schedule A, type 'A' in the selector field, then [Enter]. This form mirrors the IRS Schedule A form.

Enter the information shown below for the Carter's itemized deductions.

Fields	Data
TSJ Field	J
Medical/Dental Expenses	8777
State/Local Taxes	624
Real Estate	1567
Personal Property Taxes	245
Mortgage Interest from 1098	6788
Cash/Check Charitable Contributions	275
Other Charitable Contributions	190
Tax Prep Fees	125

ENTERING INTEREST INCOME (SCHEDULE B - 1099-INT)

The "**Schedule B - Interest Income**" screen is on the General Tab. Type 'INT' in the selector field, then press [Enter].

Enter the following account interest for the Carter's return:

Fields	Data
TSJ Field	J
Name of Payer	CCB
Interest Income	657

Press, [ESC] to return to the "**Data Entry Selection Menu**".

> Dividend Income is entered in the same manner as Interest. To open the Schedule-B Dividend Screen, select **DIV-Dividend Income** on the General Tab or enter [DIV] in the selector field.

ENTERING PROFITS OR LOSSES FROM BUSINESS (SCHEDULE C)

Although [**C-Self-Employed Income**] is found on the Income Tab, to open type 'C', then press [Enter].

Use the scroll bar on the right side of the screen, or press **[Page Up]/[Page Down]**, to view more of the form.

Fields	Data
TS	S
Business Name	Patty Cakes
Business Code	311800
Street Address	2579 W. Oak Street
Zip	94010
Accounting Method	Cash
Materially participated in 2003	Yes
Gross receipts or sales	78,657

Enter the following additional information on "**Schedule C**" for Patty Cakes:

Expenses	Data	Cost of Goods Sold	Data
Advertising	480	Inventory Valuation Method	Cost
Insurance	400	Beginning Inventory	2578
Rent: Other	7200	Purchases Less Personal	889
Taxes & Licenses	54	Cost of Labor	7000
Utilities	2734	Materials/Supplies	34255

ENTERING DEPRECIATION

Drake Software provides six data entry screens for Depreciation. On the Income Tab of the Forms Menu, the six screens are grouped together in a box labeled “Depreciable Assets”. Selection options are clearly marked and include **Form 4562 - Depreciation Detail** and five additional screens offering additional parts of **Form 4562.** The 4562 is usually the only screen necessary to enter depreciation. Screens 6-9 are used only when entering an existing return. Screen 10 contains the Bonus Depreciation Elections.

To create a **Form 4797** from within the 4562, select an asset with a mouse click and press [F3]. Complete the “If Sold” column on the bottom right. The only fields required are the date sold, the sales price and the property type.

For the Carter’s return, there are three separate depreciable assets. The first is the Patty Cakes’ baking oven and the others are the business vehicles.

To open the Depreciation data entry screen, type ‘4562’ (Depreciation Detail on the Income Tab). Enter the following information on the 4562 Screen. Press [PAGE DOWN] for the next entry.

Fields			Data
For:	AUTO	AUTO	C
Description	Delivery Van	Delivery Truck	Oven
Date Acquired	01-01-2003	05-01-2003	06-30-2003
Cost	15000	25000	7000
Business Percentage	100	100	100%
Method	M	M	M
Life	5	5	7

ENTERING CHILD & DEPENDENT CARE EXPENSES (FORM 2441)

To open the Child & Dependent Care Expenses Screen (Form 2441), type ‘2441’ in the selector field and press [Enter].

Fields	Data
SSN/EIN	587999556
EIN	X
Provider’s Name	Short-Stuff Academy
Address	5788 Elm Street
Zip	94010
Amount	3450

> When entering child care expenses, make sure the expense amounts are listed on BOTH the Dependent Screen and the 2441 Screen.

Press [ESC] to return to the "**Data Entry Selection Menu**".

ENTERING "OFFICE IN HOME" INFORMATION

In addition to owning Patty Cakes Bakery, Amelia's storage facility is at her home for linens and other catering materials. She qualifies for "Office in Home" expenses which are entered on the "**8829"** screen.

To access this data entry screen, type '8829' **(Office in Home**). Enter 'C' in the "For" field. The storage room at the Carter's house is 180 sq.ft. of the 2000 sq.ft home. Input the following additional information:

Fields	Direct Expenses	Indirect Expenses
Insurance		250
Utilities		500
Other Expenses	250	

ENTERING MOVING EXPENSES (FORM 3903)

During the last year, the Carter's moved to a new location because Bill changed jobs. To open the "**Moving Expenses**" screen, type '3903' **(Moving Expenses** on the Adjustments Tab).

Enter the following moving expenses on the 3903 Screen:

Fields	Data
Miles from Old to New	125
Miles from Old to Old	14
Transportation & Storage	5400
Travel & Lodging	58
Amount Reimbursed	95

AUTO MILEAGE FOR SCHEDULE C

Enter mileage information on the AUTO screen. Type [AUTO].

Fields	Delivery Van	Delivery Truck
Description	Delivery Van	Delivery Truck
Date Placed in Service	01-01-2003	05-01-2003
Business Miles	12357	22335
Commuting Miles	0	0

Both vehicles were used primarily by the owner, and neither was available for personal use. Amelia maintains a policy prohibiting personal use of the vehicles. However, because there are no commuting miles on either vehicle, policies regarding commuting are not necessary.

Make sure to answer the Vehicle questions at the bottom of the screen to ensure acceptance by the IRS. These fields are required.

ENTERING PARTNERSHIP INFORMATION (SCHEDULE K-1)

Partnership information is entered on the Schedule K-1. To open the data entry screen, select [**K1 - Partnership K1**] on the Income Tab.

Field	**Data**
TS	T
Partnership ID	561122334
Partnership Name	Dynamic Distributing
This is a passive activity	X
This partner is a limited partner	X

Make sure to pay attention to the help text ([Shift] +[?]) to see to where, or if, information carries.

Enter the following amounts from the K1.

Line	**Amount**
1	2756
4a	65

ENTERING ESTIMATED TAXES

To override the system's automatic calculations and enter the estimated taxes you desire, select [**ES - Estimated Taxes**] on the General Tab. This screen is divided into columns and sections: 2003 Estimated Taxes Paid and 2004 Estimated Taxes Due.

ENTERING STATE DATA

State returns are easy to generate in *Drake Software*. First, either install the state software on the hard drive, or simply insert the "Evaluation CD" into the CD drive (see the State Installation instructions at the beginning of this guide for detailed directions).

State forms automatically generate, based on data entered on the Federal return. Calculation is based on the State entered on the "**Name & Address"** Screen for "Resident State", as well as the State codes indicated on W-2s, Schedule C, 1099, Schedule B, etc.

For specific information pertaining to the state, "**State Data Entry"** screens are available. On the "Data Entry Selection Menu", type the two-letter state code for the desired state and press [Enter]. Screens of available state forms appear.

Valid City Codes

DE	NY	MI	MO
• **WM**—Wilmington	• **NY**—New York City • **YO**—Yonkers	• **BC**—Battle Creek • **BR**—Big Rapids • **DT**—Detroit • **FT**—Flint • **GR**—Grand Rapids • **HC**—Hamtramck • **HP**—Highland Park • **IC**—Ionia City • **JC**—Jackson • **LN**—Lansing • **MC**—Muskegon • **MH**—Muskegon Heights • **PH**—Port Huron • **PT**—Pontiac • **SG**—Saginaw • **WL**—Walker	• **KC**—Kansas City • **SL**—St. Louis
• **PY**—Part-Year (use only on **“Screen 1”** in “Resident State” field)			

> New York city codes are entered NY or YO, with the exception of W2 locality codes, when they should be entered NYC or YONKERS.

On each of the forms screens, you will notice several symbols:

- If the field is marked “Override” (indicated by an ‘=’ symbol), an entry in the field overrides any calculations or Federal data normally associated with that item.
- If the field is marked “Adjust” (indicated by a ‘+’ symbol), any data entered in that field will be added to the calculated amount of Federal data normally associated with that field. To reduce an amount in an adjust field, enter a negative figure.
- All other entries are direct, no entry made means nothing appears on the form.

FAQ Screen

The FAQ Screen for each state is a great resource for state-specific information. Once on the Forms Menu for the state, the FAQ Screen should be the last listing on the page. Place your cursor in the desired field, and press [Shift] + [?] to access the information.

Part-Year Return

In the "Resident State" field of the "**Name & Address"** Screen, enter "PY" for a Part-Year return. If questions arise about what options are available for a specific field, press [Shift] + [?].

For those forms corresponding to a particular state (2106, 2441, W2, etc.), enter the necessary state in the **ST** field at the top of the screen. This prints the state information on the appropriate state form.

Direct Deposit

Use the **"DD"** screen to elect direct deposit of the IRS refund to the taxpayer's checking or savings account. Generally, direct deposit refunds are received one week earlier than paper checks.

The direct deposit account must be in the taxpayer's name and cannot include the name of another person. If married filing joint, the account can be in either the taxpayer's or the spouse's name, or both. If married filing separate, the account can be a joint account, or in the name of the taxpayer, but not only in the name of the other spouse. "Payable through" accounts are *not* acceptable for direct deposit. After completing the screen, press [PAGE DOWN] to rekey account number information.

Use the **"SDD"** screen to arrange a direct deposit of state refunds. The account information on this screen is transmitted. After completing the screen, press [PAGE DOWN] to rekey the information. Direct deposit policies differ from state to state. Check with the specific state for more information.

Payment

Use the "**PMT**" screen to pay the tax due amount through automatic withdrawal from the taxpayer's bank account. Enter the taxpayer's electronic funds withdrawal information. After completing the screen, press [PAGE DOWN] to rekey the information.

> Do *not* use this screen unless the return will be filed electronically.

> Use the **"SPMT"** screen for the following states only: AZ, CA, CT, DC, DE, IL, KS, LA, MA, MD, ME, MN, MT, NE, NJ, NM, NY, OH, OK, PA, SC and WV. Not all states allow electronic payments for taxes due.

Bank Products

Bank products are available through Bank One and Household Tax Masters. Enter bank information on the **"B1**" or "**HTM**" screen.

Filing an Amended Return

Form 1040X can be accessed from the Other Tab. This form cannot be e-filed, but can be populated with data from the original form. Enter [X] in the selector field to open the form. When you are prompted, click [YES] to auto-fill the 1040X with the original return's information. Then change the data in the original return to reflect your amendments to the return.

Print out the return and check for accuracy. An amended return must be mailed to the IRS.

Filing an Extension

Use the "**EXT**" screen to file an extension. Only one extension can be generated at a time. If Form 4868 is filed in April, remove the "X" from that field and place it in the "2688" field to generate a later extension.

> A PIN2 screen must accompany a 4868 with a Payment [PMT] screen. A payment must accompany all 4868s with a balance due. These can be selected for EF (also complete line 66 of screen 5).

Calculate and Print the Return

RETURN CALCULATION

Drake Software automatically saves all data as it's being entered. However, it does not automatically calculate the return. From anywhere within the return, press [CTRL + [C] or [CTRL] + [V] to calculate the return.

- Press [CTRL] + [C] to calculate the return and view a calculation summary screen. Press [CONTINUE] to return to the "Data Entry Selection Menu".
- Press [CTRL] + [V] to calculate the return and enter View mode. View mode enables you to view the actual forms that will print for the return.

The program automatically calculates when you exit a return. This ensures that the latest figures are calculated and saved.

> To automatically calculate the return when you view or exit, go to **Setup > Options > Calculate View/Print Tab** and select to turn on "Auto Calculate Return when exiting data entry".

> If the "Pause Option for Calculation" option has been selected to "After view or print only" in **Setup > Options > Calculation & View/Print Tab**, the calculation summary screen will display after pressing [CTRL] + [V]. Press [ESC] or the [SPACE BAR] to continue.

When the "**View Mode**" screen opens, use one of these methods to select a form:

1. Double-click the form to view.
2. Use the up/down arrow keys to move through the list. Press [ENTER] when the desired form is highlighted.

In the open form, use [PAGE UP] or [PAGE DOWN] or the up/down arrow keys to scroll. Press [ESC] to close the form and return to the list.

To return to data entry, click [DATA ENTRY] in Windows or press [CTRL] + [E] in the console version.

> When you view a return a red "Message Page" or yellow "Notes Page" may be present. See "Message Pages" on page 43 for information about this feature.

PRINT FILES

When the return is calculated, a "print" file is created. A "print" file must exist before the return can be selected for electronic transmission.

> From the Menu Bar, go to **Setup** > **Options** > **Calculation & View/Print Tab** and select the "Number of Days to Store Print Files".

PRINT

When satisfied with the return, press [CTRL] + [P] to open the "Print Mode" screen. Similar to "View Mode", a list of forms displays. From this point, choose to print single or multiple copies of one or more forms, including the entire return and sets:

- Double-click to select a form.
- Use the up/down arrow keys and [SPACE BAR] to select multiple forms to print. When the desired forms are highlighted, click [PRINT] or press [ENTER].
- Click [PRINT THE ENTIRE RETURN].
- Click [PRINT SETS] to open the "Print Sets" dialog box. Select the sets to print by checking or unchecking the "Print Set" boxes with a mouse click. When the correct sets have been checked, click [PRINT] or press [ALT] + [P].
- Use the Classic Mode check box to select the number of each form to print using the [+] and [-] keys. The number chosen for each form is saved.

Examining Returns

Now that you have completed a return, try entering a few more. In the PDF folder on this CD open the document *practice.pdf*. See “Adobe Acrobat Reader Installation” on page 3 for installation instructions for the PDF Reader. This document contains 7 returns for practice data entry. Solutions are found in *solutions.pdf* in the same folder.

Things to note when examining the completed practice returns:

- Additional Child Tax Credit is calculated using Form 8812. Since the software generates the Child Tax Credit automatically, you may need to refer to WK_8812 to examine the calculations used for line 49 of Form 1040 (line 33 of Form 1040A). To view this form check the Optional Worksheet box in the left column of **Setup > Options > Optional Documents**.The Additional Child Tax Credit is also calculated automatically. Examine Form 8812 to check the calculations for line 65 of Form 1040 (line 42 of Form 1040A).
- There are two forms in *Drake Software* for Earned Income Credit. The calculation is performed automatically. To examine the calculations for line 63 of Form 1040 (line 41 of Form 1040A) view WK_EIC. EIC cannot be generated for a Form 1040EZ. Form 8867 provides a checklist for EIC due diligence. The IRS examines these forms during audits. Complete and save Form 8867 for each taxpayer qualifying for EIC.
- To qualify for Child Care Credit, both parents must have earned income, be full time students or disabled. In *Drake Software*, fill out the dependent information on screen 2 including any child care expenses and then fill out Form 2441 completely including child care expenses again.

Review Questions Part 3

Answer the questions below. See “Answers Part 3” on page 39 for explanations of answers.

1. In return 400008001, why have we calculated a Child Tax Credit of $191?

   a) Examine Form 8812 calculations - line 13 reads $191.

   b) Examine Form 1040 line 49.

   c) Examine WK_8812 lines 1-11.

   d) You cannot tell why from the forms produced.

2. What form must be completed for due diligence and saved for each taxpayer qualifying for EIC?

   a) Form 8812

   b) Form WK_8812

   c) WK_EIC

   d) Form 8867

3. In return 400008003, why is there an EIC of $1,193?

   a) Examine the calculations on Form 8812

   b) Examine the calculations on Form 8867

   c) You cannot tell from a form produced with the software.

   d) Examine WK_EIC.

4. In return 400008003, why is there only $1200 of Additional Child Tax Credit and no Child Tax Credit?

   a) Examine Form 8812 and WK_8812

   b) Examine the EIC Form and WK_EIC

   c) Examine Form 8812 and Form 8867

   d) Examine Form 2441 and Form 8812

5. What two screens in the software must contain the Child Care expenses?

   a) Screen 1 and 2441 Screen

   b) Screen 2 and 2441 Screen

   c) Screen 3 and the MISC Screen

   d) Screen 1 and Screen 2

ANSWERS PART 3

1. The correct answer is **C, Examine WK_8812 lines 1-11.** View this form to see the Child Tax Credit calculations, resulting in $191.

A is incorrect. Line 13 of the 8812 reads $409 and is the calculation for the Additional Child Tax Credit.

B is incorrect. This is the line on the 1040 for the CTC, but it does not show how it is calculated.

D is incorrect. View the WK-8812 lines 1-11 to examine the calculations.

2. The correct answer is **D, Form 8867.** The Preparer's Earned Income Checklist must be completed for due diligence and saved for each taxpayer qualifying for EIC.

A is incorrect. Examine the 8812 for the Additional Child Tax Credit calculations.

B is incorrect. Examine the WK_8812 for the Child Tax Credit calculations.

C is incorrect. Examine the WK_EIC for the Earned Income Credit calculations.

3. The correct answer is **D, Examine WK_EIC.** This worksheet shows how EIC was calculated.

A is incorrect. Examine the 8812 for the Additional Child Tax Credit calculations.

B is incorrect. The Preparer's Earned Income Checklist only determines EIC eligibility.

C is incorrect. You can view the WK_EIC to examine the calculations.

4. The correct answer is **A, Examine Form 8812 and WK_8812.** The 8812 calculates the $1200 in Additional Child Tax Credit. The WK_8812 calculates zero on line 15, Child Tax Credit.

B is incorrect. The EIC form does not display dollar amounts and the WK_EIC calculates the Earned Income Credit.

C is incorrect. You can view the total Additional Child Tax Credit on the 8812, but the 8867 is and an EIC eligibility checklist.

D is incorrect. The 2441 is used to report Child and Dependent Care expenses.

5. The correct answer is **B, Screen 2 and 2441 Screen.** Enter child care expenses on Screen 2, the "**Dependent**" screen and the 2441 Screen, "**Child and Dependent Care Expenses**".

A is incorrect. Screen 1 is the "**Name and Address**" screen. You would enter Child Care Expenses on the 2441 Screen and the "**Dependent**" screen.

C is incorrect. Screen 3 is the "**Income**" screen and the MISC screen is used to enter miscellaneous codes and notes.

D is incorrect. Screen 1 is the "**Name and Address**" screen. You would enter Child Care expenses on Screen 2.

Electronically File the Return

Drake users can electronically file Federal tax returns either through *Drake* or directly to an IRS Service Center. State returns can be piggybacked on Federal returns, or sent directly to the state, depending on state requirements. In addition, the Piggyback states can be sent separately *to the IRS* as a “State Only” packet, with the exception of Hawaii and Oregon. The flexibility in EF options that *Drake* offers can be useful when filing a multi-state return, or when the initial State return has been rejected and must be re-filed. Becoming an Electronic Return Originator (ERO) requires some pre-season planning, but pays off when tax season arrives.

ERO/State ERO Setup

The temporary EFIN assigned by *Drake* does not enable electronic filing, but allows system testing. Preparers who are new to E-filing must apply to the IRS for an EFIN.

> ERO information MUST be entered before attempting to electronically file live returns.

1. On the Menu Bar, go to **Setup** > **ERO/State ERO Information**.
2. Enter or edit the information.
3. Click [OK] or press [ESC] to save and exit

If the preparer is filing through *Drake* and has returns for more than one IRS Service Center, all the returns can be filed in the same batch without changing the processing site. *Drake* separates the returns and sends them to the correct IRS Service Center.

> Returns with bank products, multiple-state returns to different IRS Service Centers, and Direct State returns must be E-filed through *Drake*.

To apply to the IRS to become an ERO file form 8633. (Found in the software: **Tools > Blank Forms > Select 1040 > 8633 and 8633.PG2.**). Mail this completed form with a fingerprint card to the Internal Revenue Service; Andover Campus; Attention EFU Acceptance; Testing Stop 983; PO Box 4099; Woburn, MA 01888-4099. Call the IRS, 1.866.255.0654 or Drake Support, 1.828.524.8020 to obtain a Fingerprint Card.

In addition, some states require the IRS acceptance letter or a special application before you electronically file to their state. Please refer to the chart below for state application requirements.

The taxpayer does not sign the bottom of page 2 of the 1040 when electronic filing the return. The Signature page for electronic filing is either the 8879 to send an electronic signature or the 8453 which must be mailed to the applicable IRS Service Center within 3 business days after the ERO has received acknowledgement from the IRS that the return has been accepted. The 8879 must be signed by the taxpayer BEFORE the electronic return is transmitted and then is retained in the tax preparer’s office for 3 years.

If the PIN screen is completed within the software, Form 8879 is produced when electronic filing, otherwise Form 8453 is produced. To complete the PIN screen, the taxpayer and spouse must choose a 5 digit number to serve as their signature. This may be entered by the preparer. The preparer must also enter a 5 digit number on the PIN screen. This number is self-selected but must be used for the entire season.

State E-Filing

Each state has its own application requirements for Electronic Return Originators (ERO) and users of bank products. Refer to the following table to determine if a state application is needed to electronically file returns to that state, or if an application is required to offer bank products.

State	State EF Application Required	Bank Products/ Applications Required	EF Center
Alabama	All EROs are automatically accepted.		Memphis
Alaska	No tax		Philadelphia
Arizona	EROs must send a copy of IRS application and/or acceptance letter.		Philadelphia
Arkansas	All EROs are automatically accepted.		Memphis
California	EROs must complete state application.	Yes	Philadelphia
Colorado	All EROs are automatically accepted.		Philadelphia
Connecticut	All EROs are automatically accepted.		Andover
Delaware	All EROs are automatically accepted.		Andover
DC	All EROs are automatically accepted.		Andover
Florida	No tax		Kansas City
Georgia	All EROs are automatically accepted.		Memphis
Hawaii	All EROs are automatically accepted.		Philadelphia
Idaho	EROs must send a copy of IRS application and/or acceptance letter.		Philadelphia
Illinois	EROs must complete state application.	Yes	Austin
Indiana	All EROs are automatically accepted.		Kansas City
Iowa	All EROs are automatically accepted.		Austin
Kansas	All EROs are automatically accepted.		Austin
Kentucky	All EROs are automatically accepted.		Kansas City
Louisiana	EROs must send a copy of IRS application and/or acceptance letter.	Yes Call 225-922-0366 for more information.	Memphis
Maine	All EROs are automatically accepted.		Andover
Maryland	All EROs are automatically accepted.		Andover
Massachusetts	EROs must complete state application.	Yes	Andover
Michigan	EROs must complete state application.	Yes	Kansas City
Minnesota	All EROs are automatically accepted.		Austin
Mississippi	All EROs are automatically accepted.	Yes	Memphis

State	State EF Application Required	Bank Products/ Applications Required	EF Center
Missouri	All EROs are automatically accepted.		Austin
Montana	All EROs are automatically accepted.		Philadelphia
Nebraska	Acceptance is automatic with Federal acceptance.		Philadelphia
Nevada	No tax		Philadelphia
New Hampshire	No tax		Andover
New Jersey	All EROs are automatically accepted.		Andover
New Mexico	All EROs are automatically accepted.		Austin
New York	State requires separate application for new participants only.	Yes	Andover
North Carolina	Special application is no longer required.		Memphis
North Dakota	EROs must complete state application	Yes	Philadelphia
Ohio	All EROs are automatically accepted.		Kansas City
Oklahoma	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Oregon	All EROs are automatically accepted.	Yes Call 503-378-4140 for more information.	Philadelphia
Pennsylvania	EROs must send a copy of IRS application and/or acceptance letter.		Andover
Rhode Island	All EROs are automatically accepted.		Andover
South Carolina	All EROs are automatically accepted.		Kansas City
South Dakota	No tax		Philadelphia
Tennessee	No tax		Memphis
Texas	No tax		Austin
Utah	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Vermont	All EROs are automatically accepted.		Andover
Virginia	All EROs are automatically accepted.		Andover
Washington	No tax		Philadelphia
West Virginia	EROs must send a copy of IRS application and/or acceptance letter.		Kansas City
Wisconsin	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Wyoming	No tax		Philadelphia

EF Options in Data Entry

In Data Entry, the "**EF**" screen overrides items entered in **Setup > Options**. Use this screen to send the Federal alone, or a state in any of the following ways:

- **Direct State** returns are sent directly from *Drake* to the state E-file Service Center. Only a few states require direct filing (CA, IL, MA, ME, MN).
- **State Only** packets can be sent the same time the Federal return is sent. Unlike Piggyback returns, State Only packets are reviewed by the state, regardless of the IRS acknowledgement.
- **Piggyback** state returns are sent with the Federal return to the IRS. If the Federal return is Rejected, the state return is not sent.

A total of five states may be sent electronically each year per SSN. Only one Piggyback state is allowed.

In Data Entry, type [EF] in the selector field to access the "**EF Override**" screen. The program automatically sends the federal and piggyback state, unless an override is entered. Enter [X] to select which forms and states are to be sent. Only returns entered here will be filed electronically.

Some state have established mandates. This year, California, Minnesota, Michigan and Oklahoma have published electronic filing mandates. These are explained in Taxing Subjects, Volume 4, Issue 1 (www.taxingsubjects.com) as well as documented on our support site in the Knowledgebase.

MESSAGE PAGES

When you view a return, a red Message Page may be present. These pages are created when a return has certain issues that would cause an IRS/State Rejection. Each page lists the Drake error code and a brief description to help you resolve the code. When these issues are resolved, the return is ready for EF. You cannot select a return for electronic filing with a red message page.

Similarly, the yellow Notes Page provides reminders or tips about the tax return. Please read the Notes Pages for pertinent information, but the appearance of this page does not prevent electronic filing.

For example, examine the practice return you entered during "Return Preparation" on page 21. Click [OPEN] from the tool bar and enter 400-00-6666 in the "SSN" field without dashes. Click [OK] and then press [CTRL] + [V] to view the return. Double-click with your mouse to view the red CA Message Page.

The complete California return is prepared except for the California Child Care. The CA Message page informs you of all of the criteria necessary to complete the credit. Most of this information you have entered on the 2441 and screen 2 of the federal return. You must however enter the telephone number for the child care provider. Notice that the message page tells you to use the CA 3506 screen. Type CA in the **Return Selector** field to enter the California specific data. Type 3506 and enter a telephone number for the child care provider in the appropriate field. Now when you view the return it is ready to electronically file to the IRS and to California. The Message page has disappeared.

All the states operate in a similar manner.

THE EF MENU

SELECT RETURNS FOR EF

After the return has been created and calculated without message pages, it is ready for EF. From the Menu Bar, go to **EF > Select Returns for EF.**

1. The "**Return Selector**" screen displays. A selection window opens, listing all recently calculated files that are eligible for electronic filing. Use the arrow keys to scroll through the list of returns.
2. Click the returns to select or deselect the desired returns.
3. After selecting the returns, click [CONTINUE]. A report listing all returns included in the transmission opens. Select the [PRINT] option to print the report. Click [EXIT] to close.

TRANSMIT/RECEIVE

Transmitting tax returns and receiving acknowledgements is a simple process. With just a few clicks, you are able to electronically file returns to the IRS and State.

All returns transmitted through *Drake* are forwarded to the correct IRS Service Center. An immediate acknowledgement is sent to indicate a successful transmission. After the IRS and/or the state receive and process the forwarded return, acknowledgements are sent to *Drake*, indicating whether the return was accepted or rejected. The acknowledgements are then forwarded to the ERO the next time a connection is made to *Drake*.

Although you have the option of transmitting directly to the IRS, *Drake* users are encouraged to transmit returns through *Drake*. There are two advantages to this option:

- The ability to send all returns in a single transmission - IRS, Piggyback, State Only and State Direct.
- *Drake* support is easily accessible. Our trained support personnel can access returns for troubleshooting.

BEGIN THE TRANSMISSION

1. Select **EF > Transmit/Receive** on the Menu Bar.
2. The transmit screen opens, providing four possible options: Review, Send/Receive, Acks Only, Cancel and Help.

Review

Use this option to review the transmission file and remove any returns before connecting to *Drake.*

> The returns that are selected and highlighted will NOT transmit. The returns that are not selected will transmit.

1. To review the manifest, click [REVIEW].
2. To select all, click [SELECT ALL]. All returns are highlighted; these will be removed from the transmission file.To deselect all, click [DESELECT ALL]. For single returns, click to select or deselect returns.

3. Click [CONTINUE].

Send/Receive

Use this option to connect and transmit the file, and to pick up Federal and State acknowledgments, bank product acknowledgments, check authorizations, and service packs needed to update the program (if selected in **Setup** > **Options** > **EF**).

1. Click [SEND/RECEIVE] to continue.
2. The Declaration Control Record opens. Click [PRINT].
3. Click [CONTINUE].
4. The program connects and completes the transmission and automatically disconnects from *Drake* after the transmission is complete.

Acks Only

Use this option to pick up Federal and State acknowledgements, bank product acknowledgements, check authorizations, and service pack files needed to update the program. No files are transmitted to *Drake*.

1. Click [ACKS ONLY] to continue.
2. The program connects and retrieves the acknowledgements and any service packs. The program only retrieves the service pack files if the option is selected in **Setup** > **Option** > **EF**.
3. The program automatically disconnects from *Drake* after the transmission is complete.

TEST TRANSMISSIONS

Before attempting to transmit any actual tax returns, it is recommended that EROs should first transmit test returns.

▼ **CAUTION!** ▼

Do NOT transmit any test returns that contain social security numbers other than those in the 400-00 and 500-00 series included in the software. Any other returns are processed as actual tax returns and the ERO could be charged with filing fraudulent tax returns.

TEST TRANSMIT THROUGH DRAKE

1. A preparer with a new IRS EFIN must contact *Drake Accounting* to update his/her client information. Call 828-349-5900.
2. Go to **SETUP** on the Menu Bar, and complete the following screens:
   - **“Firm Information”**
   - **“Preparer”**

- **"ERO/State ERO Information"**— Make sure the current year Password is correct (from the *Drake* packing slip). Clients evaluating *Drake* may call 828-349-5900 to receive a password.

3. Open and calculate the first five test returns provided in the software (400-00-1001 through 400-00-1005). View the returns for "Messages." If there is a message, correct the error before calculating the return again.
4. Select **EF > Select Returns for EF** on the Menu Bar. Choose the test returns to transmit.
5. Transmit the file to *Drake* by selecting **EF > Transmit/Receive** on the Menu Bar. *Drake* posts test acknowledgements (T) when the transmission is received.
6. Select **EF > Process Acks** on the Menu Bar. Print the acknowledgements, if desired. See "Process Acknowledgements" below for instructions.

Test transmissions through *Drake* do not receive an additional IRS acknowledgement. The "T" acknowledgement indicates the transmission was successful.

PROCESS ACKNOWLEDGEMENTS

Every successfully transmitted tax return receives acknowledgements. EROs transmitting through *Drake* receive:

- Processed acknowledgements to indicate the transmission was received:
  (T) for test transmissions
  (P) for live transmissions
- Federal acceptance or rejection acknowledgements.
- State acceptance or rejection acknowledgements (when a State return is electronically filed).
- Bank acknowledgements to indicate when a bank product has been accepted or rejected.

Any available acknowledgements are received when the ERO connects to Drake, whether transmitting files or not. To process and print acknowledgements, select **EF > Process Acks** on the Menu Bar.

The acknowledgement report displays:

- Social Security Number of primary taxpayer
- Document Control Number (DCN) of the transmitted return
- Refund due on the return
- Acceptance/rejection code
- Number of errors recorded
- Two-letter state code for the state return

When the acknowledgements are processed they move to the EF Database for future reference. The EF Reports utility can pull information from this database.

SEARCH EF DATABASE

The EF Database contains information about all returns that have been electronically filed. A return that has been filed more than once has more than one record.

OPEN A RECORD IN THE EF DATABASE

1. Select **EF > Search EF Database** on the Menu Bar.
2. Type the SSN of the primary taxpayer (without spaces, dashes, or additional characters).
3. Press [ENTER], or click [OK] in Windows.
4. Use [PAGE UP] and [PAGE DOWN] to access additional records for a taxpayer.

The Main screen of the record opens. There are six separate screens available for viewing, with the following information on each screen:

1. **"Main"** screen [F1]
   - Taxpayer information
   - Federal and State acknowledgement codes
   - Acknowledgement dates
   - Transaction date
   - Filing status
   - Refund amount or balance due
   - Reject codes
   - Bank codes and loan status
   - Bank check information
2. **"Bank/DD Info"** [F2]
   - Detailed loan information
   - Direct deposit information
   - Document Control Number
3. **"Fees/Errors/Miscellaneous"** [F3]
   - Earned Income Credit (EIC)
   - Adjusted Gross Income (AGI)
   - PINs, firm number, preparer number, ERO number
   - Bank distribution fees
4. **"Reject"** [F4] – Enter and view the reject code description and solution.
5. **"DE"** [F5] – Open the first screen of return data entry for the SSN/EIN displayed.
6. **"WEB"** [F10]
   - Connect to "Your online EF Database" to check the most current information available from the Service Centers
   - View pending Bank, State and Federal Information about one or multiple clients
   - View reports of your EF information for the current tax season

Review Questions Part 4

Answer the following questions. See “Answers Part 4” on page 49 for explanations of answers.

1. To become an ERO, which of the following is NOT true.

    a) Contact the IRS at 1.866.255.0654 and ask to be added to the ERO list.

    b) Request and complete a fingerprint card.

    c) Send a completed 8633 to the IRS.

    d) Send the fingerprint card to the IRS.

2. To electronically file returns to the state of Wisconsin what must an ERO do?

    a) Nothing.

    b) Fill out the Wisconsin application and submit to the state.

    c) Send the ERO acceptance letter from the IRS to the state of Wisconsin.

    d) Call the Wisconsin DOR and request to be placed on their ERO approved list.

3. True or False:

    When a PIN screen is completed a Form 8879 is generated and signed by all parties and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.

4. If a return is electronically filed without a PIN what must happen?

    a) You cannot electronically file a return without a PIN.

    b) A third party designee must be chosen.

    c) A Form 8453 is produced and signed and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.

    d) A Form 8453 is produced that must be signed and kept in the business office for 1 year.

5. If a state is sent as a “piggyback” return with the federal return, what happens to that state return if the IRS rejects the federal return?

    a) The “piggyback” state return goes on to the state and is rejected by the state.

    b) The “piggyback” return goes on to the state and is accepted by the state.

    c) You cannot send a state return with a federal return. They must all be sent directly to the state DOR.

    d) The “piggyback” return is not processed and may be sent again with the corrected federal return.

ANSWERS PART 4

1. The correct answer is **A, Contact the IRS at 1.866.255.0654 and asked to be added to the ERO list.** This statement is false because a taxpayer must fill out an 8633 ERO Application and fingerprint card and submit it to the IRS to be considered.

B is incorrect. This statement is true. Call the IRS or Drake Support to request a fingerprint card.

C is incorrect. This statement is true. Print and 8633 from **Tools > Blank Forms > Select 1040 > 8633 and 8633.PG2.**

D is incorrect. This statement is true. Send a fingerprint card along with the completed 8633 to the IRS to apply.

2. The correct answer is **C, Send the ERO acceptance letter from the IRS to the state of Wisconsin.** Wisconsin does not have it's own state-specific ERO application.

A is incorrect. You must send the ERO acceptance letter from the IRS to Wisconsin.

B is incorrect. Wisconsin does not have its own state-specific ERO application.

D is incorrect. You must send Wisconsin the ERO acceptance letter form IRS. A phone call is insufficient.

3. The correct answer is **FALSE.** The 8879 is signed by the taxpayer and is retained by the tax preparer's office for three years.

4. The correct answer is **C, A Form 8453 is produced and signed and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.** When e-filing a return, if an 8879 is not produced, an 8453 must be used.

A is incorrect. You can e-file a return with an 8453 without a PIN. The 8453 must be sent to the IRS within 3 business days of the receipt of an acknowledgement from the IRS.

B is incorrect. A third-party designee is not a necessity when filing an 8453. A third party designee allows a third party to discuss the return with the IRS.

D is incorrect. If a PIN is provides a Form 8879 is produced and must be signed and kept in the tax preparer's office for three years.

5. The correct answer is **D, The "piggyback" return is not processed and may be sent again with the corrected federal return.** If the return is rejected, it does not go on to the state.

A is incorrect. The state return is not processed. It does not go on to the state.

B is incorrect. The state return is not sent on to the state.

C is incorrect. Many state returns can be sent with the federal return as "piggyback" or "state only". Illinois, New York, California, Massachusetts, Maine and Minnesota may be sent directly to the state.

Business Return

PREPARE THE 1120 EVALUATION RETURN

To begin entering data in the Corporation Evaluation return, you need to create a new client.

1. From the **Tool Bar**, click [OPEN]**.**
2. In the available field, type the following EIN for our Evaluation Return: **400-00-2222** and click [OK] (to view the completed return, open 400-00-2223).
3. Click [YES] to create a new return.
4. Select the return **TYPE.** In this case, select "C Corp" and press [OK]. **"Screen 1"** displays.

SCREEN 1, CORPORATION GENERAL INFORMATION

The Corporation Evaluation client is Best Foods, Inc., which was incorporated in GA on 1-01-1986. The calendar year for the corporation ends 12-31-2003. Type all numbers without dashes (unless the number is negative), slashes, dollar signs or commas. Enter the following fields and press [ESC]:

Fields	Data
Address	4554 Middle Road
Zip	30525

SCREEN 2, STATE GENERAL INFORMATION

Enter the following data on "Screen 2" and press [ESC] when finished.

W/H Tax AC	417-02-00012222
Sales Tax #	0754474-38

INCOME

Enter the following data on "Screen 3" and press [ESC] when finished.

Fields	Data
Gross Receipts or Sales	538920

SCHEDULE L – BALANCE SHEETS – ASSETS

Type 'L' and press [Enter] to access the Schedule L. Enter the following data and press [ESC]. Press [PAGE DOWN] to access more of the screen or to access a new screen.

Fields	Beginning (a)	Beginning (b)	End of Year (c)	End of Year (d)
Cash		-6712		44576
Trade Notes & Accounts Receivable	0		123,356	
Other current assets		2860		1421
Loans to shareholders		19163		19163
Payable less than 1 year		2200		2200
Capital Stock: Common	15000		15000	
Retained Earnings - unappropriated		-49863		134123
Less cost of Treasury Stock		56375		56375

SCHEDULE A – COST OF GOODS SOLD

Type 'A' and press [Enter]. Enter the following data and press [ESC] when finished.

Fields	Data
Inventory at the beginning of the year	4000
Purchases less cost of items withdrawn for personal use	238190
Cost of labor	6000
Inventory at end of year	4000
9A	Cost
Do the rules of section 263A apply to the corporation	No

Fields	Data
9F	No

Schedule E – Compensation of Officers

Type 'E' and press [ENTER] to access the Sch E. Enter the following data and then press [ESC].

Name of Officer	SSN	Ownership & Participation Time	Percent of Corp Stock Owned		Compensation
			Common	Preferred	
Jane Doe	400005999	100	100	0	2100

Schedule K – Other Information

Type 'K' and press [Enter]. Enter the following data into the correct fields and then press [ESC] to save the screen and exit.

Fields		Data
1	Accounting Method	Accrual
2	Principle Business Code	722110
2c	Product or Service	Restaurant
3	Corporation Owned more than 50% of a domestic corp's voting stock.	No
4	Is corp a sub. in an affiliated/parent-sub controlled group?	No
5	Did any entity at year end own 50% or more of corp voting stock?	Yes
	Name	Robert T Dickson
	ID#	256807327
	Percent Owned	100

Fields		Data
6	**Did Corp pay dividends > current accumulated earnings and profits**	No
7	**Did one foreign person, during the tax year own at least 25%...**	No
10	**The number of shareholders at the end of the year**	2
11	**If the corp has an NOL and elects to forego carryback, enter X**	X

FORM 4562 – DEPRECIATION

The items in the tables below are 100% for business use, so leave that field blank. The date placed in service is 06-04-1986. The cost and depreciation basis are the same amounts.

Type 4562 to access Depreciation. Enter the following information and press [ESC] when complete.

Description	Cost	Method	Life	Prior Depreciation	
				Fed	State
Glass Building	8914.90	ARP	19	7996.67	7996.67
Tiling	8150	ARP	19	7310.55	7310.55
Roofing	6183	ARP	19	5546.15	5546.15
Air Cond	6000	ARP	19	5382.00	5382.00
Leasehold	49682.22	ARP	19	44564.95	44564.95
Leasehold	1330.45	ARP	19	1193.41	1193.41
Gas Range	5000	M	5	5000.00	5000.00
Deep Fry	2984.40	M	5	2984.40	2984.40
Exhaust Fan	4631.12	M	5	4631.12	4631.12
Refrigerator	17058.38	M	5	17058.38	17058.38
Equipment	669.25	M	5	669.25	669.25
Equipment	670.91	M	5	670.91	670.91

Description	Cost	Method	Life	Prior Depreciation	
				Fed	State
Equipment	152.88	M	5	152.88	152.88
Equipment	181.20	M	5	181.20	181.20
Oven	5142.29	M	5	5142.29	5142.29
Equipment	1452.38	M	5	1452.38	1452.38
Cabinets	2553.20	M	5	2553.20	2553.20

The items below should be entered.

Description	Date Acquired	Cost	Method	Life	Prior Depreciation	
					Fed	State
Ice Machine	02281991	2626.00	M	7	2626.00	2626.00
Printer	03211994	2904.40	M	5	2904.40	2904.40
Cash Register	04301994	1865.60	M	5	1865.60	1865.60
Blizzard Machine	06301994	589.89	M	7	589.89	589.89
HVAC Unit	08141997	7171.00	M	7	6210.99	6210.99
Toaster	03301995	716.98	M	5	716.98	716.98
Cash Register	04301995	493.98	M	5	493.98	493.98
HVAC Unit	09151997	5971.00	M	7	5171.00	5171.00
Office Equipment	05311998	404.90	M	5	381.58	381.58
Misty Mch	02011998	2000.00	M	5	1884.80	1884.80
Computer	06261999	5383	M	5	3683.65	3683.65

Description	Date Acquired	Cost	Method	Life	Prior Depreciation	
					Fed	State
Booths	05041988	9089.63	M	5	9089.63	9089.63
Paving	06041988	15695.87	ARP	5	15698.87	15698.87
Franchise	07022000	6000	AMT	15	600	600
Ice Maker	11282002	2560	M	7	91.39	91.39

LOSS – LOSS CARRY FORWARDS FROM PRIOR YEARS

Enter [LOSS] in the selector field to enter the information below.

Fields	Data
NOL – Unused for Year 2002	13603
NOL – Unused for Year 2001	0

SCHEDULE M1 – RECONCILIATION OF INCOME

PER BOOKS WITH RETURNS

Enter [M1] in the selector field for data entry of the following information. Line 5 in this screen has a blank field for description entries. In the example below you would enter Penalties in that box and 1184 in the amount field next to it.

Table 1:

Fields	Data
Line 5, Expense Item Box	Penalties
Line 5, Amount Field	1184

Appendix

Data Entry Navigation

Action	Keyboard Keys
Move cursor **forward** one field	ENTER, TAB or use the down Arrow
Move cursor **back** one field	SHIFT + TAB or UP Arrow
Move cursor within a field	RIGHT/LEFT Arrows
Delete character **behind** the cursor	BACKSPACE
Delete character before the cursor	DELETE
Insert character within existing text	INSERT (on)
Move to the **last** field on the screen	END
Move to the **first** field on the screen	HOME
Create additional Data Entry screens (e.g., W-2, 1099, schedules, etc.)	PAGE DOWN or CTRL + PAGE DOWN
Return to previous screen (exit)	ESC
Note: Use the mouse to position the cursor in a desired field.	

Overrides and Adjustments to Return Calculations

Override Fields	Adjustment Fields
Data Entry fields that allow overrides are preceded by an equal sign (=). An amount entered in these fields overrides program calculations.	Data Entry fields that allow adjustments are preceded by a plus sign (+). An amount entered in these fields adjusts program calculations. Enter a negative number to subtract an amount.

HOT KEYS

Action	Hot Keys	Additional Notes
Access help text during Data Entry	SHIFT +?	With the cursor in the field, press Shift +? for Data Entry information. If selections are listed, select the desired choice and press [ENTER] to insert data.
Exit a Data Entry screen without saving changes.	SHIFT + ESC	Press [ESC] to exit and save changes in Data Entry.
Verify a valid Social Security Number	ALT +?	After the SSN has been entered, press Alt +? for SSN verification.
Insert the current date in any date field	ALT + D	**CAUTION! [CTRL] + [D] deletes the screen!**
Calculate a return	CTRL + C	Open the return in Data Entry and press CTRL + C
View a return	CTRL + V	Open the return in Data Entry and press CTRL + V
Print a return	CTRL + P	Open the return in Data Entry and press CTRL + P
Split MFJ return to MFS return	CTRL + S	Open the joint return in Data Entry and press CTRL + S
Populate the Amended or "**X**" screen with data from the last calculation	CTRL + X	Use CTRL + X to update the Amended screen. This screen corresponds with Column "A" on the 1040X. After the "X" screen is populated, make changes to the other screens in the return. Screens other than the "X" will be used to calculate Column "B" on the 1040X.
Change or return to Data Entry	CTRL + E	Toggles pre-prepared and full-screen Data Entry. Also, returns to Data Entry from view mode or print mode
Undo the most recent, unsaved change.	CTRL + U	Available in Data Entry
Open an unformatted schedule	CTRL + W	Place the cursor in the desired field and press CTRL + W for a detail worksheet. Note: If all data has been removed from a data entry screen, the screen must be deleted to prevent e-filing errors.
Toggles heads down and standard Data Entry	CTRL + N	In Data Entry, use CTRL + N to turn on the numbers that correlate with the Proformas.
Delete a Data Entry screen	CTRL + D	With cursor in any field, press CTRL + D to permanently remove the screen. Note: If all data has been removed from a Data Entry screen, the screen must be deleted to prevent e-filing errors.
Activate the pop-up calculator	F10	Available in Data Entry

POP-UP CALCULATOR FUNCTION

There are three ways to enter numbers and their operators: (1) using the numeric keypad on the keyboard, (2) using the numbers on the typewriter keyboard, or (3) using the mouse to click the numbers and operators.

Function	Operator	Instructions
Addition	+	Enter the number to be added and press [+].

Function	Operator	Instructions
Subtraction	-	Enter the number to be subtracted and press [-]
Multiplication	*	Enter the first number in the equation and press [*]. Then enter the second [=] on the screen to complete the calculation.
Division	/	Enter the number divide and press [/]. Then enter the number that divides the first number. Press [ENTER] on the keyboard or [=] on the screen to complete the calculation.
Clear a number	NUM-LOCK	Press the [NUM-LOCK] key on the keyboard to clear the current calculation.
Insert calculation total in Data Entry field	F1 or **F1-Insert Result** Tab	With the desired total in the summary field, press [F1] on the keyboard, or the F1 Insert Result Tab on the screen. The calculator disappears and the calculation total transfers to the Data Entry field where the cursor is located.
To turn on the calculator	F10	Press [F10] to activate the calculator.
To turn off the calculator	ESC	To deactivate the calculator without inserting data in a field, press [ESC] on the keyboard or the ESC-Quit tab on the screen.

FREQUENTLY USED CODES FOR DATA ENTRY

Field	Code	Application
TS or TSJ	T	Data is assigned to the primary taxpayer.
TS or TSJ	S	Data is assigned to the spouse.
TS or TSJ	J	Data is assigned to both the taxpayer and spouse.
F	Blank or 0 (zero)	To exclude data from the Federal return, enter 0 (zero).
ST	State Code	If a State return is being prepared, enter the appropriate two-letter state code (postal service abbreviation). If the field is left blank, the program defaults to the resident state.
ST	0 (zero)	To exclude data from any State return.
ST	PY	When preparing multi-state returns, use PY as the resident state code on "**Screen 1**". Do NOT use PY on any other screen.
C	City Code	When preparing city returns, enter the appropriate city code to indicate the source of income.
Multiple Form Code	1-99	When preparing Form 4562 (depreciation), indicate the appropriate schedule for the depreciated item and indicate where the information should be carried when there are multiple schedules.

GLOSSARY OF MENU ITEMS

Task	Description	Location
Amortization	Prepare and print an amortization schedule using information furnished by the user. Amortize assets	Tools > Amortization 4562 in a return
Backup/Restore	Back up and restore Client files, EF Database, Setup and Pricing Files.	Tools > File Maintenance > Backup/Restore

Task	Description	Location
Blank Forms	Comprehensive list of Drake calculated Forms and Forms not available in the software to print or view. Blank Proformas and Organizers are available in “**Blank Forms**”.	Tools > Blank Forms
Build EINs from 2002	Update EIN database from the prior year.	Last Year Data > Build EINs from 2002
Change File Type	Changes the Return Type (Individual, Partnership, Corporate, Sub-S Corp, Fiduciary, Tax Exempt).	Tools > File Management > Change File Type
Calculate	Calculate single or batches of returns.	File > Calculate Returns
Change SSNs on File	Correct file name when changing a social security number.	Tools > File Maintenance > Change SSNs on File
Check Register	Prints a check register as a record.	EF > Check Register
Check Print	Print new checks or reprint damaged checks.	EF > Check Print
Clear BBS files	Delete BBS files after they are installed.	Tools > File Maintenance > Clear BBS Files
Client Reports	Generate reports based on default or user identified criteria.	Reports > Client Reports
Colors	Edit default colors displayed on-screen	Setup > Colors
Copy EF Returns to Disk	Copy print files of calculated returns from the hard drive to a disk.	EF > Copy EF Returns to Disk
Copy EF Returns from Disk	Copy print files of calculated returns from a disk to the hard drive.	EF > Copy EF Returns to Disk
Delete Client Files	Permanently delete client files.	Tools > File Maintenance > Delete Client Files
Delete Print Files	Delete the temporary print files that are created when returns are calculated.	Tools > File Maintenance > Delete Print Files
Depreciation List	Print a list of client’s depreciable assets.	Reports > Depreciation List
Directories/Paths	Set up CD drive letter, drive location of current year, last years files and shared drive letter for peer-to-peer networks.	Setup > Directories/Paths
Download Fonts	Copy Softfonts, which are necessary to print tax forms, to the printer. This must be run each time the printer is turned off.	Tools > Download Fonts
Edit EIN Database	Edit specific employer information in the EIN Database.	Tools > Edit EIN Database
EF	Set up Electronic Return Originator information	Setup > ERO/ State ERO Information
EF Reports	Create standard and custom reports of EF data.	Reports > EF Standard or Custom Reports
e-mail to Drake	Send e-mail directly to technical support. Receive broadcast e-mails from *Drake*, including a weekly update on tax changes, program tips and more.	EF > e-mail to Drake
Envelopes	Print envelopes.	Tools > Letters > Envelopes
Export Client Data	Exports data to a database file that can be opened and used for generating reports in Access, Excel, etc.	Tools > File Maintenance > Export Client Data

Task	Description	Location
Export EF Data	Export data to a database file that can be opened and used for generating reports, in Access, Excel, etc.	Tools > File Maintenance > Export EF Data
Filled In Screens	Print the Data Entry screens for a return.	Reports > Filled in Screens
Firm	Set up the preparer's firm information. This is the information that prints on the bottom of 1040s.	Setup > Firm
Fixed Asset Manager	Print various asset reports.	Reports > Fixed Asset Manager
Hash Totals	Print a report showing the number of screens, fields and keystrokes used on one return.	Reports > Hash Totals
Install Updates	Install update disks, CDs or Service Pack files.	Tools > Install Updates
Letters	Edit the coupon, estimate, pre-season, after-season and result letters for clients.	Setup > Letters
Letterhead	Activate or remove graphic letterhead for letters and bills.	Setup > Letterhead
Macros	Set up shortcut keys for commonly used words, phrases, addresses, etc. Samples are pre-programmed to show examples of input.	Setup > Macros
Mailing Labels	Generate mailing labels for clients, service centers, DORs, etc.	Tools > Letters > Mailing Labels
Open Returns	Open an existing return or create a new one.	File > Open Returns
Options	Set user preferences that affect viewing, printing, calculation, optional documents, EF, etc.	Setup > Options
Organizers	Print client information and preseason sheets for gathering tax data based on last year's information	Last Year Data > Organizers
Password Protect Files	Lock a file with a Password. **The preparer must remember or write down the password. There is no way to open the file without the correct password. Drake Support does not have access to the password.**	Tools > File Maintenance > Password Protect Files
Pay Per Return	Activate, order and view availability of returns for Pay Per Return clients.	Setup > Pay Per Return
Postcards	Addresses post cards to a selected group of clients.	Tools > Letters > Post Cards
Preparers	Set up Preparer information and level of security. Also set up hourly rates, password and PIN.	Setup > Preparers
Pre-Prepared Entry	Enter data from a return that has been previously prepared. This utility allows direct data entry to IRS forms; returns are not calculated through the program.	File > Pre-Prepared Entry
Pricing	Set prices per form or per item.	Setup > Pricing
Print	Print single or batch returns.	File > Print
Printer Setup	Select printers to use in program.	Setup > Equipment > Printer Setup
Process Acks	Print and post IRS, State, and Bank acknowledgements.	EF > Process Acks
Proformas	Print a summary of the prior year's return on an interview sheet.	Last Year Data > Proformas

Task	Description	Location
Quick Estimator	Prepare a quick estimate of the tax return with minimal data entry. Save information for later tax preparation.	File > Quick Estimator
Quickbooks Import	Import a client file created in Quickbooks	Tools > File Maintenance > Quickbooks Import
Repair Index Files	Re-index all database and client files.	Tools > Repair Index Files
Reprint Damaged Check	Reprint damaged checks.	EF > Check Print
Search EF Database	View client e-file status, EF information, reject code and reject code description.	EF > Search EF Database
Security	Administrator can set security levels for each preparer.	Setup > Preparers
Select Returns for EF	Select from a list of calculated returns to create an electronic transmission file.	EF > Select Returns for EF
Setup New (Checks)	Enter check range when new checks are received from bank	EF > Check Setup > Setup New
Transmit/Receive	Connect and transmit return.	EF > Transmit/Receive
Unlock Client Files	If a file has been locked, use this option to unlock and edit the return.	Tools > File Maintenance > Unlock Client Files
Update 2002 to 2003	Update the previous year’s client data.	Last Year Data > Update 2002 to 2003
Update Config 2002-2003	Bring forward last year’s setup; e.g., firms, preparers, pricing, macros, etc.	Last Year Data > Update Config 2002 to 2003
View	View the forms generated for a return	File > View Returns
Void Unused Check	Void checks in the system that have not been printed.	EF > Check Setup > Void Unused Check

Glossary

Bank Products: Enable a taxpayer to receive a refund faster and assists with paying for tax preparation service or any money owed to the IRS.

CBT: Computer Based Tutorial. CBTs enable the tax preparer to learn the basics of the software through short instructional videos.

CCH: The US Master Tax Guide Plus from CCH Incorporated is a comprehensive online tax information library available though the “Tax Help” speed button on the toolbar.

Data Entry Selection Menu: The “home base” for return preparation.

Direct State: E-filed returns that are sent directly from *Drake* to the State E-file Center. Only a few states require direct filing (CA, IL, MA, ME, MN).

EFIN: Electronic Filing Identification Number. Preparers new to e-filing must apply for an EFIN by preparing and submitting an 8633 to the IRS.

Email to Drake: Used to send and receive email in the *Drake* program.

EMonday: Email that provides information on important IRS updates and software changes. Receive these messages on Monday in the Email to Drake program.

ERO: Electronic Return Originator. To become an ERO, preparers must apply for an EFIN.

FAQ Screen: Frequently Asked Questions. On any state screen in data entry, type “FAQ” in the selector field to access state-specific information.

Heads Down Data Entry: Uses field codes that correspond with interview sheets (proformas). Data can be gathered by a tax preparer and entered by a data entry operator.

Hot Keys: Enable the user to perform specific actions quickly and easily using the keyboard. For example, press [CTRL] + [C] to calculate a return.

Menu Bar: The list of menu options across the top of the Drake screen.

Message Page: Red pages that appear in View or Print Mode when a return has certain issues that would cause an IRS/State rejection. You cannot select a return for electronic filing with a red Message page. Correct the issue and view the return. If the message page is gone, the return can be e-filed.

Notes Page: The yellow Notes page provides reminders or tips about a tax return and does not prevent e-filing.

PDF: PDF format allows *Drake* manuals and other materials to be viewed and printed directly from the CD. PDF (Portable Document Format) is a file format that captures all the elements of a printed document as an electronic image that can be viewed, navigated or printed. PDF files are created in Adobe Distiller, PDF995, or similar products. View the files with the Adobe Reader.

Piggyback: E-filed state returns that are sent with the Federal return to the IRS. If the Federal return is rejected, the state return is not sent.

Print mode: Enables the printing of the forms associated with a return. Press [CTRL] + [P] to enter Print mode.

Selector Field: In data entry, the entry field located in the bottom left corner of the screen. Type corresponding screen codes in the field and press [ENTER] to access data entry screens.

Service Packs: Program updates that can be installed through an internet connection. From the menu bar, go to **Tools > Install Updates** and choose the Online Service Pack (Federal Update) or State Service Pack.

Speed Button: Used for quick access to commonly used program function. Speed Buttons are located on the tool bar directly under the menu bar.

Split Return: Press [CTRL] + [S] to split a MFJ (Married Filing Joint) return into two MFS (Married Filing Separate) returns, enabling the preparer to easily compare and determine the best option for the taxpayers.

State Only: E-filed returns that can be sent through an IRS Service Center to a state by themselves. Unlike Piggyback state returns, State Only packets are reviewed by the state, regardless of the IRS acknowledgement.

View Mode: Enables you to view the actual forms that print with a return. Press [CTRL] + [V] to enter View mode.

CPE Exam

Answer the questions below. See “CPE Exam Answer Sheet” on page 67 for answer sheet and instructions for receiving credit.

1. In *Drake* **Setup > Options**, which tab would I select to change state options?

   a) EF Tab

   b) Optional Items on a Return Tab

   c) Billing Tab

   d) State Tab

2. What operation does [CTRL] + [S] perform?

   a) Splits a Married Filing Joint return into two Married Filing Separate returns.

   b) Opens a return.

   c) Saves a return.

   d) Saves Firm and ERO information.

3. What information is provided on WK_EIC?

   a) A check list for Additional Child Tax eligibility.

   b) A check list for EIC due diligence.

   c) Calculation used for determining EIC amounts.

   d) Calculation used for determining ACTC amounts.

4. Which of the following would not be used when electronic filing with *Drake Software*?

   a) Form 8453

   b) Form 8879

   c) The signature lines on the bottom of the 1040

   d) PIN Screen

5. Which pages in view mode of *Drake Software* would prevent electronic filing?

   a) Notes Pages

   b) Form 8879

   c) Form 8453

   d) Messages Pages

6. Which key combination inserts the current date into a data entry field with *Drake Software*?

   a) [CTRL] = [D]

   b) [CTRL] + [F]

   c) [ALT] + [D]

   d) [SHIFT] + [D]

7. True or False: A Form 4797 can be created by filling out the date sold, the selling price and the property type on the 4562 screen.

8. Automobile expenses are created from what screen in *Drake*?

a) 4562

d) 4797

c) AUTO

d) C

9. Once a W-2 has been entered in *Drake*, how can you create another blank form for a second W-2?

a) Press [Insert]

b) Press [Page Down]

c) Press [F3]

d) Press [ESC]

10. What information is found on WK_8812?

a) Due diligence information for the Child Tax Credit.

b) Due diligence information for the EIC

c) Calculation for the Advanced Child tax Credit.

d) Calculations for the Child Tax Credit.

11. Within *Drake Software* on the C screen, how can I find the business code?

a) You cannot. You must check the Schedule C instructions.

b) In the business code field Press [Shift] + [?].

c) You cannot. The client will know the appropriate code.

d) In the business code field press [ESC].

12. Press [F4] from EF > Search EF Database. This give you access to what information?

a) Taxpayer demographics

b) Federal Reject Codes

c) Bank or Direct Deposit Information

d) Sends you to "Your EF Database" on support.drakesoftware.com

13. How can you access blank federal and state forms within *Drake Software*?

a) From the Menu Bar choose Tools > Blank Forms.

b) From the Menu Bar choose Setup > Options > Blank Forms

c) You cannot get blank forms within the software.

d) Open a return and enter no information.

14. True or False: You can email returns, inquiries or information to *Drake* from within the software.

15. Which one of the following is NOT a method for opening a return in *Drake Software*?

    a) Type the SSN or EIN in the top box of the “Open a Return” window.

    b) Press [F3] from the “Open a Return” Window.

    c) Select the desired return from those returns displayed in the lower box of the “Open a Return” window.

    d) Type a last name or company name in the entry field of the “Open a Return” box and press [Enter].

16. How do you file an amended return with *Drake*?

    a) Print out the blank form, complete and mail in to the IRS.

    b) Reenter the return. Go directly to the [X] screen. Press [CTRL] +[X]. Then enter the changes needed to amend the return. Select for EF.

    c) Reenter all information into the return and reprint. Mail to the IRS.

    d) Reenter the return. Go directly to the [X] screen. Press [CTRL] +[X]. Then enter the changes needed to amend the return. This return must be paper filed to the IRS.

17. Is it possible to create a Part Year Return with *Drake Software*?

    a) Yes, enter [PY] as the resident state on screen 1.

    b) Yes, Type [PY] in the return selector field and fill out the screen.

    c.) Yes, create two separate returns.

    d.) No.

18.Which of the following does not calculate a return?

    a) Press [CTRL] + [C].

    b) Click [CALC] button on the Tool Bar.

    c) Exit the return. (After selecting “Auto Calculate Return when exiting data entry” from Setup > Options > Calculate View/Print Tab)

    d) Press [CTRL] + [E].

19. True or False: You can electronically file live returns with the temporary EFIN given to the user by *Drake Software*.

20. Which of the following methods of payment or refunds can be executed with *Drake*.

    a) An automatic withdrawal of funds from taxpayer’s bank or savings account on a selected date in the future.

    b) A direct deposit into the taxpayer’s bank or savings account.

    c) A refund check printed in the tax preparer’s office.

    d) All of the above.

CPE Exam Answer Sheet

Circle the appropriate response on this answer sheet for each of the questions on the CPE Exam. .

1.	A	B	C	D
2.	A	B	C	D
3.	A	B	C	D
4.	A	B	C	D
5.	A	B	C	D
6.	A	B	C	D
7.	True	False	n/a	n/a
8.	A	B	C	D
9.	A	B	C	D
10.	A	B	C	D
11.	A	B	C	D
12.	A	B	C	D
13.	A	B	C	D
14.	True	False	n/a	n/a
15.	A	B	C	D
16.	A	B	C	D
17.	A	B	C	D
18.	A	B	C	D
19.	True	False	n/a	n/a
20.	A	B	C	D

Please return completed Exam and Evaluation (see “2004 Evaluation Guide” on page 68) before January 1, 2005 to:

Education Department

Drake Software

235 E. Palmer Street

Franklin, NC 28734

2004 Evaluation Guide

Please take a moment and let us know what you think. We value your input and suggestions and strive to continually improve our educational tools to better suit your needs. For CPE credit, you must complete your name and address along with your evaluation of the course material. You must also include your signature on the form. Hours are based on a 100-minute hour. Credit is awarded to a score of 70% or better. Your CPE certificate will be mailed to you.

Please Print All Information Clearly. Circle the designation that applies to you.

CPA PA Enrolled Agent Tax Practitioner Attorney Other

Your Name (Mr/Mrs/Miss/Ms) ____

EFIN________________ E-mail: ____

Firm Name __________________________ Phone ___________________________

Address ____

City ____ ST ______ Zip _________

Regarding Content and Media (please circle one)

- Were the stated learning objects met? Yes or No
- Were program materials accurate and did they contribute to the achievement of the learning objectives? Yes or No
- Were the Eval Guide & Software appropriate? Yes or No
- Were prerequisite requirements appropriate? Yes or No

Comments:

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To receive your CPE certificate, you must sign this form.

Your signature

____

Your Name (please print)

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