

**Form 1120**  
Department of the Treasury  
Internal Revenue Service

**U.S. Corporation Income Tax Return**

OMB No. 1545-0123

For calendar year 2001 or tax year beginning ..... 2001, ending ..... 20.....  
 ▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

**2001**

<b>A Check if a:</b> 1 Consolidated return (attach Form 951) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-47—see instructions) <input type="checkbox"/>	<b>Use IRS label. Otherwise, print or type.</b>	<b>Name</b> ABC GIFT SHOP, INC.	<b>B Employer identification number</b> 85 : 9999999
		<b>Number, street, and room or suite no. (if a P.O. box, see page 7 of instructions.)</b> 500 MAIN STREET	<b>C Date incorporated</b> 06/30/00
		<b>City or town, state, and ZIP code</b> TAOS, NM 87571	<b>D Total assets (see page 8 of instructions)</b> 301,668

**E Check applicable boxes:** (1)  Initial return (2)  Final return (3)  Name change (4)  Address change \$

Income	1a	Gross receipts or sales		b	Less returns and allowances		c	11a	796,750
	2	Cost of goods sold (Schedule A, line 8)						2	392,500
	3	Gross profit. Subtract line 2 from line 1c						3	404,250
	4	Dividends (Schedule C, line 19)						4	
	5	Interest						5	1,200
	6	Gross rents						6	
	7	Gross royalties						7	
	8	Capital gain net income (attach Schedule D (Form 1120))						8	
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)						9	
	10	Other income (see page 8 of instructions—attach schedule)						10	
	11	<b>Total income.</b> Add lines 3 through 10						11	405,450
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)						12	90,000
	13	Salaries and wages (less employment credits)						13	26,240
	14	Repairs and maintenance						14	
	15	Bad debts						15	
	16	Rents						16	
	17	Taxes and licenses						17	1,000
	18	Interest						18	5,000
	19	Charitable contributions (see page 10 of instructions for 10% limitation)						19	
	20	Depreciation (attach Form 4562)		20	3,669				
	21	Less depreciation claimed on Schedule A and elsewhere on return		21a				21b	3,669
	22	Depletion						22	
	23	Advertising						23	
	24	Pension, profit-sharing, etc., plans						24	
	25	Employee benefit programs						25	
	26	Other deductions (attach schedule)			SEE STATEMENT 1.			26	192,150
	27	<b>Total deductions.</b> Add lines 12 through 26						27	318,059
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11						28	87,391
29	Less: a Net operating loss (NOL) deduction (see page 13 of instructions)		29a				29c		
	b Special deductions (Schedule C, line 20)		29b						
30	<b>Taxable income.</b> Subtract line 29c from line 28						30	87,391	
31	<b>Total tax</b> (Schedule J, line 11)						31	17,963	
Tax and Payments	32	Payments: a 2000 overpayment credited to 2001	32a						
		b 2001 estimated tax payments	32b	16,315					
		c Less 2001 refund applied for on Form 4466	32c	(					
		d Bal ▶	32d	16,315					
		e Tax deposited with Form 7004	32e						
		f Credit for tax paid on undistributed capital gains (attach Form 2439)	32f						
		g Credit for Federal tax on fuels (attach Form 4136). See instructions	32g					32h	16,315
	33	Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached						33	
	34	<b>Tax due.</b> If line 32h is smaller than the total of lines 31 and 33, enter amount owed						34	1,648
	35	<b>Overpayment.</b> If line 32h is larger than the total of lines 31 and 33, enter amount overpaid						35	
36	Enter amount of line 35 you want: <b>Credited to 2002 estimated tax</b> ▶ <b>Refunded</b> ▶						36		

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

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

May the IRS discuss this return with the preparer shown below (see instructions)?  Yes  No

**Paid Preparer's Use Only**

Preparer's signature: \_\_\_\_\_ Date: \_\_\_\_\_ Check if self-employed  Preparer's SSN or PTIN: \_\_\_\_\_

Firm's name (or yours if self-employed), address, and ZIP code: **WINTER ACCOUNTANCY, PC, CPA S** EIN **85 : 0362021**

**BOX 5437, 630 PASEO DEL PUEBLO SUR, TAOS, NM 87571** Phone no.: ( ) \_\_\_\_\_

**Schedule A Cost of Goods Sold** (See page 14 of instructions.)

1	Inventory at beginning of year	
2	Purchases	515,096
3	Cost of labor	
4	Additional section 263A costs (attach schedule)	
5	Other costs (attach schedule)	
6	<b>Total.</b> Add lines 1 through 5	515,096
7	Inventory at end of year	122,596
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on line 2, page 1	392,500

**9a** Check all methods used for valuing closing inventory:

- (i)** Cost as described in Regulations section 1.471-3
- (ii)** Lower of cost or market as described in Regulations section 1.471-4
- (iii)** Other (Specify method used and attach explanation.)

**b** Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c)

**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

**e** If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?  Yes  No

**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation  Yes  No

**Schedule C Dividends and Special Deductions** (See page 15 of instructions.)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	42	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	48	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	70	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	80	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	100	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 243(b))		
9	<b>Total.</b> Add lines 1 through 8. See page 16 of instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	<b>Total dividends.</b> Add lines 1 through 17. Enter here and on line 4, page 1		
20	<b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1		

**Schedule E Compensation of Officers** (See instructions for line 12, page 1.)

**Note:** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

	(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
				(d) Common	(e) Preferred	
1	JOHN R. JONES	550-01-1001	100%	20%	0%	30,000
	AGNES T. JONES	550-22-1002	100%	20%	0%	30,000
	ROBERT L. SMITH	545-05-5555	100%	20%	0%	30,000
			%	%	%	
			%	%	%	
2	<b>Total compensation of officers</b>					90,000
3	Compensation of officers claimed on Schedule A and elsewhere on return					
4	<b>Subtract line 3 from line 2. Enter the result here and on line 12, page 1</b>					90,000



Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
1	Cash				22,580
2a	Trade notes and accounts receivable			128,192	
b	Less allowance for bad debts				128,192
3	Inventories				122,596
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				2,100
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets			25,750	
b	Less accumulated depreciation			5,150	20,600
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)			750	
b	Less accumulated amortization			150	600
14	Other assets (attach schedule)				5,000
15	Total assets				301,668
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable				162,771
17	Mortgages, notes, bonds payable in less than 1 year				10,000
18	Other current liabilities (attach schedule)				1,106
19	Loans from shareholders				40,000
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock			22,000	
b	Common stock			22,000	22,000
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				65,791
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock				
28	Total liabilities and shareholders' equity				301,668

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions.)				
1	Net income (loss) per books	65,791	7	Income recorded on books this year not included on this return (itemize):
2	Federal income tax per books	17,963		Tax-exempt interest \$
3	Excess of capital losses over capital gains			
4	Income subject to tax not recorded on books this year (itemize):			
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):
a	Depreciation \$		a	Depreciation \$
b	Charitable contributions \$		b	Charitable contributions \$1,010
c	Travel and entertainment \$			
	SEE STATEMENT %	4,647	9	Add lines 7 and 8
6	Add lines 1 through 5		10	Income (line 28, page 1)—line 6 less line 9
				87,391

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)				
1	Balance at beginning of year		5	Distributions: a Cash
2	Net income (loss) per books	65,791		b Stock
3	Other increases (itemize):			c Property
			6	Other decreases (itemize):
			7	Add lines 5 and 6
4	Add lines 1, 2, and 3	65,791	8	Balance at end of year (line 4 less line 7)
				65,791