

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. What is purpose of the FDIC? How does it benefit consumers?
2. What is the NCUA? What does it do?
3. What is FINRA? What does it do?
4. What organization is responsible for protecting the retirement incomes of workers with defined benefit pension plans?
5. What is meant by government oversight of the securities industry?
6. What does the SEC do to protect investors?
7. What prompted passage of the Sarbanes-Oxley Act of 2002? How does this law help protect consumers and investors?
8. What is the primary federal agency responsible for the economic security of the United States? How does it help citizens?
9. How does the IRS help consumers? What tax form is used to report details of stock trades?

Tax Reporting for Investments

Investors who sell stocks and bonds (except for retirement investment accounts) will need to fill out tax Form 1040. They will also need to complete Schedule D to find the amount of capital gain or loss on sales. If you buy and sell stocks using a broker, the broker should supply the information needed to prepare Schedule D.

1. Use the form provided (Schedule D is used to report investment activity for Form 1040).
2. Write your real name and a fake Social Security number on the first line of the form.
3. You had the investment activity shown in the following table. Part I of the form is used to report the sale of assets held for 1 year or less. The Sales Price is the amount you received less any trading fees. The Cost or Other Basis is the amount you paid for the stock plus trading fees. Enter the data in Part I, line 1, of the form. (If you were actually completing a tax return, you would use real stock names instead of Stock A, Stock B, etc.)

| Description of Property | Date Acquired | Date Sold | Sales Price | Cost or Other Basis |
|-------------------------|---------------|-----------|-------------|---------------------|
| Stock A, 100 shares | 4/1/2015 | 9/30/2015 | \$ 1,050.00 | \$ 900.00 |
| Stock B, 300 shares | 3/20/2015 | 11/3/2015 | \$3,000.00 | \$2,500.00 |

4. Calculate the amount of gain or loss for each stock. Enter the amount in Part I, column F, of the form.
5. Total the short-term sales price amounts. Enter the amount on line 3.
6. Leave lines 4, 5, and 6 blank. Find the total of Part I, column F, and enter the amount on line 7, column F.
7. Part II of the form is used to report activity for assets held more than 1 year. Enter the following data in Part II on line 8:

| Description of Property | Date Acquired | Date Sold | Sales Price | Cost or Other Basis |
|-------------------------|---------------|-----------|-------------|---------------------|
| Stock C, 200 shares | 5/15/2015 | 8/30/2015 | \$3,000.00 | \$2,400.00 |
| Stock D, 100 shares | 6/20/2015 | 7/31/2015 | \$ 900.00 | \$ 1,000.00 |

8. Find the total of the sales prices in column D. Enter this amount on line 10.
9. Calculate the amount of gain or loss for each stock. Enter the amount in Part II, column F. Enter an amount that is a loss in parentheses.
10. Leave lines 11, 12, 13, and 14 blank. Calculate the total amount of gain or loss from the amounts in Part II, column F. Enter this amount on line 15.
11. Total the amounts from lines 7 and 15. Enter the amount on line 16.
12. On line 17, check the Yes box. Leave lines 18 and 19 blank.
13. On line 20, check the Yes box.
14. Leave lines 21 and 22 blank. You have now completed Schedule D. Information from this form would be used to complete Form 1040.