CANNON TRUST SCHOOL LEVEL I PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. **Regarding a qualified disclaimer in a trust, can Fred make one to redirect distributions, and why?**

   A. He cannot, since no disclaimer can be made that would be recognized for federal transfer tax purposes at this point because he has violated one or more requirements.

   B. He can, if the disclaimer is properly executed and filed within 9 months after Paul's death.

   C. He can, if the disclaimer is properly executed and filed within 9 months after Paul's death, but the disclaimer must be limited to Fred's actuarial share.

   D. He can, within 9 months after Paul's death, if the disclaimer is properly executed and filed with the court.

2. **To die without leaving a valid will.**

   A. Abatement

   B. Simple

   C. Fiduciary

   D. Intestate

3. **Which of the following is an income tax benefit of a partnership form of business ownership?**

   A. Ordinary losses pass through to the partners.

   B. Income is taxed to the partnership.

   C. Partnership income is taxed in the year of receipt rather than on the fiscal year of the partnership.

   D. Retained earnings defer income recognition.

4. **The postponed right of use or enjoyment of property is called what?**

   A. Present Interest

   B. Remainder

   C. Future Interest

   D. Life Estate

5. **To activate portability, which action must the executor take?**

   A. Filing a timely estate tax return

   B. The estate must be subject to state taxes

   C. The executor must file a petition with probate court

   D. The executor must elect portability

6. Which action completes the appointment of a trustee?

A. The trustee is named in the document

B. The trustee accepts compensation

C. The trustee is authorized by the court

D. The trustee accepts trusteeship

7. Which statement best describes the role of a QTIP trust in allowing the testator to control disposition of corpus after the surviving spouse's death?

A. Allows the testator to appoint beneficiaries after death of surviving spouse.

B. Allows the spouse to appoint beneficiaries after testator's death.

C. Requires the surviving spouse to appoint all assets upon death.

D. Disallows any control over disposition of corpus after spouse's death.

8. A transfer tax imposed on a decedent's estate as such and not on the distributive shares is called.

A. Inheritance tax

B. Estate tax

C. Gift tax

D. Probate tax

9. Portability in estate planning refers to which concept?

A. The ability to transfer unused exemption to the surviving spouse

B. The ability to bypass tax entirely

C. The ability to appoint to any beneficiary

D. The ability to convert to a QDOT

10. What is the term for a trust that results in the grantor being taxed on the trust's income?

A. Irrevocable trust

B. Charitable remainder trust

C. Grantor trust

D. Testamentary trust

Answers

1. A
2. D
3. A
4. C
5. D
6. D
7. A
8. B
9. A
10. C

Explanations

1. **Regarding a qualified disclaimer in a trust, can Fred make one to redirect distributions, and why?**

   A. He cannot, since no disclaimer can be made that would be recognized for federal transfer tax purposes at this point because he has violated one or more requirements.

   B. He can, if the disclaimer is properly executed and filed within 9 months after Paul's death.

   C. He can, if the disclaimer is properly executed and filed within 9 months after Paul's death, but the disclaimer must be limited to Fred's actuarial share.

   D. He can, within 9 months after Paul's death, if the disclaimer is properly executed and filed with the court.

A qualified disclaimer lets a beneficiary renounce an interest so that it passes to the designated alternate beneficiaries for federal transfer tax purposes, but it must meet several strict rules. It has to be made within nine months of the decedent's death, be in writing and irrevocable, and the disclaimed interest cannot have been accepted or enjoyed by the person making the disclaimer. It also must be delivered to the fiduciary handling the estate or trust (not filed with a court) and must cover the property interest as it would pass under the instrument, without any improper conditioning or consideration. If any of those requirements aren't met, the disclaimer won't be recognized for transfer tax purposes. In this situation, Fred cannot make a valid qualified disclaimer to redirect distributions because he has run afoul of one or more of those requirements, so no tax-qualified disclaimer would be recognized. If the requirements were all satisfied—timely, properly executed, no prior acceptance, and properly delivered—the disclaimer could be used to redirect the disclaimed share to the intended alternate beneficiaries.

2. **To die without leaving a valid will.**

   A. Abatement

   B. Simple

   C. Fiduciary

   D. Intestate

Dying without a valid will is described as intestate. When someone dies intestate, there's no document to express how assets should be distributed, so the law assigns heirs and determines how property passes according to statutory rules. Abatement refers to reducing bequests when the estate can't cover all gifts, which is about distribution when assets are short, not about the absence of a will. A fiduciary is a person in a trust or similar relationship who manages assets for others, not the condition of dying with or without a will. Simple isn't the term used to describe this situation. Intestate best captures the idea of dying without a valid will.

3. Which of the following is an income tax benefit of a partnership form of business ownership?

A. Ordinary losses pass through to the partners.

B. Income is taxed to the partnership.

C. Partnership income is taxed in the year of receipt rather than on the fiscal year of the partnership.

D. Retained earnings defer income recognition.

The main idea here is pass-through taxation. In a partnership, the business itself usually doesn't pay income tax at the entity level. Instead, profits and losses flow through to the partners, so ordinary losses can be used by each partner to reduce their own taxable income on their personal tax returns. That is the clear tax advantage of the partnership form. Why the other statements aren't benefits: if income were taxed to the partnership, that would imply entity-level taxation, which isn't how partnerships work. The notion that partnership income is taxed in the year of receipt rather than the partnership's fiscal year doesn't reflect how pass-through taxation assigns income to the partners for their own tax years. And retained earnings don't defer income recognition in a partnership—the partners are taxed on their share of the partnership's income when it's earned, regardless of whether profits are distributed.

4. The postponed right of use or enjoyment of property is called what?

A. Present Interest

B. Remainder

C. Future Interest

D. Life Estate

In property law, a future interest is a right in property that will become possessory only later. The phrase "postponed right of use or enjoyment" describes exactly that delaying of possession until a future event. A life estate is a present interest held now for someone's life, so it isn't postponed. A remainder is a specific type of future interest that takes effect after a prior estate ends. The general concept that fits the description best is a future interest.

5. To activate portability, which action must the executor take?

A. Filing a timely estate tax return

B. The estate must be subject to state taxes

C. The executor must file a petition with probate court

D. The executor must elect portability

Portability lets the surviving spouse use the unused federal estate tax exemption from the first spouse to die. To activate it, the executor must elect portability by filing the deceased spouse's estate tax return and reporting the unused exemption on that return. This election is what transfers the DSUE amount to the surviving spouse's estate plan, and it must be made timely (typically by 9 months after death, with extensions). The existence of state taxes or probate petitions aren't what trigger portability. The important action is making the portability election on the estate tax return.

6. Which action completes the appointment of a trustee?

A. The trustee is named in the document

B. The trustee accepts compensation

C. The trustee is authorized by the court

D. The trustee accepts trusteeship

Acceptance of the trusteeship completes the appointment. A trust instrument can name someone to serve as trustee, but authority doesn't begin until that person consents to take on the role. When the named individual signs an acceptance (or otherwise formally agrees to act as trustee), they assume the fiduciary duties and gain the authority to manage the trust assets. Accepting compensation doesn't establish the role, and court authorization only applies to court-appointed trustees, not to a privately named trustee. So the decisive step is the trustee's acceptance of the trusteeship.

7. Which statement best describes the role of a QTIP trust in allowing the testator to control disposition of corpus after the surviving spouse's death?

A. Allows the testator to appoint beneficiaries after death of surviving spouse.

B. Allows the spouse to appoint beneficiaries after testator's death.

C. Requires the surviving spouse to appoint all assets upon death.

D. Disallows any control over disposition of corpus after spouse's death.

A QTIP trust is designed so the surviving spouse receives all income for life, while the original grantor (the testator) preserves control over who ultimately receives the assets when the spouse dies. By setting up the trust, the testator names the beneficiaries who will receive the trust remainder after the spouse's death. This arrangement satisfies the marital deduction for tax purposes while ensuring the testator can direct the ultimate disposition of the corpus once the surviving spouse is gone. So the statement that best fits is that the testator can appoint beneficiaries after the surviving spouse dies, because the remainder of the trust is distributed according to the testator's instructions, not the spouse's. The surviving spouse's rights are limited to income during life; they don't control who gets the principal after death.

8. A transfer tax imposed on a decedent's estate as such and not on the distributive shares is called.

A. Inheritance tax

B. Estate tax

C. Gift tax

D. Probate tax

This is an estate tax. It is a transfer tax assessed on the value of the decedent's estate itself, at death, and paid by the estate before any distributions to heirs. It differs from an inheritance tax, which is charged to the individuals who receive property, and from a gift tax, which applies to transfers during life. Probate tax would relate to the probate process rather than the estate's overall value. The estate tax sits on the whole estate as the unit of transfer, not on the recipients' shares.

9. Portability in estate planning refers to which concept?

A. The ability to transfer unused exemption to the surviving spouse

B. The ability to bypass tax entirely

C. The ability to appoint to any beneficiary

D. The ability to convert to a QDOT

Portability means the surviving spouse can use the unused portion of the deceased spouse's federal estate tax exemption. When one spouse dies, any part of the exemption that wasn't used to shelter that estate becomes available to the survivor. The surviving spouse can add that unused amount to their own exemption, potentially increasing the total amount sheltered from federal estate tax at the second death. This is typically claimed on the deceased spouse's estate tax return and must be elect-ed by the deadline, even if no tax would otherwise be due. It lowers, but does not completely eliminate, estate tax liability and it's different from arrangements for noncitizen spouses (QDOT) or the idea of appointing to beneficiaries.

10. What is the term for a trust that results in the grantor being taxed on the trust's income?

A. Irrevocable trust

B. Charitable remainder trust

C. Grantor trust

D. Testamentary trust

In a grantor trust, the grantor is treated as the owner of the trust income for tax purposes. Because the grantor retains certain powers or interests over the trust, the Internal Revenue Code makes the grantor responsible for reporting all the trust's income on their own personal tax return and paying the taxes, rather than the trust paying its own tax. This means the tax burden effectively flows through to the grantor, even if the trust doesn't distribute the income to anyone. That defining tax treatment is what identifies this as a grantor trust, distinguishing it from other trusts where the trust or the beneficiaries bear the tax.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://cannontrustschoollvl1.examzify.com

We wish you the very best on your exam journey. You've got this!