Supplementary Study Packet
to Accompany the
Quarterly CPE Exam on
Topics Addressed in the
Journal of Accountancy
Fourth Quarter (October – December), 2012

Instructions:
Before you start a section of the CPE Final Exam, complete the corresponding section of this Supplementary Study Packet. Do NOT submit answers to the Review Questions.

Purpose: To provide an interactive learning experience.

OUTLINE: The section numbers of Study Packet correspond to section numbers of the Final Exam. The page numbers below refer to the first page of each article in the printed version of the JoA.

Sections I – IV Relate to the Journal of Accountancy of October 2012:

Section I. Plan Now for Inside Buyouts (Page 26)
Section II. Choose Wisely – New Brochures Can Help CPAs Vet Investment Advisers. (Page 32)
Section III. Restorative Benefits and Equity-Based Performance Plans for Highly Compensated Executives (Page 50)
Section IV. IRS's “Fresh Start Start” Program Expands Payment Options (Page 56)

Sections V – VIII Relate to the Journal of Accountancy of November 2012:

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Sections IX – XII Relate to the Journal of Accountancy of December 2012:

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Section XI. Impairment Testing: Effectively Using the Qualitative Assessment (Page 36)
Section XII. Year-End Tax Planning: Preparing for the Tax Cliff (Page 49)
Section I. Plan Now for Inside Buyouts (Page 26 of October JoA)

Section I. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 1 through 5.

Section I. Course Objectives:
1. To describe inside buyouts.
2. To describe major tax consequences to both the buyer and the seller of a business.
3. To describe private-equity buyouts, ESOPs, employee cooperatives and family buyouts.

Section I. Review Questions:
1. Which of the following is potentially an important factor in planning an insider buyout?
   a. Pending legislation affecting private-equity transactions.
   b. Pending legislation affecting ESOPs.
   c. The fiscal cliff.
   d. Pending legislation restricting employee cooperatives.
2. An inside buyout may involve transferring ownership of a private company to any of the following except:
   a. Key managers.
   b. Key managers partnering with private-equity investors.
   c. Key managers of competitors within the same industry.
   d. ESOPs.
   e. Family members.

Section I. Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see Page 26 of October JoA.)
a. Incorrect. There is no pending legislation affecting private-equity transactions that would be a factor in planning insider buyouts.
b. Incorrect. There is no pending legislation affecting ESOP transactions that would be a factor in planning insider buyouts.
c. Correct. The “fiscal cliff” involves feared increases in income tax rates, capital gains rates, taxes on dividends as well as the new Medicare tax on many taxpayers.
d. Incorrect. There is no pending legislation affecting restrictions on employee cooperatives.

Review Question 2. (Please see Pages 28 - 30 of October JoA.)
a. Incorrect. Key managers are often involved in inside buyouts of businesses.
b. Incorrect. Key managers partnering with private-equity groups are often involved in inside buyouts of businesses.
c. Correct. All of the other groups listed as options are often involved in inside buyouts of businesses, but inside buyouts, by definition, do not typically involve managers of competitors.
d. Incorrect. ESOPs are often involved in inside buyouts of businesses.
e. Incorrect. Family members are often involved in inside buyouts of businesses.

End of Section I

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Section II.  Choose Wisely – New Brochures Can Help Vet Investment Advisers (Page 32 of October JoA)

Section II. Assignment:
1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 6 through 9.

Section II. Course Objectives:
1. To describe the need for a CPA to vet investment advisers.
2. To describe the difference between the standards of conduct applying to broker/dealers vs. standards applying to investment advisers.
3. To describe the proper use of the disclosures required by the Investment Adviser Act of 1940 and the Securities and Exchange Act of 1940 to meet the CPA's due diligence requirements associated with a CPA's service as a trustee.

Section II. Review Questions:
1. While serving as trustees, CPAs have malpractice exposure when assisting clients making decision involving:
   a. Selecting a new financial adviser.
   b. Retaining a current adviser.
   c. Either a or b.
   d. Neither a nor b.

2. An investment adviser who receives an advisory fee ______ allowed to receive commissions on investment products if the commission is disclosed to the client.
   a. Is
   b. Is not

Section II. Solutions and Suggested Responses to Review Questions:
Review Question 1. (Please see P. 32 of October JoA.)
   a. Incorrect. This is one of the areas for which the CPA must do the required due diligence but not the only one.
   b. Incorrect. This is just one of the areas in which the CPA must provide the required due diligence.
   c. Correct. CPAs have malpractice exposure when providing either of these services and therefore must do the necessary due diligence on which to provide suitable advice to the client.
   d. Incorrect. CPAs must do be attentive to standards of professional conduct in either area.

Review Question 2. (Please see P. 34 of October JoA.)
   a. Correct. Advisers are allowed to receive commissions on investment products as long as adequate disclosure is made to clients.
   b. Incorrect. Many advisers are “fee-only” and never accept commissions on investment products. Clients' funds are invested typically in either no-load funds or “institutional” classes of load funds offered without the usual “load.”

================================== End of Section II.

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Section III. Restorative Benefits and Equity-Based Performance Plans for Highly Compensated Executives (Page 50 of October JoA)

Section III. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 10 through 14.

Section III. Course Objectives:
1. To describe the significant reductions in benefits of many “highly-compensated” executives resulting from well-intentioned non-discrimination rules.
2. To describe nonqualified deferred compensation (NQDC) plans and how they can help reward and retain highly-compensated executives.
3. To describe supplemental retirement plans (SERPs) and how they can help reward and retain highly-compensated executives.

Section III. Review Questions:
1. The ERISA Title II non-discrimination rules:
   a. Ensure that qualified plans do not discriminate against rank-and-file workers.
   b. Often result in significant reductions of benefits for executives.
   c. Both a and b.
   d. Neither a nor b.

2. Employees with nonqualified deferred compensation plans are taxed on the deferred compensation:
   a. When it is withheld from the employee's pay.
   b. When it is actually paid to the employee.

Section III. Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see P. 50 of October JoA.)

a. Incorrect. This is the intended result but there are also unintended consequences addressed in another option.
b. Incorrect. This is the unintended consequence of the legislation but another option addresses the stated goal.
c. Correct. The legislation does ensure non-discrimination but also results in an unintended consequence of significant reductions of benefits for executives. This unintended consequence is the impetus behind providing carve-out benefit plans.
d. Incorrect. As explained above, the law has produced the intended as well as unintended consequences.

Review Question 2. (Please see P. 52.)

a. Incorrect. Because the amounts “contributed” to the NQDC are withheld from the employee's pay and “deferred” until the employee retires or separates from service, the tax is also deferred. Under an elective NQDC plan, participants' contributions to the plan reduce their current taxable income because they invest pretax rather than after-tax dollars.
b. Correct. The participants pay income tax on both the pretax contributions as well as the earnings when they receive distributions from the NQDC plan.

------------------------------------------------------End of Section III.

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Section IV. IRS's “Fresh Start Start” Program Expands Payment Options (Page 56 of October JoA)

Section IV. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 15 through 18.

Section IV. Course Objectives:
1. To describe the new rules that make it easier to qualify for installment agreements and offers in compromise.
2. To describe installment agreements.
3. To describe offers in compromise.

Section IV. Review Questions:
1. Which of the following provide(s) for allowing the taxpayer to settle the tax debt for less than the full amount owed?
   a. Installment agreement.
   b. Offer in compromise.
   c. Both a and b.
   d. Neither a nor b.

2. A taxpayer who owes ____________ can apply online for an installment agreement.
   a. $25,000
   b. $50,000
   c. $75,000
   d. A, b or c
   e. A or b but not c

Section IV. Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see Page 56)
a. Incorrect. Sec. 6159 allows the IRS to enter into a monthly payment plan (an installment agreement) but none of the amount owed is reduced.
b. Correct. The IRS has the authority to settle the tax, penalties, and interest by negotiating an offer in compromise. This typically involves allowing the taxpayer to settle the debt for less than the full amount owed.

Review Question 2. (Please see Page 57.)
a. Incorrect. While a taxpayer owing $25,000 is eligible, this is not the best answer.
b. Incorrect. While a taxpayer owing $50,000 is eligible, this is not the best answer.
c. Incorrect. Taxpayers owing $75,000 are not eligible to apply online for an installment agreement.
d. Incorrect. Not all of the options (a, b and c) are true.
e. Correct. Taxpayers who owe $50,000 or less can apply online for an installment agreement by going to the “Online Payment Agreement Application” page on the IRS's Web site.

End of Section IV.

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Section V. Back to Basics: Proposed Framework for SMEs Geared for Reliability and Simplicity (Page 32 of November JoA)

Section V. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 19 through 23.

Section V. Course Objectives:
1. To describe the proposed Framework for SMEs.
2. To describe the purposes of the proposed Framework for SMEs.
3. To describe some specific recommended changes in reporting that would result from the proposed Framework.
4. To describe the justification for the proposed Framework for SMEs.

Section V. Review Questions:

1. All of the reporting standards in the proposed Framework for SMEs ___________ GAAP.
   a. Are consistent with
   b. Are not consistent with

2. Which of the following reflect(s) a movement toward fair value accounting?
   a. The proposed Framework for SMEs.
   b. Generally-accepted accounting principles.
   c. Both a and b.
   d. Neither a nor b.

3. What is fair value accounting and what are some of the arguments for and against it? Discuss.

Section V. Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see Page 33.)
a. Incorrect. The proposed Framework for SMEs includes reporting standards that do not reflect generally-accepted accounting principles.
b. Correct. The document represents the view that more practical and less complicated accounting justifies a departure from GAAP for the companies to which the proposed Framework is directed.

Review Question 2. (Please see Page 33.)
a. Incorrect. The proposed Framework for SMEs reflects a move to simpler a historical cost framework and a move away from a fair value framework.
b. Correct. Generally-accepted accounting principles began turning to fair-value accounting as long as 50 years ago with the argument that users of financial statements wanted to see the current fair value of assets and liabilities instead of their “book values.”
d. Incorrect. GAAP – not the proposed Framework – reflects fair value accounting.

Review Question 3 (Please see Page 46.)
To answer this, please read the following Executive Summary of an opinion piece from Stephen G. Ryan, Professor of Accounting and Peat Marwick Faculty Fellow Stern School of Business, New York University for the Council of Institutional Investors, July 2008:
“Executive Summary: Fair value accounting is a financial reporting approach in which companies are required or permitted to measure and report on an ongoing basis certain assets and liabilities (generally financial instruments) at estimates of the prices they would receive if they were to sell the assets or would pay if they were to be relieved of the liabilities. Under fair value accounting, companies report losses when the fair values of their assets decrease or liabilities increase. Those losses reduce companies’ reported equity and may also reduce companies’ reported net income.

Although fair values have played a role in U.S. generally accepted accounting principles (GAAP) for more than 50 years, accounting standards that require or permit fair value accounting have increased considerably in number and significance in recent years. In September 2006, the Financial Accounting Standards Board (FASB) issued an important and controversial new standard, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157), which provides significantly more comprehensive guidance to assist companies in estimating fair values. The practical applicability of this guidance has been tested by the extreme market conditions during the ongoing credit crunch.

In response to the credit crunch, some parties (generally financial institutions) have criticized fair value accounting, including FAS 157’s measurement guidance. Those criticisms have included:

- Reported losses are misleading because they are temporary and will reverse as markets return to normal
- Fair values are difficult to estimate and thus are unreliable
- Reported losses have adversely affected market prices yielding further losses and increasing the overall risk of the financial system.

While those criticisms have some validity, they also are misplaced or overstated in important respects.

The more relevant question is whether fair value accounting provides more useful information to investors than alternative accounting approaches. The answer to that question is 'yes.’”

================================================= End of Section V.
Section VI. Applying the Principles: COSO Proposal Relates Framework to External Financial Reporting  

Section VI. Assignment:  
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.  
2. Answer our Review Questions that have been designed to provide an interactive learning experience.  
3. Study the Solutions and Suggested Responses to the Review Questions.  
4. Answer Final Exam questions 24 through 27.

Section VI. Course Objectives:  
1. To describe COSO's proposed Internal Control Over External Financial Reporting (ICEFR): Compendium of Approaches and Examples.  
2. To describe the objectives of COSO's proposed Internal Control Over External Financial Reporting (ICEFR): Compendium of Approaches and Examples.  
3. To describe the changes to the Framework.  
4. To describe the explicit guidance provided by COSO.

Section VI. Review Questions:  
1. Which of the following are among the principal features of COSO's proposed Internal Control Over External Financial Reporting (ICEFR): Compendium of Approaches and Examples?  
   a. Application guidance.  
   b. Application examples.  
   c. Radical changes.  
   d. A, b and c.  
   e. A and b but not c.  

2. The purpose of the proposal is to make use and application of COSO documents ________.
   a. Easier  
   b. More complex

Section VI. Solutions and Suggested Responses to Review Questions.

Review Question 1: (Please see Page 37.)  
a. Incorrect. Application guidance is only one of the key features of this proposal.  
b. Incorrect. Application examples are only one of the key features of this proposal.  
c. Incorrect. The proposal does not contain any radical changes.  
d. Incorrect. Only two of the three (a, b and c) are true.  
e. Correct. The proposal's key features include both application guidance and examples but there are no radical changes.

Review Question 2: (Please see Page 38.)  
a. Correct. The purpose of the documents and the update is to make the use and application easier.  
b. Incorrect. Although the business, operating, and regulatory environment has become more complex, the goal of the proposal is to ease the use and application of all the documents.

====================================== End of Section VI.

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Section VII. Windows 8: Jump or Wait? (Page 40 of November JoA)

Section VII. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 28 through 32.

Section VII. Course Objectives:
1. To describe the new Windows 8 operating system.
2. To describe the advantages and drawbacks of Windows 8.
3. To describe the pros and cons of taking a wait-and-see approach with Windows 8.

Section VII. Review Questions:
1. Microsoft's strategy with bringing out Windows 8 is to:
   a. Build desktop dominance.
   b. Gain a foothold in the mobile market with smartphones, tablets, etc.
   c. Offer a lower-cost operating system.
   d. All of the above.
   e. None of the above.

2. Windows 8 _______ a radical change from the Windows 7 operating system.
   a. Is
   b. Is not

Section VII. Solutions and Suggested Responses to Review Questions.

Review Question 1: (Please see Page 41.)
a. Incorrect. As the JoA states, Windows I “isn't about desktop dominance.”
   b. Correct. As the JoA states, Windows 8 is “about Microsoft seeking to gain a foothold in the mobile market, where Apple's iOS and Google's Android operating systems rule.”
   c. Incorrect. After the initial incentive pricing specials, there is no indication that Microsoft is planning to offer lower prices.
   d. Incorrect. Gaining a foothold in the mobile market is Microsoft's goal.
   e. Incorrect. Microsoft's strategy is to build a foothold in the mobile market.

Review Question 2: (Please see Page 44.)
   a. Incorrect. Windows 8 has been called “Windows 7 with a fresh face” for the most part.
   b. Correct. Windows 8 is not a radical change from Windows 7. One of the major changes that it works on touchscreen computers.

End of Section VII.
Section VIII. Schedule UTP: The Early Returns Are In (Page 54 of November 2012 JoA)

Section VIII. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 33 through 36.

Section VIII. Course Objectives:
1. To describe the Form 1120, Schedule UTP, Uncertain Tax Position Statement.
2. To describe the purpose of the Schedule UTP.
3. To describe the IRS's guidance on concise descriptions.

Section VIII. Review Questions:
1. The initial asset threshold for filing Schedule UTP for 2010 income tax returns was _____ million.
   a. $200 b. $150 c. $100 d. $75 e. $50

2. In coming years, the asset threshold will _________.
   a. Decline b. Rise

Section VIII. Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see Page 54.)
  a. Incorrect. The threshold was higher than today's but not as high as $200 million.
  b. Incorrect. The threshold was higher than today's but not as high as $150 million.
  c. Correct. The threshold for the 2010 tax returns was $100 million.
  d. Incorrect. The threshold was higher than $75 million.
  e. Incorrect. The threshold was higher than $50 million.

Review Question 2: (Please see Page 56.)
  a. Correct. The asset threshold drops to $50 million for the 2012 income tax year and to $10 million for the 2014 tax year. Thus more corporations will be required to file Schedule UTP.
  b. Incorrect. The threshold is not rising; it is falling, and with that decline, the number of corporations escaping the requirement to file Schedule UTP will decline.

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Section IX. 2012 MAP Survey: Signs of Recovery (Page 26 of December JoA)

Section IX. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 37 through 40.

Section IX. Course Objectives:
1. To describe trends in accounting firm growth, compensation and staffing patterns.
2. To describe trends in billing methods and billing rates.
3. To describe the composition of accounting firm services.
4. To describe trends in benefits offered by accounting firms.

Section IX. Review Questions:
1. Which of the following increased most in percentage terms in the 2012 survey?
   a. Staff compensation.
   b. Partner compensation.

2. In which firm size did the use of value pricing for billing increase in the 2012 survey?
   a. Small-sized firms.
   b. Medium-sized firms.
   c. Large-sized firms.
   d. All of the above.
   e. A and b but not c.

Section IX. Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see Page 27.)
a. Incorrect. Staff compensation actually “slipped a bit in 2012 after posting big gains in 2010.”
b. Correct. In contrast to the decline in staff compensation, partner compensation in the 2012 survey “jumped 10% from 2010 to 2012.”

Review Question 2: (Please see Page 28.)
 a. Incorrect. The use of value pricing increased among small-sized firms but also in other groups.
b. Incorrect. The use of value pricing increased among medium-sized firms but also in other groups.
c. Incorrect. The use of value pricing increased among large-sized firms but also in other groups.
d. Correct. The use of value pricing increased among all firm sizes.
e. Incorrect. The use of value pricing increased at large-sized firms albeit at a smaller growth rate than at firms with annual revenues of less than $10 million.

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End of Section IX.
Section X. A Quest for Relevance (Page 32 of December JoA)

Section X. Assignment:
1. Study the articles (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 41 through 43.

Section X. Course Objectives:
1. To describe the new framework for SMEs
2. To describe the reasons for the new framework.

Section X. Review Questions:
1. The proposed framework is directed to entities that generally ______ public shareholders.
   a. Do 
   b. Do not have

2. The proposed framework _____ designed for simplicity.
   a. Is 
   b. Is not

3. The primary users of the financial statements that are the subject of the proposed framework are:
   a. Bankers. 
   b. Public shareholders.

Section X. Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see Page 32.)
a. Incorrect. The framework is generally directed to entities that do not have public shareholders.
b. Correct. The framework is generally directed to closely-held entities that don't have to report to outside shareholders.

Review Question 2: (Please see Page 33.)
a. Correct. The whole idea of the proposed framework is to reduce or eliminate much of the complexity associated with today's reporting standards for large-sized entities.
b. Incorrect. The goal of the proposed framework is to increase simplicity and reduce complexity of reporting.

Review Question 3: (Please see Page 34.)
a. Correct. Because the proposed framework is directed toward entities without public shareholders, the primary users of such financial statements are bankers.
b. Incorrect. The entities that are the targets of this proposed framework are private companies without public shareholders.

======================================== End of Section X.
Section XI. Impairment Testing: Effectively Using the Qualitative Assessment (Page 36 of December JoA)

Section XI. Assignment:
1. Study the articles (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 44 – 47.

Section XI. Course Objectives:
2. To describe the initial review of fair value at the time of a transaction.
3. To describe the possibility of an unclear outcome from a qualitative assessment.
4. To describe moving in and out of the qualitative assessment from period to period.

Section XI. Review Question:
1. ASU 2011-08 ______ reporting entities to choose always perform qualitative tests for impairment and never use quantitative tests.
   a. Permits                       b. Does not permit
2. If the quoted market price of an entity's equity securities has declined from the reporting entity's carrying value, the entity ______ required to test goodwill for impairment at the time of the decline.
   a. Is                             b. Is not

Section XI. Solutions and Suggested Responses to Review Question:

Review Question 1. (Please see Page 37)
a. Incorrect. The addition of a qualitative assessment for impairment testing may reduce complexity and costs for many companies but one possible outcome of the qualitative testing may be that quantitative testing is required.
b. Correct. The ASU does not eliminate the requirement that a quantitative test be performed unless the qualitative tests show that the quantitative testing procedures are not required.

Review Question 2. (Please see Page 38.)
a. Correct. If the underlying cause of the decline in quoted market price is determined to represent an event or change in circumstances that would more likely than not reduce the fair value of the reporting entity below its carrying value, impairment would be required.
b. Incorrect. Having an observable quoted market is strong evidence of the need for required write-down of carrying value of goodwill.

End of Section XI.

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Section XII. Year-End Tax Planning: Preparing for the Tax Cliff (Page 49 of December JoA)

Section XII. Assignment:
1. Study the article (reference text) in the Journal of Accountancy, paying particular attention to our course objectives stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 48 through 50.

Section XII. Course Objectives:
1. To describe the new Medicare surtaxes that become effective after 2012.
2. To describe the need for timing strategies and evaluating investment strategies in light of tax increases already on the books.

Section XII. Review Questions:
1. Effective January 1, 2013, a surtax of 3.8% of net investment income will apply to certain:
   a. Individuals.
   b. Trusts.
   c. Estates.
   d. A, b and c.
   e. A and b but not c.

2. Nonresident aliens _______ subject to the 3.8% Medicare surtax.
   a. Are
   b. Are not

Section XII. Solutions and Suggested Responses to Review Questions.

Review Question 1: (Please see Page 49.)
a. Incorrect. The tax will apply to these but to others as well.
b. Incorrect. The tax will apply to these but to others as well.
c. Incorrect. The tax will apply to these but to others as well.
d. Correct. All three will be subject to the tax, to varying degrees.
e. Incorrect. None of the three will be immune from the tax.

Review Question 2: (Please see Page 50.)
a. Incorrect. Nonresident aliens are not subject to the 3.8% Medicare surtax because they will not benefit from Social Security.
b. Correct. Unlike others who are in a position to eventually receive Social Security benefits, nonresident aliens are not subject to the 3.8% Medicare surtax.

====================================== End of Section XII.

REFERRAL INCENTIVE PROGRAM - WE'LL PAY YOU FOR REFERRING NEW QUALIFYING CUSTOMERS:

Receive $10 for each new customer you refer to us. For every new qualifying customer who pays for an exam and mentions your name, we’ll send you a check for $10. It’s as simple as that. We welcome any questions by either phone or email.