QUARTERLY CPE EXAM ON THE Journal of Accountancy  
Third Quarter (July - September), 2016 (Course # 1603)  
A Formal CPE Course using the JoA as Reference Material  
Recommended CPE Credit: 10 Hours (Category: Interactive Self Study)  
Subject division: Accounting 1; Auditing 2; Management 2, Tax 5.

INSTRUCTIONS:
1. Complete but do not submit all the assignments in the Supplementary Study Guide with Course objectives available at our Web site: www.accounting-education.com
2. Answer the 50 multiple-choice questions by selecting the one best answer. Blacken the letter; do not circle. A score of 70 or better is required.
3. Unless prepaid, please submit a Payment Voucher with your completed Exam.
4. Scan/email, fax or snail mail your answer sheet to AEA for grading.
5. For CPE credit, please be sure your name and email address are legible.
6. For faster response, please provide your email address below.

COURSE EVALUATION:
On a scale of A (highest) to F (lowest), please evaluate the following:
   ____ 1. The course met the objectives described in the promotional material?
   ____ 2. Any stated prerequisites were necessary or desirable?
   ____ 3. The course was timely and effective?
   ____ 4. The course met your professional education needs?
   ____ 5. The course materials were understandable and helpful?

On my honor as a CPA or CMA, I have neither given nor received assistance on this Exam.  

(Signed) _____________________________ (Dated) ___________

Please print your full name: ______________________________________
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To which state boards or agencies do you report CPE? ___________________

Sponsor Agreements with State Boards of Accountancy:
Hawaii (#94007), Illinois (#158-000242), Nebraska (#16-666), Pennsylvania (#PX0005-L) and Texas (#000211). Most state boards do not require sponsor registration. Check with your Board.

We encourage you to scan and email your answer sheet to info@accounting-education.com
For CPE credit, this exam must be completed by 9/30/2018.

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"To achieve satisfactory investment results is easier than most people realize; to achieve superior results is harder than it looks."
- Benjamin Graham

This is a formal Interactive self-study CPE course using the Journal of Accountancy as reference material designed to keep you abreast of the latest changes affecting our profession. Our course consists of a Supplementary Study Packet (available at our Web site: www.accounting-education.com) and this Final Exam; it is divided into sections, each corresponding to selected articles appearing in the JoA. This series of quarterly formal self-study programs that can be completed in your home or office without the inconvenience and high costs associated with many CPE courses. New courses normally appear at our Web site around the beginning of each quarter.

LEARNING OBJECTIVES:
The specific learning objectives are stated in the individual sections of the Supplementary Study Guide associated with this Quarterly CPE Exam available at www.accounting-education.com

PREREQUISITES: None.

LEVEL: Basic.

COURSE NUMBER: The course number we assign to each Quarterly CPE Exam is derived from the Year and Quarter, YYQQ.

COURSE SPONSOR:
Accounting Education Associates (“AEA”) has offered Quarterly CPE Exams on the Journal of Accountancy every quarter for 34 years (since 1982). James H. Ogburn prepares the courses. In addition to working in public accounting and finance, his experience includes 18 years teaching accounting and serving as Assistant Director of Graduate Programs in Accounting and Business at the University of North Carolina at Greensboro, and 34 years of experience in developing CPE courses for CPAs. AEA is not affiliated with the AICPA that holds the copyright to the Journal of Accountancy.

Scan/Email, fax or mail your answer sheets to us.

HOW TO CONTACT AEA:

Email: info@accounting-education.com
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RECOMMENDED CPE CREDIT:
We recommend CPE credit of ten (10) hours in accordance with the standards of NASBA, CPE credits have been granted based on a 50-minute hour for Interactive Self-Study CPE courses. The estimated completion time of 10 hours is based on pilot tests of our Study Packet, reference material readings and final exam and are likely to vary from quarter to quarter. A few state boards still use the old standard of awarding CPE credit of only 50% of the estimated completion time. For further guidance, please check with your own state board or agency.

SUBJECT DIVISIONS OF CPE CREDIT:
The recommended subject division is shown on the Final Exam answer sheet, applies to this quarter only and is likely to vary from quarter to quarter.

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PRICES:
The price of a Quarterly CPE Exam is $49, with lower prices when an order involves four or more courses:
Price per course for orders of 1 to 3 courses: $49
Price per course for orders of 4 to 7 courses: $46
Price per course for orders of 8 to 23 courses: $43
Price per course for orders of 24 or more: $40

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I am submitting _____ completed Exam(s) on the JoA that I’ve downloaded from www.accounting-education.com

(We no longer accept orders for unpublished exams or subscriptions.)

Quantity    Year
_____ First Quarter (January - March), 20___
_____ Second Quarter (April - June), 20___
_____ Third Quarter (July - September), 20___
_____ Fourth Quarter (October - December), 20___

_____ First Quarter (January - March), 20___
_____ Second Quarter (April - June), 20___
_____ Third Quarter (July - September), 20___
_____ Fourth Quarter (October - December), 20___

_____ Total Quantity times Unit price of $ _____ = $ _______

Unit price depends on total number of Exams:
1 – 3 Exams: $49  8 – 23 Exams: $43
4 – 7 Exams: $46  24 and over: $40

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PLEASE DO NOT EMAIL CREDIT CARD NUMBERS TO AEA.

Optional: Please estimate your course completion time. _____

Thank you for your business and referrals.
The learning objectives of this course are in the Study Guide at www.accounting-education.com.


Section I. How CPAs Can Make the Most of Their Tech Resources (Page 42)

1. According to Lisa Traina, CPA/CITP, CGMA, what action should a well-prepared CPA take if his or her computer were hijacked by ransomware?
   a. Call the hijacker and negotiate a settlement.
   b. Pay the ransom as requested.
   c. Restore the computer to back before the CPA got the ransomeware.
   d. A, b and c.
   e. A or b but not c.

2. According to David Cieslak, CPA/CITP, CGMA, GSEC, backups should be:
   a. Made in some kind of timed interval.
   b. Encrypted.
   c. Made on media always connected to the device.
   d. A, b and c.
   e. A and b but not c.

3. Which of the following can safely be sent via unencrypted email?
   a. Credit card numbers.
   b. Bank account numbers.
   c. Confirmation of lunch plans with ones stockbroker.
   d. All of the above.
   e. None of the above.

4. According to Cieslak and J. Carlton Collins, CPA, the greatest impediment to cybersecurity is:
   a. Lack of education.
   b. Hardware.
   c. Software.
   d. Smart phones.
   e. Wifi.

5. Spear-phishing scams can come in emails from:
   a. Trusted senders.
   b. Untrusted senders.
   c. Either a or b.
   d. Neither a nor b.

Section II. When Clients Should Open or Convert to a Roth IRA (Page 50)

6. Roth IRAs are generally preferable to traditional IRAs for taxpayers whose income tax rates in retirement will be ______ than in the year of the contribution.
   a. Higher
   b. Lower
   c. Either a or b
   d. Neither a nor b

7. Which of the following are subject to required minimum distributions?
   a. Traditional IRAs.
   b. Roth 401(k)s.
   c. Roth IRAs.
   d. A, b and c.
   e. A and b but not c.

8. For 2015 and 2016, a 52-year-old taxpayer may contribute up to _____ to a traditional IRA or Roth IRA assuming that all eligibility requirements are met.
   a. $3,000
   b. $5,000
   c. $5,500
   d. $6,500
   e. $7,500

9. Which of the following factors would probably weigh in favor of converting a traditional IRA to a Roth IRA?
   a. Experiencing a temporary decline in taxable income due to a job change.
   b. Earning a high salary and being a year away from retirement and RMDs.
   c. Both a and b.
   d. Neither a nor b.
10. Assume that a calendar-year taxpayer recharacterized a Roth IRA to a traditional IRA on November 20, 2015. What is the first day that this taxpayer can reconvert the recharacterized traditional IRA back to a Roth IRA?
   a. Thirty days after the recharacterization.
   c. February 1, 2016.
   d. March 1, 2016.
   e. Never, because recharacterized IRAs cannot be reconverted.

Section III. Three Tax Columns:
From The Tax Adviser: Rules Change for ITINs and Tax Credits (Page 64),
Tax Practice Corner: Schoolteachers' Deduction No Longer Tardy (Page 66), and
Tax Matters (Page 70)

11. Except where exceptions apply, the retroactive filing of income tax returns to claim the earned income tax credit will be allowed for _______ prior-year returns.
   a. Amended
   b. Original
   c. Either a or b
   d. Neither a nor b

12. Beginning with the 2016 tax year, the PATH Act allows eligible educators to deduct up to $250 for the unreimbursed costs _______ that they use in the classroom.
   a. Of books, supplies, computer equipment and associated software
   b. Of qualified professional development courses
   c. Associated with home schooling
   d. A, b and c
   e. A and b but not c

13. Which of the following may be eligible for the teachers' deduction?
   a. Elementary schoolteachers.
   b. Secondary schoolteachers.
   c. College instructors.
   d. A, b and c.
   e. A and b but not c.

14. In Ryther, which of the following factors favored the taxpayer?
   a. Segregation of property from business property.
   b. How the sales proceeds were used.
   c. Substantiality of sales.
   d. Sales and advertising effort.
   e. Purpose of the acquisition.

15. In Thiessen, the tax court held that:
   a. The assets of the IRA were considered to have been distributed to the taxpayer on January 1, 2003.
   b. The taxpayers were liable for income tax as well as the 10% early withdrawal penalty.
   c. The Sec. 4975 (d) (23) exemption applied.
   d. A, b and c.
   e. A and b but not c.


Section IV. Two Articles Dealing with Identity Theft:
CPAs Contend with Tax ID Theft (Page 26)
Breaking Bad News to Victims of Identity Theft (Page 30)

16. In the 2016 Tax Software Survey, the percentage of surveyed CPA tax practitioners who said that at least one of their clients had been a victim of tax identify theft during the year _______ to ______ %.
   a. Increased...59
   b. Increased...63
   c. Decreased...59
   d. Decreased...63

17. In IRS News Release IR-2016-28, the IRS identified _______ at the top of its annual list of “dirty dozen” tax scams.
   a. Failure to file
   b. False / Altered documents
   c. False exemptions or deductions
   d. Unreported income
   e. Tax-related identity theft
18. Which of the following access methods did the IRS's new, more secure version of its online Get Transcript service initially require?
   b. Double authentication.  
   c. Retina scan.  
   d. Iris scan.  
   e. Voice analysis.

19. Which of the following steps is a recommendation of the AICPA Tax Section's toolbox after the discovery of ID theft?
   a. Reporting the crime to local police.  
   b. Reporting the identity theft to the FTC's identity theft hotline.  
   c. Requesting full reimbursement of all financial losses as all financial companies voluntarily reimburse clients for unauthorized online transactions.  
   d. A, b and c.  
   e. A and b but not c.

20. What is the correct sequence of the following last five steps in the *Six-Step Protocol for Delivering Bad News: Application to the Patient with Cancer*?
   1. Invitation.  
   2. Emotions.  
   4. Perceptions.  
   5. Knowledge.
   a. 5-4-1-2-3.  
   b. 2-5-4-1-3.  
   c. 1-2-5-4-3.  
   d. 2-1-5-4-3.  
   e. 4-1-5-2-3.

Section V. 2016 Tax Software Survey (Page 36)

21. Surveyed users of _____ tax software rated their software the highest of any product for ease of installation and updates as well as handling updates during tax season.
   a. ATX  
   b. Drake  
   c. UltraTax CS  
   d. Lacerte  
   e. CCH Axcess Tax

22. Which tax software received the highest rating for importing data and integration with accounting and other software?
   a. ProSystem fx.  
   b. ProSeries.  
   c. CCH Axcess Tax.  
   d. UltraTax CS.  
   e. GoSystem TaxRS.

23. Users of ________ software were most likely to recommend their software to someone starting a new tax practice.
   a. UltraTax CS  
   b. Drake  
   c. ProSeries  
   d. CCH Axcess Tax  
   e. ProSystem fx

24. Which tax software received the highest rating for users' appreciation of its support?
   a. CCH Axcess Tax.  
   b. UltraTax CS.  
   c. Lacerte.  
   d. ProSystem fx.  
   e. Drake.

25. Which tax software received the lowest rating for technical support?
   a. UltraTax CS.  
   b. CCH Axcess Tax.  
   c. ProSystem fx.  
   d. Drake.  
   e. ATX.
Section VI. Getting Familiar with OPEB (Page 52)

26. Under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, governments with ______ are required to measure and record either all or their proportionate share of net OPEB liability.
   a. Single-employer OPEB plans
   b. Agent multiple-employer OPEB plans
   c. Cost-sharing, multiple-employer OPEB plans and special-funding plans
   d. A, b or c
   e. A or b but not c

27. Under GASB Statement No. 75, total OPEB liability is measured using:
   a. Any of six GASB-approved actuarial cost-attribution methods.
   b. A single actuarial cost-attribution method based on entry age.
   c. Either a or b.
   d. Neither a nor b.

28. Which of the following is (are) descriptive of GASB Statement No. 75's approach to measuring OPEB expense?
   a. An all-economic-resources measurement focus.
   b. Full accrual basis of accounting.
   c. Funding-based approach.
   d. A, b and c.
   e. A and b but not c.

29. GASB Statement No. 75 requires that OPEB plan assets be measured:
   a. At fair value.
   b. Using a market-based method, most likely based on estimated long-term investment returns.
   c. Either a or b.
   d. Neither a nor b.

30. Under GASB Statement No. 75, a government's periodic OPEB expense is based on:
   a. Annual required employer contributions to meet plan outflows under a pay-as-you-go approach.
   b. The change in net OPEB liability with certain adjustments.
   c. Either a or b.
   d. Neither a nor b.

Section VII. The Next Frontier in Data Analytics (Page 58)

31. Which of the following types of analytics can be used to predict an account receivable balance and collection period for each customer?
   a. Descriptive analytics.
   b. Diagnostic analytics.
   c. Predictive analytics.
   d. Prescriptive analytics.

32. Averages and percentage changes in vertical and horizontal analyses are examples of which of the following types of analytics?
   a. Descriptive analytics.
   b. Diagnostic analytics.
   c. Predictive analytics.
   d. Prescriptive analytics.

33. Which of the following types of analytics can be used in variance analyses and interactive dashboards to examine the causes of past outcomes?
   a. Descriptive analytics.
   b. Diagnostic analytics.
   c. Predictive analytics.
   d. Prescriptive analytics.

34. Which of the following types of analytics can be used in identifying actions to reduce the collection period of accounts receivable and to optimize the use of payables discounts?
   a. Descriptive analytics.
   b. Diagnostic analytics.
   c. Predictive analytics.
   d. Prescriptive analytics.

35. According to a Robert Half survey, what is the most common method to improve employees' business analytics skills?
   a. Mentorships.
   b. Working with a consultant.
   c. In-house training.
   d. Outside industry courses / events.
   e. Tuition reimbursement.
Sections VIII - X and Exam Questions 36 - 50 Relate to the Journal of Accountancy of September 2016.

Section VIII. Two Articles on Fraud Prevention:
What's Your Fraud IQ? (Page 38)
Money Laundering: Combating a Global Threat (Page 44)

36. All conflicts of interest:
   a. Are inherently dishonest and/or unethical.
   b. Become problems when they benefit a party other than the organization.
   c. Both a and b.
   d. Neither a nor b.

37. Every organization should have a mission statement that articulates its:
   a. Purpose.
   c. Both a and b.
   b. Core values.
   d. Neither a nor b.

38. Organizations that operate in dozens of countries across the globe should have a stated policy of:
   a. Reassuring potential whistleblowers that their identity will be treated with care but acknowledging that they are unable to promise strict confidentiality in all circumstances.
   b. Subjecting employees who intentionally submit a fake report of wrongdoing to disciplinary action.
   c. Promising strict confidentiality to potential whistleblowers in all circumstances.
   d. All of the above.
   e. Both a and b but not c.

39. Which of the following persons must prepare and file Form 8300?
   a. A person who receives more than $10,000 in cash in one transaction in a trade or business in which he or she is involved.
   b. A person who receives more than $10,000 in cash in two or more related transactions in a trade or business in which he or she is involved.
   c. A person who receives more than $5,000 in cash in one transaction in a trade or business in which he or she is involved.
   d. A, b and c.
   e. A and b but not c.

40. With respect to money laundering, accountants engaged in independent audits of financial statements:
   a. Must adhere to professional auditing standards.
   b. Must exercise professional skepticism.
   c. Have the affirmative obligation to detect possible money laundering.
   d. A, b and c.
   e. A and b but not c.

Section IX. Special Depreciation: Three Choices Present New Options (Page 56)

41.Regs. Sec. 1.263(a)-1(f) permits taxpayers with applicable financial statements to expense up to _____ for amounts paid to acquire or produce units of tangible property to the extent those amounts are deducted by the taxpayer for financial reporting purposes.
   a. $500  b. $1,000  c. $2,500  d. $5,000  e. $10,000

42. Notice 2015-82 allows taxpayers without applicable financial statements to expense amounts paid for units of property up to __________, effective for tax years beginning on or after January 1, 2016.
   a. $250  b. $500  c. $1,000  d. $2,500  e. $5,000

43. In 2016, a taxpayer places into service Sec. 179 property with a total cost of $2,025,000. This taxpayer may deduct up to __________ of the cost of qualifying tangible property in 2016.
   a. $250,000  b. $475,000  c. $485,000  d. $490,000  e. $500,000

44. Which of the following may qualify for Sec. 179 expensing?
   a. Tangible personal property.
   b. Off-the-shelf computer software that is Sec. 1245 property.
   c. Qualified real property.
   d. A, b and c.
   e. A and b but not c.
45. Which of the following properties is not eligible for bonus depreciation?
   a. Fruit-bearing and nut-bearing plants.
   b. Property that is being depreciated under the alternative depreciation system.
   c. Qualified improvement property.
   d. Certain automobiles.
   e. Long-production-period property and aircraft.

Section X. In-Home Caregivers: Answers to Tax and Nontax Questions (Page 64)

46. Form I-9, Employment Eligibility Verification must:
   a. Be completed by the caregiver and presented to the family by the hire date.
   b. Be retained until the later of three years after the date of hire or one year after the employment
      relationship ends.
   c. Be filed with the federal government.
   d. A, b and c.
   e. A and b but not c.

47. The Immigration Reform and Control Act (IRCA) requires families to verify the identity and
    eligibility of:
   a. Employees.
   b. Independent contractors.
   c. Both a and b.
   d. Neither a nor b.

48. What is required of families who employ in-home caregivers?
   a. Collecting and remitting the caregiver's withholding tax obligations.
   b. Collecting and remitting the caregiver's Social Security and Medicare taxes as well as to pay the
      family's match of these taxes.
   c. Paying federal and state unemployment taxes on taxable wages.
   d. Maintaining appropriate records to support these filings.
   e. All of the above.

49. A taxpayer who employs an in-home caregiver to care for her three dependent children may be
    eligible for a dependent care credit of up to:
   a. $1,500.
   b. $3,000.
   c. $6,000.
   d. $9,000.
   e. $12,000.

50. Which of the following do the authors recommend for a family who hires a caregiver?
   a. Securing workers' compensation and/or an umbrella liability policy.
   b. Securing a bond or some liability protection for the caregiver.
   c. A written, signed employment contract reviewed by legal counsel.
   d. A, b and c.
   e. A and b but not c.

Please email, fax or mail your answer sheet to AEA. Our email address: info@accounting-education.com

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