

**“Life is not a matter of holding good cards, but of playing a poor hand well.”
... Robert Louis Stevenson**

**Supplementary Study Guide/Syllabus to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy*
Third Quarter (July – Sept), 2021**

Instructions:

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

Purpose:

**To provide an interactive learning experience by listing
Learning Objectives and Review Questions with Suggested Answers and Explanations.**

OUTLINE: The section numbers of the Study Guide 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 *JofA*.

Sections I–V and Exam Questions 1–30 Relate to the *Journal of Accountancy* – July, 2021:

Section I. An Evaluation Framework for Responding to Requests (Page 10)

Section II. Planning for Education Expenses amid Change (Page 12)

Section III. Vacation and Sick Pay Accruals Resulting from the Pandemic (Page 25)

Section IV. Medicare's Tricky Rules and HSAs after age 65 (Page 39)

Section V. Certified Professional Employer Organizations: The First Four Years (Page 42)

Section VI and Exam Questions 31– 35 Relate to the *Journal of Accountancy* – Aug., 2021:

Section VI. 7 Tips for Starting a Client Advisory Services Practice (Page 14)

Sections VII – IX and Exam Questions 36– 50 Relate to the *Journal of Accountancy* – Sept., 2021:

Section VII. Frequently Asked Engagement Letter Questions (Page 8)

Section VIII. 10 Billing Myths That Can Undercut Your Value (Page 21)

Section IX. A Take on Cryptoasset Transactions, Investments, and Risk (Page 33)

The Learning Objectives are stated in each of the following sections.

Section I. An Evaluation Framework for Responding to Requests (Page 10)

Section I Assignment:

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 Learning Objectives:

1. Become familiar with various requests CPAs receive and risks they may pose.
2. Learn some tools and practices that help prevent risk.

Section I Review Questions:

1. A CPA's fundamental risk management protocols to help mitigate risk include:
 - a. Client and engagement acceptance.
 - b. Engagement letters.
 - c. Adherence to professional standards.
 - d. Documentation.
 - e. All of the above.
2. *Privity* is a doctrine of:
 - a. The AICPA *Code of Professional Conduct*.
 - b. Internal Revenue Code Sec. 7216.
 - c. Contract law.
 - d. The Uniform Commercial Code.
 - e. A U.S. Tax Court case.
3. Before responding to a request, the authors recommend asking questions, including:
 - a. Who is asking?
 - b. What are they asking for?
 - c. Why are they asking?
 - d. What could go wrong?
 - e. All of the above.
4. The AICPA *Code of Professional Conduct* "Records Request" Interpretation can be found at:
 - a. ET Sec. 1.400.200
 - b. ET Sec. 1.700.001
 - c. ET Sec. 1.200.400
 - d. ET Sec. 1.700.400
 - e. ET Sec. 1.400.700
5. The authors emphasize the importance of:
 - a. Privity.
 - b. Continuing education.
 - c. Engagement letters.
 - d. Professional liability insurance.
 - e. Scope creep.

Section I Solutions and Suggested Responses to Review Questions appear on the next page.

Section I Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 10 of the July, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** All of the above.

Review Question 2. (Please see page 10 of the July, 2021 *JofA*.)

- a. Incorrect. Contract law.
- b. Incorrect. Contract law.
- c. **Correct.** Contract law.
- d. Incorrect. Contract law.
- e. Incorrect. Contract law.

Review Question 3: (Please see page 11 of the July, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** All of the above.

Review Question 4. (Please see page 11 of the July, 2021 *JofA*.)

- a. **Correct.** ET Sec. 1.400.200
- b. Incorrect. ET Sec. 1.400.200
- c. Incorrect. ET Sec. 1.400.200
- d. Incorrect. ET Sec. 1.400.200
- e. Incorrect. ET Sec. 1.400.200

Review Question 5. (Please see page 11 of the July, 2021 *JofA*.)

- a. Incorrect. Engagement letters.
- b. Incorrect. Engagement letters.
- c. **Correct.** Engagement letters.
- d. Incorrect. Engagement letters.
- e. Incorrect. Engagement letters.

=====End of Section I.

Section II. Planning for Education Expenses amid Change (Page 12)

Section II Assignment:

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 10.

Section II Learning Objectives:

1. Become familiar with repayment options available for college loans.
2. Be aware of considerations when refinancing federal loans.

Section II Review Questions:

1. According to education planning expert Ross Riskin, the COVID-19 pandemic has affected education planning in several ways, including:
 - a. Rethinking gap-year plans.
 - b. Reevaluating college fund distribution strategies for tax-efficiency.
 - c. Reevaluating the return-on-investment for the cost of certain schools or majors.
 - d. b and c.
 - e. a, b and c.
2. According to Mr. Riskin, most advisors know very little about student loan repayment strategies.
 - a. True.
 - b. False.
3. IDR stands for:
 - a. Individual Deposit Receipt.
 - b. Income derivative report.
 - c. Income-driven repayment.
 - d. Initial deposit receipt.
 - e. Income dispute resolution.
4. Existing borrowers with high-interest private loans should refinance when lower rates are available.
 - a. True. This will save interest.
 - b. False. The borrower may miss out on federal loan forgiveness.
5. In saving for college, Mr. Riskin noticed many parent's saving amount was equal to certain IRS limits, which could be insufficient. The example given is:
 - a. \$2,500 – the maximum American Opportunity Credit.
 - b. \$2,500 – The maximum deduction for student loan interest.
 - c. \$4,000 – The maximum state deduction allowed for a Sec. 529 plan contribution.
 - d. \$6,000 – The maximum contribution for an IRA.
 - e. \$10,000 – The maximum contribution allowed contribution to a Sec. 529 plan.

Section II Solutions and Suggested Responses to Review Questions appear on the next page.

Section II Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 13 of the July, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** a, b and c are correct.

Review Question 2. (Please see page 13 of the July, 2021 *JofA*.)

- a. **Correct.** Most advisors know very little about student loan repayment strategies.
- b. Incorrect. Most advisors know very little about student loan repayment strategies.

Review Question 3. (Please see page 14 of the July, 2021 *JofA*.)

- a. Incorrect. Income-driven repayment.
- b. Incorrect. Income-driven repayment.
- c. **Correct.** Income-driven repayment.
- d. Incorrect. Income-driven repayment.
- e. Incorrect. Income-driven repayment.

Review Question 4. (Please see page 16 of the July, 2021 *JofA*.)

- a. **Correct.** Refinancing would save interest..
- b. Incorrect. If the loans were federal rather than private, then the borrow would consider whether loan forgiveness would be lost if the loans were refinanced.

Review Question 5. (Please see page 17 of the July, 2021 *JofA*.)

- a. Incorrect. \$4,000 – The maximum state deduction allowed for a Sec. 529 plan contribution.
- b. Incorrect. \$4,000 – The maximum state deduction allowed for a Sec. 529 plan contribution.
- c. **Correct.** \$4,000 – The maximum state deduction allowed for a Sec. 529 plan contribution.
- d. Incorrect. \$4,000 – The maximum state deduction allowed for a Sec. 529 plan contribution.
- e. Incorrect. \$4,000 – The maximum state deduction allowed for a Sec. 529 plan contribution.

=====End of Section II.

Section III. Vacation and Sick Pay Accruals Resulting from the Pandemic (Page 25)

Section III Assignment:

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 11 through 20.

Section III Learning Objectives:

1. Become familiar with the definition and calculation of compensated absences.
2. Learn how compensated absence liabilities are treated under GAAP and income tax reporting.

Section III Review Questions:

1. Compensated absences can include:
 - a. Vacation.
 - b. Sick days.
 - c. Personal care.
 - d. Family time.
 - e. All of the above.
2. The author states that many employers have experienced a buildup of liabilities for compensated absences because:
 - a. Employees are working more hours due to COVID-19 and can't take time off.
 - b. Employees are healthier due to COVID-19 safety measures and so have used less sick time.
 - c. Employees have delayed vacations due to COVID-19 travel restrictions and safety measures.
 - d. Companies are hiring extra employees during the economic recovery and so the related amount of compensated absence costs have increased
 - e. Companies are having to pay higher wages to fill job openings and so contribute to the increase of compensated absence liabilities.
3. A company with a use-it-or-lose-it policy for vacation or sick leave does not need to accrue a liability
 - a. True. These obligations do not accrue or vest.
 - b. False. All paid leave must be accrued.
4. To prepare an accrual for compensated absences, the accountant should multiply the current pay for each employee by:
 - a. The number of sick and vacation days used in the period.
 - b. The number of sick and vacation days expected to be taken in the next year.
 - c. The number of sick and vacation days forfeited during the year.
 - d. The number of outstanding accumulated and vested absences at the end of the period.
 - e. The number of work days in the year.
5. FASB standards prescribe a rate for accruing compensated absences.
 - a. True.
 - b. False.
6. When accruing a liability for compensated absences, accountants can use _____ to estimate the likelihood the rights will be forfeited and discount the accrual.
 - a. Industry surveys.
 - b. Historical data.
 - c. Projections.
 - d. a, b and c.
 - e. b and c only.

7. The liability for compensated absences is calculated and results in an increase. To properly record the accrual the increase would debit Salaries and Wage Expense and credit a liability account for Compensated Absences.
 - a. True.
 - b. False.
8. For income tax purposes, the cost of compensated absences is:
 - a. Deducted in the year accrued.
 - b. Deducted in the year paid.
 - c. Deducted in the year earned by the employee.
 - d. Amortized over five years.
 - e. Nondeductible.
9. The accrual for compensated absences should be reported as:
 - a. A current liability on the balance sheet.
 - b. A non-current liability on the balance sheet.
 - c. Part of compensation expense.
 - d. An extraordinary item.
 - e. Supplementary information in a footnote.
10. Sabbatical leave must always be accrued as compensated absences.
 - a. True.
 - b. False.

Section III Solutions and Suggested Responses to Review Questions appear on the next page.

Section III Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 25 of the July, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** All of the above.

Review Question 2. (Please see page 25 of the July, 2021 *JofA*.)

- a. Incorrect. Employees have delayed vacations due to COVID-19 travel restrictions and safety measures.
- b. Incorrect. Employees have delayed vacations due to COVID-19 travel restrictions and safety measures.
- c. **Correct.** Employees have delayed vacations due to COVID-19 travel restrictions and safety measures.
- d. Incorrect. Employees have delayed vacations due to COVID-19 travel restrictions and safety measures.
- e. Incorrect. Employees have delayed vacations due to COVID-19 travel restrictions and safety measures.

Review Question 3: (Please see page 25 of the July, 2021 *JofA*.)

- a. **Correct.** These obligations do not vest or accumulate.
- b. Incorrect. These obligations do not vest or accumulate.

Review Question 4. (Please see page 26 of the July, 2021 *JofA*.)

- a. Incorrect. By the number of outstanding accumulated and vested absences at the end of the period.
- b. Incorrect. By the number of outstanding accumulated and vested absences at the end of the period.
- c. Incorrect. By the number of outstanding accumulated and vested absences at the end of the period.
- d. **Correct.** By the number of outstanding accumulated and vested absences at the end of the period.
- e. Incorrect. By the number of outstanding accumulated and vested absences at the end of the period.

Review Question 5. (Please see page 26 of the July, 2021 *JofA*.)

- a. Incorrect. FASB does not prescribe a rate.
- b. **Correct.** FASB does not prescribe a rate.

Review Question 6. (Please see page 28 of the July, 2021 *JofA*.)

- a. Incorrect. b and c are correct, but not a.
- b. Incorrect. b and c are correct, but not a.
- c. Incorrect. b and c are correct, but not a.
- d. Incorrect. b and c are correct, but not a.
- e. **Correct.** b and c are correct, but not a.

Review Question 7. (Please see page 28 of the July, 2021 *JofA*.)

- a. **Correct.** The increase would result in a debit to Salaries and Wages expense and a credit to Compensated Balances liability.
- b. Incorrect. The increase would result in a debit to Salaries and Wages expense and a credit to Compensated Balances liability.

Review Question 8. (Please see page 28 of the July, 2021 *JofA*.)

- a. Incorrect. For tax purposes, compensated absence costs are deducted when paid.
- b. **Correct.** For tax purposes, compensated absence costs are deducted when paid.
- c. Incorrect. For tax purposes, compensated absence costs are deducted when paid.
- d. Incorrect. For tax purposes, compensated absence costs are deducted when paid.
- e. Incorrect. For tax purposes, compensated absence costs are deducted when paid.

Review Question 9: (Please see page 30 of the July, 2021 *JofA*.)

- a. **Correct.** Compensated absence accrual is a current liability on the balance sheet.
- b. Incorrect. Compensated absence accrual is a current liability on the balance sheet.
- c. Incorrect. Compensated absence accrual is a current liability on the balance sheet.
- d. Incorrect. Compensated absence accrual is a current liability on the balance sheet.
- e. Incorrect. Compensated absence accrual is a current liability on the balance sheet.

Review Question 10: (Please see page 30 of the July, 2021 *JofA*.)

- a. Incorrect. Sabbatical leave is only accrued if the employee takes time off with no obligation or restrictions.
- b. **Correct.** Sabbatical leave is only accrued if the employee takes time off with no obligation or restrictions.

-----End of Section III.

Section IV. Medicare's Tricky Rules and HSAs after age 65 (Page 39)

Section IV Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 21 through 25.

Section IV Learning Objectives:

1. Learn some basic Medicare information.
2. Learn how enrollment in Medicare and HSA plans requires planning to avoid penalties.

Section IV Review Questions:

1. HSAs were introduced in 2003. HSA stands for:
 - a. Health Service Area.
 - b. Health Safety Administration.
 - c. Health Savings Account.
 - d. Health Spending Account.
 - e. Health Safety Assessment.
2. Taxpayers already receiving social security benefits at age 65:
 - a. Must sign up for Medicare before age 66.
 - b. Must sign up for Medicare before age 67.
 - c. Must drop their private insurance to enroll in Medicare.
 - d. Will be automatically enrolled in Medicare.
 - e. Are not eligible for Medicare.
3. A worker enrolled in Medicare starts a new job which includes a company-provided HSA health plan. The worker:
 - a. May not enroll in the plan or will lose Medicare coverage.
 - b. May enroll and participate in the HSA feature.
 - c. May enroll but not make HSA contributions.
 - d. May enroll but not make HSA contributions, but the employer can contribute.
 - e. The employee must enroll in Medicare Advantage.
4. A person enrolling in Medicare and has an HSA account encounters a six-month lookback period. Under this rule the person:
 - a. Should typically stop contributing to the HSA six months before Medicare enrollment.
 - b. Should withdraw the HSA account balance before Medicare enrollment.
 - c. Should cancel the HSA-eligible coverage six months before Medicare enrollment.
 - d. Has six months to distribute the funds in the HSA account.
 - e. Can wait six months after turning 65 to decide whether to keep employer coverage or enroll in Medicare.
5. Once a taxpayer is 65 or older and no longer has employer-based group coverage they have to enroll in Medicare Part B and avoid lifetime penalties for late enrollment.
 - a. 2 months.
 - b. 4 months.
 - c. 6 months.
 - d. 8 months.
 - e. 1 year.

Section IV Solutions and Suggested Responses to Review Questions follow on the next page.

Section IV Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 39 of the July, 2021 *JofA*.)

- a. Incorrect. Health Savings Account.
- b. Incorrect. Health Savings Account.
- c. **Correct.** Health Savings Account.
- d. Incorrect. Health Savings Account.
- e. Incorrect. Health Savings Account.

Review Question 2. (Please see page 39 of the July, 2021 *JofA*.)

- a. Incorrect. The taxpayer would be automatically enrolled in Medicare.
- b. Incorrect. The taxpayer would be automatically enrolled in Medicare.
- c. Incorrect. The taxpayer would be automatically enrolled in Medicare.
- d. **Correct.** The taxpayer would be automatically enrolled in Medicare.
- e. Incorrect. The taxpayer would be automatically enrolled in Medicare.

Review Question 3. (Please see page 40 of the July, 2021 *JofA*.)

- a. Incorrect. The worker could enroll in the plan but not make HSA contributions.
- b. Incorrect. The worker could enroll in the plan but not make HSA contributions.
- c. **Correct.** The worker could enroll in the plan but not make HSA contributions.
- d. Incorrect. The worker could enroll in the plan but not make HSA contributions.
- e. Incorrect. The worker could enroll in the plan but not make HSA contributions.

Review Question 4. (Please see page 40 of the July, 2021 *JofA*.)

- a. **Correct.** The person generally should stop HSA contributions six months prior to Medicare enrollment.
- b. Incorrect. The person generally should stop HSA contributions six months prior to Medicare enrollment.
- c. Incorrect. The person generally should stop HSA contributions six months prior to Medicare enrollment.
- d. Incorrect. The person generally should stop HSA contributions six months prior to Medicare enrollment.
- e. Incorrect. The person generally should stop HSA contributions six months prior to Medicare enrollment.

Review Question 5. (Please see page 40 of the July, 2021 *JofA*.)

- a. Incorrect. The person has eight months to enroll in Medicare Part B.
- b. Incorrect. The person has eight months to enroll in Medicare Part B.
- c. Incorrect. The person has eight months to enroll in Medicare Part B.
- d. **Correct.** The person has eight months to enroll in Medicare Part B.
- e. Incorrect. The person has eight months to enroll in Medicare Part B.

===== End of Section IV.

Section V. Certified Professional Employer Organizations: The First Four Years (Page 42)

Section V Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 26 through 30.

Section V Learning Objectives:

1. Learn about PEOs and CPEOs and the services they provide.
2. Learn some advantages offered by a CPEO and how they differ from PEOs.

Section V Review Questions:

1. PEO stands for:
 - a. Professional Employees Organization.
 - b. Prevention, Educations and Outreach.
 - c. Professional Employer Organization.
 - d. Program Executive Office.
 - e. Payroll Enterprise Organization.
2. The Tax Increase Prevention Act of 2014 required a certification program to be implemented by:
 - a. The Department of Labor.
 - b. The Internal Revenue Service.
 - c. The Employee Benefit Guarantee Committee.
 - d. The U.S. Treasury Department.
 - e. The Small Business Administration.
3. Typically, a PEO will assume responsibility for a client's:
 - a. Payroll administration.
 - b. Marketing.
 - c. Business operations.
 - d. a and c.
 - e. a, b and c.
4. Due to the formal relationship between the PEO and client, the PEO is generally responsible for remitting the client's payroll taxes.
 - a. True.
 - b. False.
5. In a market share analysis of CPEOs, the authors found _____ of worksite employees employed by PEOs were employed by a CPEO.
 - a. 39%
 - b. 49%
 - c. 59%
 - d. 69%
 - e. 79%

Section V Solutions and Suggested Responses to Review Questions appear on the next page.

Section V Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 43 of the July, 2021 *JofA*.)

- a. Incorrect. Professional Employer Organization.
- b. Incorrect. Professional Employer Organization.
- c. **Correct.** Professional Employer Organization.
- d. Incorrect. Professional Employer Organization.
- e. Incorrect. Professional Employer Organization.

Review Question 2. (Please see page 43 of the July, 2021 *JofA*.)

- a. Incorrect. The Internal Revenue Service.
- b. **Correct.** The Internal Revenue Service.
- c. Incorrect. The Internal Revenue Service.
- d. Incorrect. The Internal Revenue Service.
- e. Incorrect. The Internal Revenue Service.

Review Question 3. (Please see page 43 of the July, 2021 *JofA*.)

- a. **Correct.** Payroll administration.
- b. Incorrect. Payroll administration.
- c. Incorrect. Payroll administration.
- d. Incorrect. Payroll administration.
- e. Incorrect. Payroll administration.

Review Question 4: (Please see page 43 of the July, 2021 *JofA*.)

- a. **Correct.** The PEO generally remits the client's payroll taxes.
- b. Incorrect. The PEO generally remits the client's payroll taxes.

Review Question 5: (Please see page 48 of the July, 2021 *JofA*.)

- a. Incorrect. 69% were employed by CPEOs.
- b. Incorrect. 69% were employed by CPEOs.
- c. Incorrect. 69% were employed by CPEOs.
- d. **Correct.** 69% were employed by CPEOs.
- e. Incorrect. 69% were employed by CPEOs.

===== End of Section V.

Section VI. 7 Tips for Starting a Client Advisory Services Practice (Page 14)

Section VI Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 31 through 35.

Section VI Learning Objectives:

1. Learn about the various services offered in a Client Advisory Services Practice.
2. Consider the advice offered by experts in starting a Client Advisory Services Practice.
3. For CPAs in industry, consider how your company may benefit from these services.

Section VI Review Questions:

1. A 2020 survey by CPA.com revealed that if price were no issue, _____ of clients would want their CPA firms to provide strategic consulting.
 - a. 25%.
 - b. 45%.
 - c. 68%.
 - d. 75%.
 - e. 90%.
2. Launching a CAS practice is very similar to expanding an existing tax or audit practice.
 - a. True. Typically existing employees can easily add these duties with little disruption.
 - b. False. Add a CAS practice is more like starting a new business.
3. Client advisory services (CAS) can include:
 - a. Outsourced accounting.
 - b. Outsourced controller and CFO services.
 - c. Strategic planning and decision assistance.
 - d. a and b only.
 - e. a, b and c.
4. One expert says bookkeeping is not a “true” CAS service because:
 - a. Bookkeeping billing is typically a flat monthly fee.
 - b. Bookkeeping is typically performed by non-CPAs.
 - c. It happens “after the fact” and doesn't provide timely data to improve the business.
 - d. The quality of bookkeeping does not affect the CAS.
 - e. A CPA firms rarely offers bookkeeping services.
5. Regarding technology, an expert recommends:
 - a. Rely on existing technology as it is proven and useful changes are rare.
 - b. Rely on the client to evaluate and select software as they are more familiar with the business.
 - c. Have a firm employee be responsible for keeping up with advances and new technologies.
 - d. Focus primarily on general ledger software because it has the most report options.
 - e. The CAS firm should own the software licenses to help prevent the client from changing firms.

Section VI Solutions and Suggested Responses to Review Questions appear on the next page.

Section VI Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see page 15 of the August, 2021 *JofA*.)

- a. Incorrect. 68% of clients would want their CPA to provide strategic consulting.
- b. Incorrect. 68% of clients would want their CPA to provide strategic consulting.
- c. **Correct.** 68% of clients would want their CPA to provide strategic consulting.
- d. Incorrect. 68% of clients would want their CPA to provide strategic consulting.
- e. Incorrect. 68% of clients would want their CPA to provide strategic consulting.

Review Question 2: (Please see page 15 of the June, 2021 *JofA*.)

- a. Incorrect. Adding a CAS practice is more like starting a new business.
- b. **Correct.** Adding a CAS practice is more like starting a new business.

Review Question 3: (Please see page 17 of the August, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** a, b and c are correct.

Review Question 4: (Please see page 17 of the August, 2021 *JofA*.)

- a. Incorrect. Bookkeeping happens “after the fact” and doesn't provide timely data.
- b. Incorrect. Bookkeeping happens “after the fact” and doesn't provide timely data.
- c. **Correct.** Bookkeeping happens “after the fact” and doesn't provide timely data.
- d. Incorrect. Bookkeeping happens “after the fact” and doesn't provide timely data.
- e. Incorrect. Bookkeeping happens “after the fact” and doesn't provide timely data.

Review Question 5: (Please see pages 20-21 of the August, 2021 *JofA*.)

- a. Incorrect. Have a firm employee be responsible for keeping up with advances and new technologies.
- b. Incorrect. Have a firm employee be responsible for keeping up with advances and new technologies.
- c. **Correct.** Have a firm employee be responsible for keeping up with advances and new technologies.
- d. Incorrect. Have a firm employee be responsible for keeping up with advances and new technologies.
- e. Incorrect. Have a firm employee be responsible for keeping up with advances and new technologies.

===== End of Section VI

Section VII. Frequently Asked Engagement Letter Questions (Page 8)

Section VII Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 36 through 40.

Section VII Learning Objectives:

1. Learn the importance of engagement letters.
2. If not using engagement letters, consider advice for implementation.
3. Learn about negative assurance and evergreen letters.

Section VII Review Questions:

1. The top question asked of the Accountants Risk Control Team at CNA (underwriter of the AICPA Professional Liability Insurance Program) concerns:
 - a. Audit independence.
 - b. Audit workpaper documentation.
 - c. Engagement letters.
 - d. Conflict of interest.
 - e. Impending claims.
2. In prioritizing the preparation of engagement letters, which services does the author consider lower-risk?
 - a. Audits.
 - b. Income tax preparation clients with W-2 income.
 - c. Income tax preparation clients with self-employment income.
 - d. Tax consulting services
 - e. Non-tax consulting services.
3. To speed the implementation of engagement letters, the author suggests using an addendum for standard terms and conditions, which would include:
 - a. Billing and payment terms.
 - b. Termination and withdrawal provisions.
 - c. Dispute resolution.
 - d. Risk allocation provisions.
 - e. All of the above.
4. For high-volume, small-dollar engagements, the author suggests the use of unilateral engagement letters, also referred to as _____ engagement letters.
 - a. Short-version.
 - b. Limited assurance.
 - c. Negative assurance.
 - d. Positive assurance.
 - e. Non-assurance.
5. Sample engagement letters can be obtained from.
 - a. The AICPA.
 - b. The CPA's professional liability insurance carrier.
 - c. Paid providers.
 - d. Alliance networks.
 - e. All of the above.

Section VII Solutions and Suggested Responses to Review Questions appear on the next page.

Section VII Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see page 8 of the September, 2021 *JofA*.)

- a. Incorrect. Engagement letters.
- b. Incorrect. Engagement letters.
- c. **Correct.** Engagement letters.
- d. Incorrect. Engagement letters.
- e. Incorrect. Engagement letters.

Review Question 2: (Please see page 8 of the September, 2021 *JofA*.)

- a. Incorrect. Income tax preparation clients with W-2 income.
- b. **Correct.** Income tax preparation clients with W-2 income.
- c. Incorrect. Income tax preparation clients with W-2 income.
- d. Incorrect. Income tax preparation clients with W-2 income.
- e. Incorrect. Income tax preparation clients with W-2 income.

Review Question 3: (Please see pages 8 and 9 of the September, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** All of the above could be included in the addendum.

Review Question 4: (Please see page 9 of the September, 2021 *JofA*.)

- a. Incorrect. Negative assurance.
- b. Incorrect. Negative assurance.
- c. **Correct.** Negative assurance.
- d. Incorrect. Negative assurance.
- e. Incorrect. Negative assurance.

Review Question 5: (Please see page 9 of the September, 2021 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. This is part of, but not the most complete answer.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. This is part of, but not the most complete answer.
- e. **Correct.** All of the above could be included in the addendum.

===== End of Section VII

Section VIII. 10 Billing Myths That Can Undercut Your Value (Page 21)

Section VIII Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 45.

Section VIII Learning Objectives:

1. Learn how some proper billing practices can improve revenue and collections.
2. Consider how a change in billing practice could affect your practice or business.

Section VIII Review Questions:

1. To help clients whose businesses struggle during the COVID-19 pandemic, some firms:
 - a. Discounted their fees.
 - b. Allowed clients to perform some tasks, with CPA supervision.
 - c. Allowed clients to pay once the pandemic ended.
 - d. Offered installment payment plans.
 - e. Referred tax preparation clients to a national chain for a referral fee.
2. For CPAs who believe increasing fees will cause clients to leave, one expert claims a client usually leaves because of:
 - a. Lack of expertise.
 - b. Lack of independence.
 - c. Perceived lack of value.
 - d. Staff turnover.
 - e. Lack of discounting.
3. The author notes that some small-to-midsize firms:
 - a. Discount a lot of work.
 - b. Set fees too high.
 - c. Send very detailed invoices.
 - d. Fail to provide up-front engagement letters.
 - e. Have partners do the billing.
4. Should a CPA “pester” clients with collection calls?
 - a. Yes. If you allow clients to pay late, they will always pay late.
 - b. No. Not only will clients be slow to pay but they are more likely to change firms.
5. According to one expert, if you are achieving a 100% realization rate on billings without any client protest, you are likely underselling your value. A good realization rate of _____ indicates fees are appropriate.
 - a. 75% to 80%.
 - b. 80% to 85%.
 - c. 85% to 88%.
 - d. 90% to 95%.
 - e. Over 95%.

Section VIII Solutions and Suggested Responses to Review Questions appear on the next page.

Section VIII Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see page 21 of the September, 2021 *JofA*.)

- a. Incorrect. Some firms offered installment payment plans.
- b. Incorrect. Some firms offered installment payment plans.
- c. Incorrect. Some firms offered installment payment plans.
- d. **Correct.** Some firms offered installment payment plans.
- e. Incorrect. Some firms offered installment payment plans.

Review Question 2: (Please see page 22 of the September, 2021 *JofA*.)

- a. Incorrect. Clients usually leave due to a perceived lack of value.
- b. Incorrect. Clients usually leave due to a perceived lack of value.
- c. **Correct.** Clients usually leave due to a perceived lack of value.
- d. Incorrect. Clients usually leave due to a perceived lack of value.
- e. Incorrect. Clients usually leave due to a perceived lack of value.

Review Question 3: (Please see page 22 of the September, 2021 *JofA*.)

- a. Incorrect. Some small-to-midsize firms fail to provide upfront engagement letters.
- b. Incorrect. Some small-to-midsize firms fail to provide upfront engagement letters.
- c. Incorrect. Some small-to-midsize firms fail to provide upfront engagement letters.
- d. **Correct.** Some small-to-midsize firms fail to provide upfront engagement letters.
- e. Incorrect. Some small-to-midsize firms fail to provide upfront engagement letters.

Review Question 4: (Please see page 23 of the September, 2021 *JofA*.)

- a. **Correct.** CPAs should bill clients early and ensure they pay by the due date.
- b. Incorrect. CPAs should bill clients early and ensure they pay by the due date.

Review Question 5: (Please see page 23 of the September, 2021 *JofA*.)

- a. Incorrect. 85% to 88% is a good realization rate according to one expert.
- b. Incorrect. 85% to 88% is a good realization rate according to one expert.
- c. **Correct.** 85% to 88% is a good realization rate according to one expert.
- d. Incorrect. 85% to 88% is a good realization rate according to one expert.
- e. Incorrect. 85% to 88% is a good realization rate according to one expert.

Section IX. A Take on Cryptoasset Transactions, Investments, and Risk (Page 33)

Section IX Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning 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 46 through 50.

Section IX Learning Objectives:

1. Become familiar with guidance for accounting for cryptoassets.
2. Learn how cryptoasset transactions may be reported for income tax purposes.

Section IX Review Questions:

1. A cryptoasset is not a currency because it is not issued by any country or central bank.
 - a. True.
 - b. False.
2. The FASB has not issued guidance specifically for cryptoassets so CPAs will look to _____ which provides guidance for intangibles.
 - a. FASB ASC Topic 300.
 - b. FASB ASC Topic 350.
 - c. FASB ASC Topic 500.
 - d. FASB ASC Topic 530.
 - e. FASB ASC Topic 500.
3. GAAP requires _____ for indefinite-life assets.
 - a. Monthly balance verification.
 - b. Third-party certification.
 - c. Annual impairment testing.
 - d. Market valuation.
 - e. Annual enhancement testing.
4. Guidance for tax treatment for cryptoassets is found in:
 - a. Notice 2019-12
 - b. Notice 2017-21
 - c. Notice 2019-11
 - d. Notice 2014-21 and Rev. Rul. 2019-24
 - e. Notice 2019-21 and Rev. Rul. 2014-24
5. The process of creating cryptocurrency is called:
 - a. Redemption.
 - b. Digital enhancement.
 - c. Mining.
 - d. Digital transfer.
 - e. Proof of stake.

Section IX Solutions and Suggested Responses to Review Questions appear on the next page.

Section IX Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see page 33 of the September, 2021 *JofA*.)

- a. **Correct.** A cryptoasset is not currency.
- b. Incorrect. A cryptoasset is not currency.

Review Question 2: (Please see page 33 of the September, 2021 *JofA*.)

- a. Incorrect. FASB ASC Topic 350.
- b. **Correct.** FASB ASC Topic 350.
- c. Incorrect. FASB ASC Topic 350.
- d. Incorrect. FASB ASC Topic 350.
- e. Incorrect. FASB ASC Topic 350.

Review Question 3: (Please see page 34 of the September, 2021 *JofA*.)

- a. Incorrect. Annual impairment testing is required (more frequently if events dictate).
- b. Incorrect. Annual impairment testing is required (more frequently if events dictate).
- c. **Correct.** Annual impairment testing is required (more frequently if events dictate).
- d. Incorrect. Annual impairment testing is required (more frequently if events dictate).
- e. Incorrect. Annual impairment testing is required (more frequently if events dictate).

Review Question 4: (Please see page 35 of the September, 2021 *JofA*.)

- a. Incorrect. Notice 2014-21 and Rev. Rul. 2019-24
- b. Incorrect. Notice 2014-21 and Rev. Rul. 2019-24
- c. Incorrect. Notice 2014-21 and Rev. Rul. 2019-24
- d. **Correct.** Notice 2014-21 and Rev. Rul. 2019-24
- e. Incorrect. Notice 2014-21 and Rev. Rul. 2019-24

Review Question 5: (Please see page 37 of the September, 2021 *JofA*.)

- a. Incorrect. Mining.
- b. Incorrect. Mining.
- c. **Correct.** Mining.
- d. Incorrect. Mining.
- e. Incorrect. Mining.