

**“Inspiration exists, but it must find us working.”
...Pablo Picasso.**

**Supplementary Study Guide/Syllabus to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy*
First Quarter (Jan – Mar), 2022**

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-III and Exam Questions 1–25 Relate to the *Journal of Accountancy* – Jan., 2022:

Section I. When and How to Raise Fees at Your Firm (Page 13)

Section II. A Refreshed Focus on Risk Assessment (Page 16)

Section III. Like-Kind Exchanges of Real Property (Page 30)

Sections IV-V and Exam Questions 26 - 40 Relate to the *Journal of Accountancy* – Feb., 2022:

Section IV. Embracing Technology in the Audit (Page 8)

Section V. Full Disclosure: When Tax Transactions Must be Reported (Page 24)

Sections VI-VII and Exam Questions 41- 50 Relate to the *Journal of Accountancy* – Mar., 2022:

Section VI. Tread Carefully When Using Noncompete Agreements (Page 4)

Section VII. Tax Matters (Page 28)

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

Section I. When and How to Raise Fees at Your Firm (Page 13)

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. Learn some fee-raising strategies.
2. Consider advice about discounts and deferrals.

Section I Review Questions:

1. Reasons fee increases by CPA firms could be necessary include:
 - a. Complexity due to COVID-19 relief programs.
 - b. Firms needing to hire and retain quality professionals during a labor shortage.
 - c. The cost of commercial office space sky-rocketed during the COVID-19 pandemic.
 - d. a and b.
 - e. a, b and c.
2. One CPA recommends setting billing rates equal to rates of firms:
 - a. That are much smaller.
 - b. That are the same size.
 - c. That are two or three times larger.
 - d. That are five times larger or more.
 - e. Offering the similar services in the same area.
3. To learn what other firms are charging, the author recommends:
 - a. The National Management of Accounting Practice Survey (available online).
 - b. State society and local chapter networking groups.
 - c. Local Chamber of Commerce surveys.
 - d. a and b.
 - e. a, b and c.
4. Firms should consider fee increases:
 - a. Before every engagement.
 - b. Before performing an annual assessment of the client.
 - c. After the quarterly consumer price index numbers are released.
 - d. During the annual client assessment.
 - e. After every engagement.
5. One CPA claims that CPAs tend to undervalue our services.
 - a. True.
 - b. False.

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 13 of the January, 2022 *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. Due to remote working during Covid, demand for office space tempered rent increases.
- d. **Correct.** a and b are correct.
- e. Incorrect. a and b are correct, but not c.

Review Question 2. (Please see page 14 of the January, 2022 *JofA*.)

- a. Incorrect. The CPA recommends billing similar to firms two or three times larger.
- b. Incorrect. The CPA recommends billing similar to firms two or three times larger.
- c. **Correct.** The CPA recommends billing similar to firms two or three times larger.
- d. Incorrect. The CPA recommends billing similar to firms two or three times larger.
- e. Incorrect. The CPA recommends billing similar to firms two or three times larger.

Review Question 3: (Please see page 14 of the January, 2022 *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. a and b are correct, but not c.
- d. **Correct.** a and b are correct.
- e. Incorrect. a and b are correct, but not c.

Review Question 4. (Please see page 15 of the January, 2022 *JofA*.)

- a. Incorrect. Firms should consider fee increases during the annual client assessment.
- b. Incorrect. Firms should consider fee increases during the annual client assessment.
- c. Incorrect. Firms should consider fee increases during the annual client assessment.
- d. **Correct.** Firms should consider fee increases during the annual client assessment.
- e. Incorrect. Firms should consider fee increases during the annual client assessment.

Review Question 5. (Please see page 15 of the January, 2022 *JofA*.)

- a. **Correct.** One CPA stated CPAs tend to undervalue their services.
- b. Incorrect. One CPA stated CPAs tend to undervalue their services.

=====End of Section I.

Section II. A Refreshed Focus on Risk Assessment (Page 16)

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 15.

Section II Learning Objectives:

1. Learn the objectives behind issuance of SAS 145.
2. Consider the risk environment of your clients or company.
3. Think about how remote-working may have affected the risk environment of your clients or workplace.

Section II Review Questions:

1. Auditors should evaluate risk:
 - a. Before beginning the audit.
 - b. After beginning the audit.
 - c. After completing the audit.
 - d. From the beginning to the very end of the audit.
 - e. Only if the client shows signs of financial distress.
2. SAS 145 fundamentally changes key concepts of audit risk.
 - a. True.
 - b. False.
3. An understanding of controls and the system of internal control can provide a window into _____ and gaps in internal control that could lead to a material misstatement.
 - a. Going concern issues.
 - b. Product viability.
 - c. Potential fraud risks.
 - d. Revenue sustainability.
 - e. Inventory valuation issues.
4. SAS 145 requires a deeper understanding and _____ of the auditor's evaluation of the design of controls.
 - a. More extensive testing.
 - b. More extensive documentation.
 - c. Less extensive testing.
 - d. Clearer articulation.
 - e. Client's consensus.
5. One of the legs of the fraud risk triangle is:
 - a. Declining revenues.
 - b. Opportunity.
 - c. Poor employee training.
 - d. Rapid revenue growth.
 - e. Slow-paying customers.
6. SAS 145 takes effect for audits of financial statements for periods ending on or after:
 - a. Dec. 15, 2022.
 - b. Dec. 31, 2022.
 - c. Dec. 15, 2023.
 - d. Dec. 31, 2023.
 - e. Dec. 15, 2024.

7. Under SAS 145, “significant risks” lie on the upper end of the spectrum of:
 - a. Control risks.
 - b. Inherent risks.
 - c. Residual risks.
 - d. Accounting risks.
 - e. Operational risks.
8. Significant risks require special audit consideration.
 - a. True.
 - b. False.
9. Audit methods that should be evaluated for potential risks include:
 - a. Pandemic-related remote audit procedures such as video inventory checking and remote document checking.
 - b. In-person testing of internal controls.
 - c. Confirming accounts receivable balances by mail.
 - d. Use of data analytics.
 - e. Evaluation of related-party transactions.
10. SAS 145 specifies the methodology firms must use to assess and respond to risk.
 - a. True.
 - b. False.

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 17 of the January, 2022 *JofA*.)

- a. Incorrect. From the beginning to the very end of the audit.
- b. Incorrect. From the beginning to the very end of the audit.
- c. Incorrect. From the beginning to the very end of the audit.
- d. **Correct.** From the beginning to the very end of the audit.
- e. Incorrect. From the beginning to the very end of the audit.

Review Question 2. (Please see page 17 of the January, 2022 *JofA*.)

- a. Incorrect. SAS 145 does not fundamentally change key concepts of audit risk.
- b. **Correct.** SAS 145 does not fundamentally change key concepts of audit risk.

Review Question 3. (Please see page 17 of the January, 2022 *JofA*.)

- a. Incorrect. Potential fraud risks.
- b. Incorrect. Potential fraud risks.
- c. **Correct.** Potential fraud risks.
- d. Incorrect. Potential fraud risks.
- e. Incorrect. Potential fraud risks.

Review Question 4. (Please see page 17 of the January, 2022 *JofA*.)

- a. Incorrect. Clearer articulation.
- b. Incorrect. Clearer articulation.
- c. Incorrect. Clearer articulation.
- d. **Correct.** Clearer articulation.
- e. Incorrect. Clearer articulation.

Review Question 5. (Please see page 17 of the January, 2022 *JofA*.)

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

Review Question 6. (Please see page 18 of the January, 2022 *JofA*.)

- a. Incorrect. Dec. 15, 2023.
- b. Incorrect. Dec. 15, 2023.
- c. **Correct.** Dec. 15, 2023.
- d. Incorrect. Dec. 15, 2023.
- e. Incorrect. Dec. 15, 2023.

Review Question 7. (Please see page 18 of the January, 2022 *JofA*.)

- a. Incorrect. Inherent risks.
- b. **Correct.** Inherent risks.
- c. Incorrect. Inherent risks.
- d. Incorrect. Inherent risks.
- e. Incorrect. Inherent risks.

Review Question 8. (Please see page 18 of the January, 2022 *JofA*.)

- a. **Correct.** Significant risks require special audit consideration.
- b. Incorrect. Significant risks require special audit consideration.

Review Question 9: (Please see page 18 of the January, 2022 *JofA*.)

- a. **Correct.** Pandemic-related audit processes.
- b. Incorrect. Pandemic-related audit processes.
- c. Incorrect. Pandemic-related audit processes.
- d. Incorrect. Pandemic-related audit processes.
- e. Incorrect. Pandemic-related audit processes.

Review Question 10: (Please see page 20 of the January, 2022 *JofA*.)

- a. Incorrect. There can be different ways to assess and respond to risks.
- b. **Correct.** There can be different ways to assess and respond to risks.

=====End of Section II.

Section III. Like-Kind Exchanges of Real Property (Page 30)

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 16 through 25.

NOTE: Provisions of the American Family Plan (AFP) would limit the benefit of a Sec. 1031 exchange. The AFP has stalled in Congress and it doesn't appear likely the provisions will become law until elections change the makeup of Congress. The study guide will focus on provisions currently in effect.

Section III Learning Objectives:

1. Learn what transactions can qualify for like-kind exchange treatment and tax deferral.
2. Learn about certain timing requirements to maintain qualification for tax deferral.

Section III Review Questions:

1. The code section that allows deferral of paying taxes on a gain from a sale of property is:
 - a. 1013.
 - b. 1023.
 - c. 1031.
 - d. 1130.
 - e. 3101.
2. For property held and depreciated over a long period of time, tax (or deferral of tax) on _____ is a significant consideration.
 - a. Capital gains.
 - b. Depreciation recapture.
 - c. Capital gain recapture.
 - d. Investment recapture.
 - e. Capital loss recapture.
3. The tax on depreciation recapture is a flat rate of:
 - a. 10%.
 - b. 15%.
 - c. 20%.
 - d. 25%.
 - e. 28%.
4. According to the author, deferral of taxation in a reinvestment situation:
 - a. Is contrary to long-held tax policy that taxes should be paid when property changes ownership.
 - b. Is unfair to investors who do not own real estate as investment property.
 - c. In keeping with a tax policy that recognizes taxes should be collected when the taxpayer has the funds to pay.
 - d. Is unfair to individuals who want to trade property that is not like-kind.
 - e. Is unsound public policy.
5. To qualify for tax-deferral, the like-kind properties must both be located in the United States.
 - a. True.
 - b. False.

6. Two partnerships each own like-kind investment real property as their only assets. Can the partners exchange partnership interests and defer tax under Sec. 1031?
 - a. Yes. Since the only assets involved are investment real property, it is a like-kind exchange.
 - b. No. Exchange of partnership interests do not qualify.
7. Which of the following would be not able to act as a qualified intermediary for a taxpayer involved in a like-kind exchange?
 - a. A person who acted as the taxpayer's broker in the last two years.
 - b. A person who acted as the taxpayer's attorney in the last two years.
 - c. A person who was the taxpayer's employee in the last two years.
 - d. a and b.
 - e. a, b and c.
8. The taxpayer may identify any number of replacement properties as long as the total fair market value doesn't exceed _____ of the relinquished property value.
 - a. 100%
 - b. 150%
 - c. 200%
 - d. 250%
 - e. 300%
9. In a typical like-kind exchange transaction, two owners of similar properties simply trade (by executing deeds).
 - a. True.
 - b. False. It is usually a multistep process.
10. Assuming there are no mortgages involved, in order to defer all of the tax on gain under the like-kind exchange rules, the taxpayer must purchase replacement property equal to or greater than _____ of the sales price of the relinquished property.
 - a. 50%.
 - b. 75%.
 - c. 100%.
 - d. 150%.
 - e. 2000%.

Section III Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 31 of the January, 2022 *JofA*.)

- a. Incorrect. Section 1031.
- b. Incorrect. Section 1031.
- c. **Correct.** Section 1031.
- d. Incorrect. Section 1031.
- e. Incorrect. Section 1031.

Review Question 2. (Please see page 31/32 of the January, 2022 *JofA*.)

- a. Incorrect. Depreciation recapture.
- b. **Correct.** Depreciation recapture.
- c. Incorrect. Depreciation recapture.
- d. Incorrect. Depreciation recapture.
- e. Incorrect. Depreciation recapture.

Review Question 3: (Please see page 31 of the January, 2022 *JofA*.)

- a. Incorrect. 25%.
- b. Incorrect. 25%.
- c. Incorrect. 25%.
- d. **Correct.** 25%.
- e. Incorrect. 25%.

Review Question 4. (Please see page 32 of the January, 2022 *JofA*.)

- a. Incorrect. In keeping with a tax policy that recognizes taxes should be collected when the taxpayer has the funds to pay.
- b. Incorrect. In keeping with a tax policy that recognizes taxes should be collected when the taxpayer has the funds to pay.
- c. **Correct.** In keeping with a tax policy that recognizes taxes should be collected when the taxpayer has the funds to pay.
- d. Incorrect. In keeping with a tax policy that recognizes taxes should be collected when the taxpayer has the funds to pay.
- e. Incorrect. In keeping with a tax policy that recognizes taxes should be collected when the taxpayer has the funds to pay.

Review Question 5. (Please see page 33 of the January, 2022 *JofA*.)

- a. **Correct.** The properties must both be located in the United States.
- b. Incorrect. The properties must both be located in the United States.

Review Question 6. (Please see page 33 of the January, 2022 *JofA*.)

- a. Incorrect. Exchange of partnership interests do not qualify.
- b. **Correct.** Exchange of partnership interests do not qualify.

Review Question 7. (Please see page 33 of the January, 2022 *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 not be the taxpayer's qualified intermediary.

Review Question 8. (Please see page 34 of the January, 2022 *JofA*.)

- a. Incorrect. 200%.
- b. Incorrect. 200%.
- c. **Correct.** 200%.
- d. Incorrect. 200%.
- e. Incorrect. 200%.

Review Question 9: (Please see page 34 of the January, 2022 *JofA*.)

- a. Incorrect. It is usually a multistep process..
- b. **Correct.** It is usually a multistep process..

Review Question 10: (Please see page 35 of the January, 2022 *JofA*.)

- a. Incorrect. 100%.
- b. Incorrect. 100%.
- c. **Correct.** 100%.
- d. Incorrect. 100%
- e. Incorrect. 100%

=====End of Section III.

Section IV. Embracing Technology in the Audit (Page 8)

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 26 through 30.

Section IV Learning Objectives:

1. Learn some basic benefits that can result from using technology in the audit.
2. Learn some of the challenges and recommendations related to implementation.

Section IV Review Questions:

1. One CPA states that a(n) _____ forces us to think about how technology can help us plan and execute audits.
 - a. Audit program.
 - b. Engagement letter.
 - c. Digital mindset.
 - d. Client.
 - e. Peer review.
2. Regardless of technology, human qualities of _____ remain a necessary part of the audit process.
 - a. Judgment.
 - b. Analysis.
 - c. Evaluation.
 - d. a and c.
 - e. a, b and c.
3. To discover areas of opportunity for technology, one firm's personnel ask:
 - a. "What is the cost of the software?"
 - b. "What is repetitive or takes the most time?"
 - c. "What problems do we have?"
 - d. a and c.
 - e. a, b and c.
4. The AICPA Auditing Standards Board's new risk assessment standard includes guidance on the use of technology.
 - a. True.
 - b. False.
5. The audit analytics process is easier if:
 - a. The client can run most of the software.
 - b. The client and audit firm use the same accounting software.
 - c. The audit firm can interface their systems with the client's systems and data.
 - d. A third party data analytics firm handles the entire process.
 - e. The firm implements the process for all clients in the same 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 9 of the February, 2022 *JofA*.)

- a. Incorrect. Digital mindset.
- b. Incorrect. Digital mindset.
- c. **Correct.** Digital mindset.
- d. Incorrect. Digital mindset.
- e. Incorrect. Digital mindset.

Review Question 2. (Please see page 9 of the February, 2022 *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.

Review Question 3. (Please see page 9 of the February, 2022 *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 10 of the February, 2022 *JofA*.)

- a. **Correct.** The new risk assessment standard does include guidance on the use of technology.
- b. Incorrect. The new risk assessment standard does include guidance on the use of technology.

Review Question 5. (Please see page 11 of the February, 2022 *JofA*.)

- a. Incorrect. The process is easier if the audit firm can interface their systems with the client's systems and data.
- b. Incorrect. The process is easier if the audit firm can interface their systems with the client's systems and data.
- c. **Correct.** The process is easier if the audit firm can interface their systems with the client's systems and data.
- d. Incorrect. The process is easier if the audit firm can interface their systems with the client's systems and data.
- e. Incorrect. The process is easier if the audit firm can interface their systems with the client's systems and data.

===== End of Section IV.

Section V. Full Disclosure: When Tax Transactions Must be Reported (Page 24)

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 31 through 40.

Section V Learning Objectives:

1. Learn about various reportable transactions.
2. Learn about the disclosure requirements for those involved reportable transactions.

Section V Review Questions:

1. The IRS may deny a taxpayer's use of a tax strategy when the expected tax benefits:
 - a. Exceed current year's taxable income.
 - b. Reduce the tax obligation by 50% or more.
 - c. Are less than the economic substance.
 - d. Exceed the economic substance.
 - e. Exceed the tax paid for the year.
2. The annual amounts of tax owed but not paid (the tax gap) is estimated to be as much as:
 - a. \$1 billion.
 - b. \$80 billion.
 - c. \$100 billion.
 - d. \$1 trillion.
 - e. \$80 trillion.
3. Which of the following are types of reportable transactions?
 - a. Listed transactions.
 - b. Confidential transactions.
 - c. Contract transactions.
 - d. a and b.
 - e. b and c.
4. The IRS position on certain syndicated conservation easements can be found in:
 - a. Notice 99-59.
 - b. Notice 2000-44.
 - c. Notice 2003-55.
 - d. Notice 2010-17.
 - e. Notice 2017-10.
5. For a corporation, any transaction that results in a loss of at least _____ in a single tax year is a reportable transaction.
 - a. \$50,000.
 - b. \$2,000,000.
 - c. \$4,000,000.
 - d. \$10,000,000.
 - e. \$20,000,000.

6. In addition to disclosing the reportable transaction as part of tax filing, a copy must be sent to the:
 - a. Treasury Dept. Tax Shelter Registry.
 - b. IRS Office of Tax Shelter Analysis.
 - c. IRS Office of Tax Shelter Registry.
 - d. IRS Office of Reportable Transaction Analysis.
 - e. IRS Office of Chief Council.
7. A material adviser of a reportable transaction must file information with the IRS using:
 - a. Form 6886.
 - b. Form 8868.
 - c. Form 8886.
 - d. Form 8818.
 - e. Form 8918.
8. Unlike the taxpayer, a material adviser must provide the IRS:
 - a. The identity of parties to the transaction.
 - b. The identity of taxpayers who declined participation in the transaction.
 - c. The identity of other material advisers who were involved in the transaction.
 - d. Copies of confidentiality forms signed by clients participating in the transaction.
 - e. Copies of personal income tax returns.
9. If the taxpayer is unsure whether an investment is a reportable transaction, the taxpayer may request a ruling from:
 - a. The AICPA tax section.
 - b. The U.S. Treasury Office of Tax Shelter Analysis.
 - c. The Internal Revenue Service.
 - d. The respective state departments of revenue.
 - e. The Office of Taxpayer Advocate.
10. Participants in tax shelters cannot have a reasonable expectation their identities or participation in the tax shelter will be confidential.
 - a. True.
 - b. False.

Section V Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 25 of the February, 2022 *JofA*.)

- a. Incorrect. The tax strategy may be denied when the benefit exceeds the economic substance.
- b. Incorrect. The tax strategy may be denied when the benefit exceeds the economic substance.
- c. Incorrect. The tax strategy may be denied when the benefit exceeds the economic substance.
- d. **Correct.** The tax strategy may be denied when the benefit exceeds the economic substance.
- e. Incorrect. The tax strategy may be denied when the benefit exceeds the economic substance.

Review Question 2. (Please see page 25 of the February, 2022 *JofA*.)

- a. Incorrect. The tax gap is estimated to be \$1 trillion.
- b. Incorrect. The tax gap is estimated to be \$1 trillion.
- c. Incorrect. The tax gap is estimated to be \$1 trillion.
- d. **Correct.** The tax gap is estimated to be \$1 trillion.
- e. Incorrect. The tax gap is estimated to be \$1 trillion.

Review Question 3. (Please see pages 25 & 26 of the February, 2022 *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. a and b are correct.
- d. **Correct.** a and b are correct.
- e. Incorrect. a and b are correct, but not c.

Review Question 4: (Please see page 25 of the February, 2022 *JofA*.)

- a. Incorrect. Notice 2017-10.
- b. Incorrect. Notice 2017-10.
- c. Incorrect. Notice 2017-10.
- d. Incorrect. Notice 2017-10.
- e. **Correct.** Notice 2017-10.

Review Question 5: (Please see page 26 of the February, 2022 *JofA*.)

- a. Incorrect. \$10,000,000.
- b. Incorrect. \$10,000,000.
- c. Incorrect. \$10,000,000.
- d. **Correct.** \$10,000,000.
- e. Incorrect. \$10,000,000.

Review Question 6. (Please see page 27 of the February, 2022 *JofA*.)

- a. Incorrect. The IRS Office of Tax Shelter Analysis (OTSA).
- b. **Correct.** The IRS Office of Tax Shelter Analysis (OTSA).
- c. Incorrect. The IRS Office of Tax Shelter Analysis (OTSA).
- d. Incorrect. The IRS Office of Tax Shelter Analysis (OTSA).
- e. Incorrect. The IRS Office of Tax Shelter Analysis (OTSA).

Review Question 7. (Please see page 27 of the February, 2022 *JofA*.)

- a. Incorrect. Form 8918.
- b. Incorrect. Form 8918.
- c. Incorrect. Form 8918.
- d. Incorrect. Form 8918.
- e. **Correct.** Form 8918.

Review Question 8: (Please see page 27 of the February, 2022 *JofA*.)

- a. Incorrect. The material adviser must provide the identities of other material advisers involved in the transaction.
- b. Incorrect. The material adviser must provide the identities of other material advisers involved in the transaction.
- c. **Correct.** The material adviser must provide the identities of other material advisers involved in the transaction.
- d. Incorrect. The material adviser must provide the identities of other material advisers involved in the transaction.
- e. Incorrect. The material adviser must provide the identities of other material advisers involved in the transaction.

Review Question 9: (Please see page 28 of the February, 2022 *JofA*.)

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

Review Question 10: (Please see page 29 of the February, 2022 *JofA*.)

- a. **Correct.** Participants have no reasonable expectation of confidentiality.
- b. Incorrect. Participants have no reasonable expectation of confidentiality.

===== End of Section V.

Section VI. Tread Carefully When Using Noncompete Agreements (Page 4)

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 41 through 45.

Section VI Learning Objectives:

1. Learn basic aspects of noncompete agreements.
2. Consider the various recommendations offered by the author regarding the use of noncompetes.

Section VI Review Questions:

1. In the article's opening case study, what had the firm failed to do regarding the noncompete agreement in question?
 - a. It was not signed by the employee.
 - b. It did not define the geographical limits.
 - c. It did not provide additional compensation in return for the employee's consent.
 - d. It had not been reviewed and updated to reflect current law and state court sensibilities.
 - e. It was not specific to the job description and duties.
2. Most state's laws governing noncompetes are very similar.
 - a. True.
 - b. False.
3. The author cites reasons why a noncompete with an independent contractor could be difficult to enforce, including:
 - a. A noncompete suggests an employer/employee relationship.
 - b. Short duration of service provided by the independent contractor.
 - c. Nonexclusivity of relationships by the independent contractor.
 - d. a and b.
 - e. a, b and c.
4. In return for the employee signing the noncompete agreement, the employer should:
 - a. Provide "consideration," or something of value other than at-will employment.
 - b. Agree to provide a glowing reference when the employee leaves.
 - c. Agree to provide legal counsel should the employee violate the agreement.
 - d. Not provide "consideration" or anything of value.
 - e. Verbally assure the employee these agreements are common and never cause the employee legal problems.
5. The courts often look more favorable on noncompetes with:
 - a. Lower level employees.
 - b. Long-time employees.
 - c. Partners or owners.
 - d. Independent contractors.
 - e. Temporary or seasonal employees.

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 4 of the March, 2022 *JofA*.)

- a. Incorrect. The agreement had not been reviewed and updated.
- b. Incorrect. The agreement had not been reviewed and updated.
- c. Incorrect. The agreement had not been reviewed and updated.
- d. **Correct.** The agreement had not been reviewed and updated.
- e. Incorrect. The agreement had not been reviewed and updated.

Review Question 2: (Please see page 4 of the March, 2022 *JofA*.)

- a. Incorrect. Some states allow with conditions and others ban or severely limit noncompetes.
- b. **Correct.** Some states allow with conditions and others ban or severely limit noncompetes.

Review Question 3: (Please see page 5 of the March, 2022 *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 all correct.

Review Question 4: (Please see page 5 of the March, 2022 *JofA*.)

- a. **Correct.** The employer should provide “consideration,” or something of value.
- b. Incorrect. The employer should provide “consideration,” or something of value.
- c. Incorrect. The employer should provide “consideration,” or something of value.
- d. Incorrect. The employer should provide “consideration,” or something of value.
- e. Incorrect. The employer should provide “consideration,” or something of value.

Review Question 5: (Please see page 5 of the March, 2022 *JofA*.)

- a. Incorrect. Partners or owners.
- b. Incorrect. Partners or owners.
- c. **Correct.** Partners or owners.
- d. Incorrect. Partners or owners.
- e. Incorrect. Partners or owners.

===== End of Section VI

Section VII. Tax Matters (Page 28)

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 46 through 50.

Section VII Learning Objectives:

1. Learn some basic rules and traps related to self-directed IRAs.
2. Learn some rules related to expenses of new businesses and treatment of startup expenses.

Section VII Review Questions:

1. To avoid triggering a taxable distribution from her self-directed IRA, where should Ms. McNulty have physically stored her American Eagle gold coins?
 - a. Check Book IRA.
 - b. Green Hill Holdings, LLC.
 - c. Her bank safe deposit box.
 - d. Kingdom Trust Co. (an independent qualified custodian).
 - e. Any secure location.
2. Even if Ms. McNulty's home safe qualified as an appropriate repository for IRA-owned gold coins, the IRS may have deemed the purchased coins as a distribution because:
 - a. Gold coins are not allowed, only gold bullion.
 - b. The value of the gold coins exceeded the maximum allowed of \$100,000.
 - c. The gold coins were stored with other coins not owned by her IRA, violating the statute against "commingling" IRA assets.
 - d. Ms. McNulty sold the coins at the height of the gold market and then repurchased gold within 60 days at a lower price.
 - e. The gold coins were held at a physical location in another state.
3. The tax court noted that personal control of IRA assets by the IRA owner is:
 - a. Common for self-directed IRA's.
 - b. Appropriate because the IRA owner has the most incentive to protect their assets.
 - c. Against the very nature of an IRA.
 - d. Expected as that was the purpose for self-directed IRAs.
 - e. Acceptable is the proper notice is filed with the IRS.
4. The tax court case involving business expenses claimed by Paradise Farms reminds us that business expenses cannot be deducted :
 - a. Unless the taxpayer saves the receipts.
 - b. Until the tax year the entity actually conducts business operations, such as advertising, showing properties, collecting rent, paying for maintenance, utilities, etc.
 - c. When paid by check or other traceable means.
 - d. Unless there is revenue.
 - e. Until the tax year after business started.
5. The court referred to Sec. 195(b) startup costs. Once business commences, an entity can deduct up to _____ per year (reduced by the amount exceeding \$50,000 and the remainder amortized over _____ months).
 - a. \$50,000 and 120 months.
 - b. \$5,000 and 120 months.
 - c. \$5,000 and 180 months.
 - d. \$5,000 and 60 months.
 - e. \$50,000 and 60 months.

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 28 of the March, 2022 *JofA*.)

- a. Incorrect. Kingdom Trust Co. (an independent qualified custodian).
- b. Incorrect. Kingdom Trust Co. (an independent qualified custodian).
- c. Incorrect. Kingdom Trust Co. (an independent qualified custodian).
- d. **Correct.** Kingdom Trust Co. (an independent qualified custodian).
- e. Incorrect. Kingdom Trust Co. (an independent qualified custodian).

Review Question 2: (Please see page 28 of the March, 2022 *JofA*.)

- a. Incorrect. The gold coins were stored with other non-IRA coins, constituting commingling.
- b. Incorrect. The gold coins were stored with other non-IRA coins, constituting commingling.
- c. **Correct.** The gold coins were stored with other non-IRA coins, constituting commingling.
- d. Incorrect. The gold coins were stored with other non-IRA coins, constituting commingling.
- e. Incorrect. The gold coins were stored with other non-IRA coins, constituting commingling.

Review Question 3: (Please see pages 29 of the March, 2022 *JofA*.)

- a. Incorrect. Personal control is against the very nature of an IRA.
- b. Incorrect. Personal control is against the very nature of an IRA.
- c. **Correct.** Personal control is against the very nature of an IRA.
- d. Incorrect. Personal control is against the very nature of an IRA.
- e. Incorrect. Personal control is against the very nature of an IRA.

Review Question 4: (Please see page 31 of the March, 2022 *JofA*.)

- a. Incorrect. Until the tax year the entity actually conducts business operations.
- b. **Correct.** Until the tax year the entity actually conducts business operations.
- c. Incorrect. Until the tax year the entity actually conducts business operations.
- d. Incorrect. Until the tax year the entity actually conducts business operations.
- e. Incorrect. Until the tax year the entity actually conducts business operations.

Review Question 5: (Please see page 31 of the March, 2022 *JofA*.)

- a. Incorrect. \$5,000 and 180 months.
- b. Incorrect. \$5,000 and 180 months.
- c. **Correct.** \$5,000 and 180 months.
- d. Incorrect. \$5,000 and 180 months.
- e. Incorrect. \$5,000 and 180 months.

===== End of Section VII