Accounting Education Associates, LLC
(www.accounting-education.com)
PO Box 4192, Greensboro, NC 27404
Email Address: info@accounting-education.com
Phone: (800) CPE-Exam; Fax: (800) 645-1099

QUARTERLY CPE EXAM ON THE *Journal of Accountancy*
Second Quarter (Apr – Jun), 2022 (Course # 2202)
A Formal CPE Course using the *JoA* as Reference Material
Recommended CPE Credit: 10 Hours (Category: Interactive Self Study)
Subject division: Audit 2, Acctg. 1, Ethics 1, Fin Plan 2, Prac. Mgt. 3, Tax 1

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 by deadline below.
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: _____

Please print your email address: _____

To which state boards or agencies do you report CPE? _____

Sponsor Agreements with State Boards of Accountancy:
Hawaii (#94007-22), **Illinois** (#158-000242), **Pennsylvania** (#PX000005-L) and **Texas** (#000211).
Most state boards do not require sponsor registration. Check with your Board.

Please leave this space blank for your Certificate of Completion.

****For CPE credit, this exam must be submitted to AEA by 11/23/2024.****

1. =a= =b= =c= =d= =e=
2. =a= =b= =c= =d= =e=
3. =a= =b= =c= =d= =e=
4. =a= =b= =c= =d= =e=
5. =a= =b= =c= =d= =e=
6. =a= =b= =c= =d= =e=
7. =a= =b= =c= =d= =e=
8. =a= =b= =c= =d= =e=
9. =a= =b= =c= =d= =e=
10. =a= =b= =c= =d= =e=
11. =a= =b= =c= =d= =e=
12. =a= =b= =c= =d= =e=
13. =a= =b= =c= =d= =e=
14. =a= =b= =c= =d= =e=
15. =a= =b= =c= =d= =e=
16. =a= =b= =c= =d= =e=
17. =a= =b= =c= =d= =e=
18. =a= =b= =c= =d= =e=
19. =a= =b= =c= =d= =e=
20. =a= =b= =c= =d= =e=
21. =a= =b= =c= =d= =e=
22. =a= =b= =c= =d= =e=
23. =a= =b= =c= =d= =e=
24. =a= =b= =c= =d= =e=
25. =a= =b= =c= =d= =e=
26. =a= =b= =c= =d= =e=
27. =a= =b= =c= =d= =e=
28. =a= =b= =c= =d= =e=
29. =a= =b= =c= =d= =e=
30. =a= =b= =c= =d= =e=
31. =a= =b= =c= =d= =e=
32. =a= =b= =c= =d= =e=
33. =a= =b= =c= =d= =e=
34. =a= =b= =c= =d= =e=
35. =a= =b= =c= =d= =e=
36. =a= =b= =c= =d= =e=
37. =a= =b= =c= =d= =e=
38. =a= =b= =c= =d= =e=
39. =a= =b= =c= =d= =e=
40. =a= =b= =c= =d= =e=
41. =a= =b= =c= =d= =e=
42. =a= =b= =c= =d= =e=
43. =a= =b= =c= =d= =e=
44. =a= =b= =c= =d= =e=
45. =a= =b= =c= =d= =e=
46. =a= =b= =c= =d= =e=
47. =a= =b= =c= =d= =e=
48. =a= =b= =c= =d= =e=
49. =a= =b= =c= =d= =e=
50. =a= =b= =c= =d= =e=

Date completed: _____

"Discipline is the bridge between goals and accomplishments."
...Jim Rohn, American Entrepreneur

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 can be completed in the convenience of your home or office. New courses normally appear on 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 since 1982. Courses were prepared by either:
James H. Ogburn, MBA, CPA, founder of AEA. Jim's experience includes public accounting, finance and 18 years as Director of Graduate Programs in Accounting and Business at the University of North Carolina at Greensboro and 36 years developing AEA courses.
Keith A. Pearson, CPA. Keith's experience includes "Big 4" public accounting, industry as a CFO and controller and managing a CPA firm serving closely-held businesses and individuals.

AEA is not affiliated with the AICPA which holds the copyright to the ***Journal of Accountancy.***

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

Email: info@accounting-education.com

Telephone: 1-800-CPE-EXAM (1-800-273-3926)
Fax: 1-800-645-1099
Mail: PO Box 4192
Greensboro, NC 27404

IMPORTANT !!! - To receive credit, each exam MUST BE SUBMITTED on or before the expiration date noted at the bottom of the exam.

RECOMMENDED CPE CREDIT:
We recommend CPE credit of ten (10) hours in 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.

PROGRAM SPONSOR AGREEMENTS:

AEA has sponsor agreements with the following state boards: **Hawaii** (#94007-22), **Illinois** (#158-000242), **Pennsylvania** (#PX000005-L) and **Texas** (#000211). Most state boards do not require sponsor registration. **Check with your Board. AEA's courses are accepted by many but not all state boards of accountancy. We do not have a sponsor agreement with the CFP Board, the IRS, NASBA or QAS.**

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

TWO PAYMENT OPTIONS:
Credit card: Click the secure PayPal link on our Web site and at the "PayPal Guest Checkout" option, enter your credit card information. Please do not send us credit credit information as AEA no longer accepts or processes credit cards.
Check: Mail a check to the PO box indicated to the left.
Exams will be graded when received regardless of payment method.

REFERRAL INCENTIVE PROGRAM - WE'LL PAY YOU FOR REFERRING NEW QUALIFYING CUSTOMERS:
Receive $10 for each new customer you refer to us. For every new qualifying customer who pays for an exam and mentions your name, we'll send you a check for $10. It's as simple as that. We welcome any questions by either phone or email.

Payment Voucher: Please complete and submit this form with your downloaded Exam(s).

Accounting Education Associates, LLC
PO Box 4192
Greensboro, NC 27404
www.accounting-education.com
Phone: (800) 273-3926 (CPE-Exam)
Fax: (800) 645-1099
Email: info@accounting-education.com
(For emailing scanned order form or answer sheets)

Name _____
Firm (If part of address) _____
Address_____
City/State/Zip _____
Phone _____
E-mail _____
To which state board(s) do you report CPE?_____
Source of referral if applicable:_____

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

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 $ _____ = $ _____ Total charge

Unit price depends on total number of Exams:

1 – 3 Exams:	$49	8 – 23 Exams:	$43
4 – 7 Exams:	$46	24 and over:	$40

Payment options:

_____ By check that I'm mailing today.
(Take a dollar off each exam you pay by check.)

_____ By using the secure PayPal link on our Web site to pay with favorite credit card (Visa, MasterCard, Amex or Discover)

PLEASE DO NOT SEND CREDIT CARD# 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.

Sections I–II and Exam Questions 1–25 Relate to the *Journal of Accountancy* – April, 2022.

Section I. 8 Insights from Top Performing CAS Practices (Page 10)

1. CAS services can include:
   a. Audits and reviews.
   b. Income tax preparation.
   c. A spectrum of services that support business, including controller and CFO services.
   d. a and b.
   e. a, b and c.

2. The top firms cited in the article used various forms of _____ billing.
   a. Fixed fee.
   b. Value.
   c. Hourly.
   d. a and b.
   e. a, b and c.

3. In determining pricing, all four firms considered:
   a. The cost the client would incur if the services were handled in-house.
   b. Whether the client may need other non-CAS services.
   c. The profitability of non-CAS services currently provided.
   d. Quoting high monthly fees in order to allow the client some negotiating room.
   e. Subcontracting some of the daily transaction work to another firm.

4. In the discussion of package pricing, one firm offered three pricing levels. The "full outsourced" level included:
   a. CFO services only.
   b. Day-to-day transactions through CFO services.
   c. Day-to-day transactions only.
   d. Day-to-day transactions and financial statement preparation.
   e. Budget analysis and cash flow projections.

5. To operate a CAS practice efficiently, top performers found it helps to have staff:
   a. Work in all practice areas to get a broad range of knowledge.
   b. Work primarily in technology as CAS involves understanding the latest in accounting software, automation and use of AI (artificial intelligence).
   c. Work in audit (but not tax) as audit experience is the most relevant to CAS.
   d. Work exclusively in CAS.
   e. Work in CAS about one-half of the year and another discipline the remainder.

6. Top CAS firms limit the number of general ledger software programs they support. Some reactions from top firms considering potential clients <u>not</u> using a preferred general ledger software product include:
   a. "We occasionally accept with the caveat that fees may be higher and we hope to convert."
   b. "We turn down potential clients unwilling to switch software."
   c. "We accept these clients knowing we can charge extra to learn their software and use that knowledge to solicit new clients using the same software."
   d. a, b and c.
   e. a and b only.

7. One benefit of getting strong buy-in from firm leadership for the CAS practice is:
   a. The audit and tax practices can be a good source of referrals to the CAS practice.
   b. The audit and tax personnel can help train CAS employees.
   c. CAS staff require less training, development time and budget.
   d. CAS services require fewer resources as it is primarily bookkeeping and transaction processing.
   e. The CAS practice can be a good source of talent for the tax and audit practice.

8. Which of the following would not be a good prospect for a CAS practice? A prospect that:
   a. Does not want to change to a CAS supported software.
   b. Needs bookkeeping services only.
   c. Appears to be fee-sensitive.
   d. a and b.
   e. a, b and c.

9. As an example of an efficiency derived from a niche of CAS clients, one of the firms:
   a. Converted similar clients to the same general ledger software.
   b. Built similar dashboards and set similar KPIs (key performance indicators) for clients in the same industry without having to recreate for each client from scratch.
   c. The firm often hired employees from niche clients to work in the CAS practice.
   d. The CAS services provided source information for the audit.
   e. Contracted with a service to process payroll for all CAS clients.

10. All four of the partners interviewed believe future growth will be in:
   a. Compliance work.
   b. Audit and attest work.
   c. True advisory services.
   d. Outsourced bookkeeping and transaction processing.
   e. Financial services to the aging "baby boom" population.

Section II. Helping Retirement Plan Participants Understand Their Net Worth (Page 23)

11. Retirement plans figure in the calculation of net worth. Most employer-sponsored retirement plans are:
   a. Defined benefit plans.
   b. Defined contribution plans.
   c. Individual Retirement Accounts (IRAs).
   d. a and b.
   e. a, b and c.

12. Which of the following employer-sponsored retirement plans allow employees to contribute (in addition to the employer).
   a. SIMPLE plans.
   b. 401(k) plans.
   c. SEP (Simplified Employee Pension) plans.
   d. a, b and c.
   e. a and b only.

13. A defined benefit plan:
   a. Maintains a separate account for each participant.
   b. Obligates the employer to pay a certain benefit as an annuity to the employee until death.
   c. Allows employees to contribute a percentage of income to the plan.
   d. Must transfer the employee's entire balance to an IRA upon retirement.
   e. Are less expensive to administer than defined contribution plans.

14. The trend in defined benefit plans is:
   a. Employers are moving away due to the expense to maintain and the risk of maintaining adequate funds to pay benefits.
   b. Employees are declining to participate.
   c. The plans are becoming more popular because of the guaranteed monthly benefit.
   d. Rules have been scaled back such that plans are much less expensive to administer.
   e. Employees are forming defined benefit plans in record numbers.

15. Net worth is calculated as:
   a. Total assets.
   b. Gross recurring income minus expenses.
   c. Assets minus liabilities.
   d. Total assets minus short term liabilities.
   e. Easily accessible assets (cash and publicly-traded securities) less liabilities.

16. For most people, one of the largest and most important components of net worth is their:
    a. Personal property.
    b. Bank accounts.
    c. Investment accounts.
    d. Retirement plans.
    e. Life insurance policies.

17. The value of future benefits from defined benefit plans is often omitted from total assets in net worth calculations because:
    a. The person must live to collect the benefits.
    b. The amount of benefits is difficult to estimate.
    c. The benefits are not guaranteed, for example, the plan could be terminated.
    d. The benefits could extend to a spouse after the employee dies.
    e. Future payments have no effect on a current net worth calculation.

18. One rule of thumb to estimate the net present value of a pension benefit is to assume the retiree would need _____ of retirement savings for every $1,200 per year of pension income.
    a. $12,000.
    b. $15,000.
    c. $18,000.
    d. $20,000.
    e. $22,000.

19. To demonstrate the perils of using benchmarks of average net worth instead of median, the authors note a report in 2019 showing the average net worth of U.S. families was $747,000. However the median net worth was:
    a. $91,000.
    b. $122,000.
    c. $132,000.
    d. $116,000.
    e. $213,000.

20. To achieve an accurate comparison to published net worth data that includes amounts from defined contribution plans (eg: a 401(k) plan), one must include the value of:
    a. Social security benefits.
    b. A term life insurance policy.
    c. Future pension benefits.
    d. a and b.
    e. a, b and c.

Sections III-V and Exam Questions 21– 40 Relate to the *Journal of Accountancy* – May, 2022.

Section III. Small Actions, Big Time Fallout: Lessons from Large Claims (Page 4)

21. The CPA who agreed to assist a client with investing an inheritance was later sued. The claim alleged the CPA:
    a. Embezzled the funds.
    b. Selected high-risk investments which later lost significant value.
    c. Received a substantial commission on the investments and did not disclose that to the client.
    d. Violated securities rules by acting as an investment adviser without a license.
    e. Failed to exercise due diligence when selecting an investment adviser.

22. For CPAs who are asked for investment advice, the author recommends:
    a. Avoid providing advice without having sufficient experience and an engagement letter.
    b. Follow the AICPA Statement on Standards on Personal Financial Planning Services.
    c. Research any investment adviser before recommending them.
    d. All of the above.
    e. a and b only.

23. The medical practice that experienced embezzlement in part, from a fictitious payroll scheme claimed the CPA should have detected this. What evidence could support the allegation?
    a. The CPA had copies of payroll records showing excess hours claimed, sometimes nearly 24 hours in a single day.
    b. The CPA provided tax and compilation services for decades.
    c. The CPA eventually issued an engagement letter.
    d. The CPA's workpapers did not document any internal control weaknesses.
    e. The tax returns were never audited.

24. The CPA helping a friend with an IRS audit began work even though his friend did not sign the engagement letter, pay the requested retainer or provide requested documentation. However, an expert concluded the CPA breached a standard of care by:
    a. Failing to inform the client of the status of the IRS audit.
    b. Failing to inform the client he had stopped working on the audit.
    c. Failing to get a signed engagement letter.
    d. a and b.
    e. a, b and c.

25. The author warns against off-the-cuff advice without complete information and adds that in <u>all</u> cases the CPA should:
    a. Include a disclaimer with verbal with advice.
    b. Followup the discussion with written documentation to the client.
    c. Not worry about verbal advice as the legal risks are minimal.
    d. Continue to advise both parties in a divorce because terminating one party could attract a breach of contract claim.
    e. <u>Never</u> provide off-the-cuff advice without complete information.

Section IV. Can a CPA Loan Staff to an Attest Client? (Page 16)

26. The AICPA Professional Ethics Executive Committee (PEEC) released a new _____ addressing staff augmentation arrangements with attest clients.
    a. Audit standard.
    b. Ethics rule.
    c. Accounting standard.
    d. Exposure draft.
    e. Interpretation of the "Independence Rule."

27. Staff augmentation engagements differ from a typical professional services in that:
    a. Client management will supervise the firm's staff.
    b. The CPA firm management will supervise the firm's employees while on loan to the client.
    c. The firm bills for professional services but not for the loaned staff.
    d. Augmentation engagements do not require an engagement letter.
    e. The independence rule does not apply to a staff augmentation engagement with an attest client.

28. The new interpretation of E.T. Sec. 1.275.007 addresses certain threats to independence inherent in a staff augmentation engagement, which includes:
    a. Familiarity.
    b. Management participation.
    c. Advocacy.
    d. Self-review.
    e. All of the above.

29. A staff augmentation arrangement would be permissible the when the <u>attest</u> client encounters an _____ and the firm follows recommended safeguards.
    a. <u>Unexpected</u> situation that creates <u>significant hardship</u> in making other arrangements.
    b. <u>Unexpected</u> situation that creates some <u>delay</u> in making other arrangements.
    c. <u>Unusual</u> situation that creates <u>moderate hardships</u> in making other arrangements.
    d. <u>Expected</u> situation and the client failed to plan for other arrangements.
    e. <u>Unexpected</u> situation that forces the client to select from expensive options.

30. One of the safeguards for an augmentation arrangement with an attest client is the firm expects the arrangement to be brief, which is defined as _____ days or less.
    a. 90.
    b. 60.
    c. 30.
    d. 20.
    e. 10.

31. Other safeguards include:
    a. The loaned staff cannot participate in or have influence over the attest engagement covering any period the employee was loaned to the client.
    b. The loaned staff may perform only "permissible services" and must be supervised by client personnel having suitable knowledge and skill.
    c. If acting as a temporary CFO, the staff member would need major decisions approved in writing by the CEO.
    d. a and b.
    e. a, b and c.

32. The difference between a staff augmentation engagement and a nonattest services arrangement include:
    a. Nonattest services conclude with issuance of certain deliverables subject to the firm's quality control processes.
    b. The staff augmentation arrangement concludes with issuance of certain deliverables subject to the firm's quality control processes.
    c. Nonattest services are subject to the client's supervision and review.
    d. In nonattest services, the firm directs and supervises the client's staff.
    e. The augmentation service is usually recurring, while nonattest services are not.

33. The AIPCA Professional Ethics Division updated Frequently Asked Questions (FAQ): General Ethics. It provides examples of what constitutes an "unexpected situation." Some examples include:
    a. Sudden loss of a key employee.
    b. Natural disasters and casualty losses (eg: fire or theft).
    c. Loss of business due to weakening economy.
    d. a and b.
    e. a, b and c.

34. The AICPA Ethics FAQ direct the CPA to use professional judgment to determine whether the client's unexpected situation has created a "significant hardship" in making other arrangements, When evaluating that, the CPA should consider:
    a. Whether the client could <u>afford</u> firm staff.
    b. The <u>urgency</u> of the client's need.
    c. How long the attest client would need to engage another firm or find replacement staff.
    d. a, b and c.
    e. b and c only.

35. Assume a client meets the criteria of an unexpected situation with significant hardship. Under which of the following would a CPA firm be able to loan staff to the client without compromising independence?
    a. An attest client needs a full-charge CFO who can make important decisions.
    b. The firm provides only agreed-upon-procedures and the loaned staff member will work in an unrelated area.
    c. The firm provides only agreed-upon-procedures and the loaned staff member will handle transactions related to that area of service.
    d. The firm provides attest services and a staff member will work part time handling client transactions while helping with audit.
    e. None of the above.

Section V. Adopting a Child: Tax Planning Considerations (Page 23)

36. To qualify for the child tax credit (CTC), the parent's child must:
    a. Be a "qualifying" child.
    b. Have been adopted.
    c. Be under age 17.
    d. a and c.
    e. a, b and c.

37. Working parents who pay for child care can be eligible for the child and dependent care credit (CDCC). For 2022 and after, what is the maximum CDCC a family could claim if they had three eligible children and paid $4,000 per year for each child's daycare.
    a. $1,000.
    b. $1,050.
    c. $2,100.
    d. $3,000.
    e. $6,000.

38. A dependent care flexible spending account (DCFSA) is an employer-sponsored plan that allows a working parent to make pretax contributions to an account to pay for the care of a child or dependent. For 2022 and after, what is the limit a parent can contribute to a DCFSA?
    a. $2,000.
    b. $3,000.
    c. $5,000.
    d. $6,000.
    e. $10,500.

39. Parents with access to a DCFSA will need to consider what amount to contribute pretax vs paying for expenses directly with after tax funds to optimize their net tax savings. Which of the following are relevant to the decision?
    a. Expenses paid with the pretax DCFSA funds are not allowed in the calculation of the CDCC.
    b. The maximum after tax expenses allowed in calculating the CDCC is $3,000 for one child and $6,000 for two or more.
    c. The maximum annual contribution to a DCFSA plan is $5,000 for 2022 and after.
    d. Pretax contributions to a DCFSA could offer tax savings greater than the CDCC because at higher incomes, the CDCC percentage can drop to 20% (which could be less than the taxpayer's effective income tax rate).
    e. All of the above.

40. Parents are allowed up to $14,890 per child as an adoption credit or exclusion (for employer-provided assistance). Which of the following is true?
    a. For domestic adoptions, qualifying expenses paid in the year before the adoption was finalized can be allowed in the following tax year.
    b. Qualified expenses can include amounts paid before an eligible child is identified.
    c. Qualified expenses paid for an unsuccessful adoption are claimed in the current year and expenses for a new effort are eligible for the entire $14,890 credit.
    d. a and b.
    e. a, b and c.

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

Section VI. Goodwill Triggering Event Alternative Provides Relief to Some Companies (Page 25)

41. For purposes of ASU 2021-03, a "triggering event" is:
    a. Any event or change in circumstances that indicates the fair value of the entity may exceed the carrying value.
    b. Any event that violates SEC rules and triggers an investigation.
    c. Any event or change in circumstances that indicates the fair value of the entity may be below carrying value.
    d. Any event or change in circumstances that complicates the planning and execution of the audit.
    e. Any event or change in circumstances that reduces the complexity of evaluating the fair value of the entity.

42. ASU 2021-03 allows entities to elect to evaluate goodwill triggering events at the end of each reporting period instead of:
    a. Only at year end.
    b. Only at each quarter end.
    c. Only every other year.
    d. Only if requested by the SEC.
    e. Monitoring between reporting dates.

43. Assume a company reporting quarterly experienced a COVID-related asset impairment in March, 2020 and recorded a write-down in the first quarter. The asset impairment recovered before their December year end. Under the previous rules the write-down:
    a. Could not be reversed in a subsequent quarter.
    b. Could be reversed if a subsequent evaluation supported it.
    c. Could be reversed incrementally using reverse-amortization.
    d. Could be reversed in the fourth quarter only.
    e. Was left to auditor's judgment as the rules were silent.

44. Under ASU 2021-03, an entity reporting annually can elect to monitor for goodwill triggers only at year end. If goodwill impairment is recorded and at the end of the following year has recovered, ASU 2021-03:
    a. Allows the impairment to be reversed entirely.
    b. Allows the impairment to be reversed and additional value to be recorded.
    c. Requires another evaluation during the following year before restoring any of the value.
    d. Does not allow any recovery or reversal of the impairment.
    e. Allows the entity to report goodwill impairment in the footnotes but does not allow any adjustment of carrying value.

45. Private companies had the option under ASU 2014-02 to elect amortization of goodwill over 10 years or less on a straight-line basis. Under ASU 2021-03:
    a. This option was extended to public companies.
    b. The entity can elect the accounting alternative for goodwill and elect to amortize goodwill.
    c. The entity may elect the accounting alternative (for impairment evaluation) or goodwill amortization, but not both.
    d. The option to amortize goodwill was rescinded.
    e. Goodwill amortization was expanded to allow multiple, longer assets lives.

Section VII. Code of Conduct Changes Address NOCLAR, Unpaid Fees, Loans, Assisting Clients with Standards (Page 31)

46. NOCLAR acts are acts contrary to prevailing laws and regulations. For ethics rules concerns, which of the following are true?
    a. The acts in question can be committed by the client or CPA's employer or employees of either.
    b. The acts in question can be ones of commission or omission.
    c. NOCLAR applies only to intentional acts.
    d. a and b.
    e. a, b and c.

47. For CPAs providing financial statement audit or review services, upon discovery of a known or suspected NOCLAR act, the CPA must:
    a. Obtain an understanding of the matter, advise the client to take appropriate and timely action and document certain aspects of the NOCLAR.
    b. Alert the client about the NOCLAR but nothing further.
    c. Obtain an understanding of the matter and arrange for specific action to mitigate the issue.
    d. Alert the appropriate regulatory authorities.
    e. Withdraw from the engagement.

48. Under the revised interpretation, client unpaid fees could threaten independence if they are:
    a. Significant and relate to services provided nine months prior to the current attest report date.
    b. Insignificant and relate to services provided nine months prior to the current attest report date.
    c. Insignificant and relate to services provided eighteen months prior to the current attest report date.
    d. Insignificant, but relate to services provided more than three years prior to the current attest report date.
    e. Significant and relate to services provided more than one year prior to the current attest report date.

49. When asked to help an attest client implement an accounting standard, to maintain independence, the CPA:
    a. Should not perform management responsibilities and ensure the client has a capable person who can understand and oversee the project.
    b. Should allow another firm member who is not assigned to the audit to manage the project.
    c. Should have any client employee sign off on the CPA's decisions.
    d. Can manage the project and make important decisions, but must have the client's president sign and acknowledgment.
    e. Must decline the engagement.

50. A CPA would impair independence as a result of a loan to or from an individual who:
    a. Is an officer of an attest client with significant decision-making authority.
    b. Owns 5% of an attest client, but is not not involved in management of the business nor has any influence.
    c. Owns no stock in the attest client directly, but controls the voting rights of a significant amount of stock owned by a family trust. The individual is the trustee and in that role also has significant influence over the attest client
    d. a and c.
    e. a, b and c.

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

Thank you for your business and referrals.