

**“Discipline is the bridge between goals and accomplishments.”
...Jim Rohn, American Entrepreneur.**

**Supplementary Study Guide/Syllabus to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy*
Second Quarter (Apr – Jun), 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-II and Exam Questions 1–20 Relate to the *Journal of Accountancy* – Apr., 2022:

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

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

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

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

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

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

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)

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

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

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

Section I Learning Objectives:

1. Learn some aspects of a CAS practice from top-performers.
2. Consider advice about operating a successful CAS practice may apply to your firm or business.

Section I Review Questions:

1. "CAS" stands for:
 - a. Cost accounting services.
 - b. Client accounting services.
 - c. Client advisory services.
 - d. Current asset statement.
 - e. Computer assisted services.
2. Many firms have moved away from hourly billing for CAS service.
 - a. True. CAS clients may be reluctant to call, feeling they are "on the clock."
 - b. False. Hourly billing is the norm.
3. Firms moving away from hourly billing can offer "package pricing," which:
 - a. Firms use to add services, similar to "up-selling."
 - b. Keeps clients from adding or deleting services.
 - c. Keeps prices the same regardless of the services selected.
 - d. Allows clients to select from a "menu" of services.
 - e. Offers a selection of basic bookkeeping services only.
4. One firm cited offers a choice of three packages. Their clients are not allowed to customize their package by adding or deleting services.
 - a. True.
 - b. False. Clients may customize their packages.
5. In the CAS Benchmarking Survey, a median of ____ of top performers said their CAS staff worked entirely on CAS.
 - a. 26%.
 - b. 36%.
 - c. 46%.
 - d. 56%.
 - e. 66%.
6. The CAS Benchmarking Survey found a median of ____ top performers supported a maximum of three general ledger programs.
 - a. 70%.
 - b. 75%.
 - c. 78%.
 - d. 79%.
 - e. 88%.

7. To get a buy-in from firm leadership, one firm leader noted that non-CAS partners learn:
 - a. What services CAS provides.
 - b. How CAS services are priced.
 - c. How to evaluate CAS services.
 - d. a and b.
 - e. a, b and c.
8. CAS practices are most successful when they:
 - a. CAS staff can quickly learn the client's software.
 - b. Keep fees low.
 - c. Use software to automate tasks.
 - d. Focus on bookkeeping and transaction services.
 - e. Use tax and audit staff during their off season.
9. To help develop expertise, the article recommends firms focus the CAS practice on:
 - a. A limited number of niches (or verticals).
 - b. A wide range of business types.
 - c. Local clients only.
 - d. A limited number of clients.
 - e. Clients using audit services.
10. When talking to clients about their service needs, one partner advises:
 - a. Assume most clients need help with transactions and bookkeeping.
 - b. Assume clients understand very well their needs, as they are closest to the process.
 - c. Assume clients understand the value of CAS services.
 - d. Assume clients don't know what they need.
 - e. Avoid talking about fees.

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 11 of the April, 2022 *JofA*.)

- a. Incorrect. Client advisory services.
- b. Incorrect. Client advisory services.
- c. **Correct.** Client advisory services.
- d. Incorrect. Client advisory services.
- e. Incorrect. Client advisory services.

Review Question 2. (Please see page 11 of the April, 2022 *JofA*.)

- a. **Correct.** CAS clients may be reluctant to call because of hourly billing.
- b. Incorrect. CAS clients may be reluctant to call because of hourly billing.

Review Question 3: (Please see page 12 of the April, 2022 *JofA*.)

- a. Incorrect. Package pricing allows clients to pick from a menu of services.
- b. Incorrect. Package pricing allows clients to pick from a menu of services.
- c. Incorrect. Package pricing allows clients to pick from a menu of services.
- d. **Correct.** Package pricing allows clients to pick from a menu of services.
- e. Incorrect. Package pricing allows clients to pick from a menu of services.

Review Question 4. (Please see page 12 of the April, 2022 *JofA*.)

- a. Incorrect. Clients may customize their services.
- b. **Correct.** Clients may customize their services.

Review Question 5. (Please see page 12 of the April, 2022 *JofA*.)

- a. Incorrect. 56% of CAS staff worked entirely on CAS.
- b. Incorrect. 56% of CAS staff worked entirely on CAS.
- c. Incorrect. 56% of CAS staff worked entirely on CAS.
- d. **Correct.** 56% of CAS staff worked entirely on CAS.
- e. Incorrect. 56% of CAS staff worked entirely on CAS.

Review Question 6. (Please see page 13 of the April, 2022 *JofA*.)

- a. Incorrect. 88% supported a maximum of three general ledger programs.
- b. Incorrect. 88% supported a maximum of three general ledger programs.
- c. Incorrect. 88% supported a maximum of three general ledger programs.
- d. Incorrect. 88% supported a maximum of three general ledger programs.
- e. **Correct.** 88% supported a maximum of three general ledger programs.

Review Question 7. (Please see page 13 of the April, 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 8. (Please see page 13 of the April, 2022 *JofA*.)

- a. Incorrect. Use software to automate tasks.
- b. Incorrect. Use software to automate tasks.
- c. **Correct.** Use software to automate tasks.
- d. Incorrect. Use software to automate tasks.
- e. Incorrect. Use software to automate tasks.

Review Question 9: (Please see page 14 of the April, 2022 *JofA*.)

- a. **Correct.** A limited number of niches (or verticals).
- b. Incorrect. A limited number of niches (or verticals).
- c. Incorrect. A limited number of niches (or verticals).
- d. Incorrect. A limited number of niches (or verticals).
- e. Incorrect. A limited number of niches (or verticals).

Review Question 10: (Please see page 14 of the April, 2022 *JofA*.)

- a. Incorrect. Assume clients don't know what they need.
- b. Incorrect. Assume clients don't know what they need.
- c. Incorrect. Assume clients don't know what they need.
- d. **Correct.** Assume clients don't know what they need.
- e. Incorrect. Assume clients don't know what they need.

=====End of Section I.

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

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 11 through 20.

Section II Learning Objectives:

1. Learn about the components of a net worth calculation and how certain retirement plans figure into that calculation.
2. Learn about concerns related to comparing net worth to certain published benchmarks.
3. Learn how to judge the sufficiency of retirement savings using rules-of-thumb.

Section II Review Questions:

1. The most common measure of financial health is likely:
 - a. Gross annual income.
 - b. After-tax annual income.
 - c. Net liquid assets plus one-half of real property.
 - d. Net worth.
 - e. Gross worth.
2. Some employer-sponsored defined contribution plans can allow employees to also contribute to the plan.
 - a. True. Employers and employees can contribute to some plans.
 - b. False. Only employers can contribute to defined contribution plans.
3. A defined benefit is often referred to as:
 - a. A "Guaranteed" plan.
 - b. An employee savings account.
 - c. A pension.
 - d. A "thrift" plan.
 - e. A "self-insured" plan.
4. For defined benefits plans, the employer alone bears all the risk of ensuring the fund is adequate to pay retiree benefits.
 - a. True.
 - b. False. The Social Security Administration contributes part of the employee's payroll tax to all defined benefit plans.
5. Net worth can be positive or negative.
 - a. True.
 - b. False. Net worth can only be positive or zero.
6. The effect of a defined contribution plan on net worth is:
 - a. The account balance divided by the owner's life expectancy.
 - b. The account balance minus withdrawals expected in the next twelve months.
 - c. The account balance plus an assumed rate of return.
 - d. The account balance.
 - e. The present value of all future withdrawals.

7. Defined benefit plans represent a challenge when calculating net worth because:
 - a. They can be the majority of a typical person's net worth.
 - b. The amount of payments can change each year.
 - c. They represent a stream of potential future payments.
 - d. The payment amounts are difficult to estimate.
 - e. The person does not legally own an account in a defined benefit plan.
8. The value of future pension plan payments should be included in net worth if the purpose of the calculation is:
 - a. Determining future retirement income based on current resources.
 - b. Determining the value of inheritable wealth.
 - c. Determining a net worth value as collateral for a loan.
 - d. To provide information needed for a will.
 - e. To determine the amount available for child support as part of a divorce proceeding.
9. When comparing a person's net worth to published benchmark numbers, the authors recommend using benchmarks of _____ net worth.
 - a. Average.
 - b. Mean.
 - c. Median.
 - d. Inflation-adjusted average.
 - e. Historical.
10. Published net worth averages will include the present value of Social Security benefits.
 - 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 23 of the April, 2022 *JofA*.)

- a. Incorrect. Net worth.
- b. Incorrect. Net worth.
- c. Incorrect. Net worth.
- d. **Correct.** Net worth.
- e. Incorrect. Net worth.

Review Question 2. (Please see page 23 of the April, 2022 *JofA*.)

- a. **Correct.** Employers and employees both can contribute to certain defined contribution plans.
- b. Incorrect. Employers and employees both can contribute to certain defined contribution plans.

Review Question 3. (Please see page 23 of the April, 2022 *JofA*.)

- a. Incorrect. A defined benefit plan is often referred to as a “pension.”
- b. Incorrect. A defined benefit plan is often referred to as a “pension.”
- c. **Correct.** A defined benefit plan is often referred to as a “pension.”
- d. Incorrect. A defined benefit plan is often referred to as a “pension.”
- e. Incorrect. A defined benefit plan is often referred to as a “pension.”

Review Question 4. (Please see page 23 of the April, 2022 *JofA*.)

- a. **Correct.** The employer must fund the plan adequately.
- b. Incorrect. The employer must fund the plan adequately.

Review Question 5. (Please see page 23 of the April, 2022 *JofA*.)

- a. **Correct.** Net worth can be positive or negative.
- b. Incorrect. Net worth can be positive or negative.

Review Question 6. (Please see page 23 of the April, 2022 *JofA*.)

- a. Incorrect. The effect on net worth is the balance in the defined contribution plan.
- b. Incorrect. The effect on net worth is the balance in the defined contribution plan.
- c. Incorrect. The effect on net worth is the balance in the defined contribution plan.
- d. **Correct.** The effect on net worth is the balance in the defined contribution plan.
- e. Incorrect. The effect on net worth is the balance in the defined contribution plan.

Review Question 7. (Please see page 24 of the April, 2022 *JofA*.)

- a. Incorrect. Defined benefit plans represent a stream of potential future payments.
- b. Incorrect. Defined benefit plans represent a stream of potential future payments.
- c. **Correct.** Defined benefit plans represent a stream of potential future payments.
- d. Incorrect. Defined benefit plans represent a stream of potential future payments.
- e. Incorrect. Defined benefit plans represent a stream of potential future payments.

Review Question 8. (Please see page 25 of the April, 2022 *JofA*.)

- a. **Correct.** Include future pension plan payments in determining the future income based on current resources.
- b. Incorrect. Include future pension plan payments in determining the future income based on current resources.
- c. Incorrect. Include future pension plan payments in determining the future income based on current resources.
- d. Incorrect. Include future pension plan payments in determining the future income based on current resources.
- e. Incorrect. Include future pension plan payments in determining the future income based on current resources.

Review Question 9: (Please see page 26 of the April, 2022 *JofA*.)

- a. Incorrect. The author recommends comparing to median benchmarks.
- b. Incorrect. The author recommends comparing to median benchmarks.
- c. **Correct.** The author recommends comparing to median benchmarks.
- d. Incorrect. The author recommends comparing to median benchmarks.
- e. Incorrect. The author recommends comparing to median benchmarks.

Review Question 10: (Please see page 26 of the April, 2022 *JofA*.)

- a. Incorrect. Net worth benchmarks do not include Social Security benefits.
- b. **Correct.** Net worth benchmarks do not include Social Security benefits.

=====End of Section II.

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

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 21 through 25.

Section III Learning Objectives:

1. Learn from four cases against CPA firms in the AICPA Professional Liability Insurance Program.
2. Consider the actions of the CPAs involved in these lawsuits and the author's advice to help avoid such claims.

Section III Review Questions:

1. According to the AICPA Professional Liability Insurance Program, in 2021 the majority of claims (73%) arose from which services?
 - a. Accounting and bookkeeping.
 - b. Audit and attest.
 - c. Tax.
 - d. Consulting.
 - e. Fiduciary.
2. According to the author, for CPAs, providing incidental investment advice:
 - a. Is a good service to offer existing clients.
 - b. Can be very profitable with little risk.
 - c. Requires very little experience or due diligence.
 - d. Requires no engagement letter.
 - e. Is fraught with risk.
3. For the CPA who was sued by the medical practice for not detecting embezzlement, what could the CPA have done to help prevent or defend a claim?
 - a. Use annual engagement letters to clearly document the scope of services.
 - b. Communicate to the client in writing any weakness in segregation of duties or other internal controls.
 - c. Inspect any documents received as part of the engagement for "red flags" or unusual items and communicate concerns to the client.
 - d. a and b.
 - e. a, b and c.
4. The CPA helping a friend with an IRS audit could not collect the \$10,000 retainer and filed a collection action. In the author's opinion:
 - a. Use of retainers increases risk to the CPA.
 - b. It is a violation of the *AICPA Code of Professional Ethics* to file a collection suit against a client.
 - c. Fee suits almost never have a positive outcome and often lead to counterclaims of malpractice.
 - d. Fee suits are just a part of doing business.
 - e. Fee suits generally result in quick payment as clients want to avoid legal costs.

5. In the case of the off-the-cuff advice, the CPA had advised the husband individually although the divorcing couple had been a client and he did not get a waiver from the wife or terminate the relationship. The result of this action was:
 - a. The CPA was required to copy the wife on all communications with the husband.
 - b. The defense was more complicated because of the appearance of a conflict of interest.
 - c. The defense was unaffected as the CPA is free to advise clients as needed.
 - d. The defense was unaffected because the advice between the CPA and client is confidential.
 - e. There was no effect on the defense.

Section III Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 4 of the May, 2022 *JofA*.)

- a. Incorrect. 73% of claims related to tax services.
- b. Incorrect. 73% of claims related to tax services.
- c. **Correct.** 73% of claims related to tax services.
- d. Incorrect. 73% of claims related to tax services.
- e. Incorrect. 73% of claims related to tax services.

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

- a. Incorrect. Providing incidental investment advise is fraught with risk.
- b. Incorrect. Providing incidental investment advise is fraught with risk.
- c. Incorrect. Providing incidental investment advise is fraught with risk.
- d. Incorrect. Providing incidental investment advise is fraught with risk.
- e. **Correct.** Providing incidental investment advise is fraught with risk.

Review Question 3. (Please see pages 4 & 5 of the May, 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 recommended.

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

- a. Incorrect. Fee suits almost never have positive outcomes and often lead to counterclaims.
- b. Incorrect. Fee suits almost never have positive outcomes and often lead to counterclaims.
- c. **Correct.** Fee suits almost never have positive outcomes and often lead to counterclaims.
- d. Incorrect. Fee suits almost never have positive outcomes and often lead to counterclaims.
- e. Incorrect. Fee suits almost never have positive outcomes and often lead to counterclaims.

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

- a. Incorrect. The defense was more complicated because of an appearance of a lack of independence.
- b. **Correct.** The defense was more complicated because of an appearance of a lack of independence.
- c. Incorrect. The defense was more complicated because of an appearance of a lack of independence.
- d. Incorrect. The defense was more complicated because of an appearance of a lack of independence.
- e. Incorrect. The defense was more complicated because of an appearance of a lack of independence.

=====End of Section III.

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

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 35.

Section IV Learning Objectives:

1. Learn what qualifies as a staff augmentation arrangement and how they may impair independence.
2. Learn the circumstances under which a firm may enter into a staff augmentation arrangement with a client.

Section IV Review Questions:

1. Staff augmentation occurs when the CPA firm:
 - a. Provides some accounting services to a client.
 - b. Provides some training to client employees.
 - c. Lends firm personnel to the client to supplement their staff for a period of time.
 - d. Supervises some client accounting staff.
 - e. Allow client staff to perform some original audit work.
2. In addition to releasing the "Staff Augmentation Arrangements" interpretation, the PEEC also revised some existing interpretations, including:
 - a. "Client Affiliates." (ET Sec. 1.224.010).
 - b. "Agreed Upon Procedure Engagements Performed in Accordance with SSAEs." (ET Sec. 1.297.020).
 - c. "Scope and Applicability of Nonattest Services." (ET Sec. 1.295.010).
 - d. a and c.
 - e. a, b and c.
3. The new interpretation generally rules out a staff augmentation arrangement with an attest client.
 - a. True. But they may be allowed under limited conditions.
 - b. False. Firms are free to enter into these arrangements.
4. One of the required safeguards for an augmentation arrangement includes:
 - a. The loaned staff must become employees of the client during the arrangement period.
 - b. The arrangement cannot last more than two weeks.
 - c. The arrangement cannot occur more than twice in the client's accounting year.
 - d. The arrangement cannot reoccur.
 - e. The client may not supervise the loaned staff.
5. One of the safeguards requires the client to:
 - a. Designate a person with suitable skills and knowledge to oversee the loaned staff's activities.
 - b. Determine the scope and nature of activities.
 - c. Evaluate the adequacy of the activities.
 - d. a and b.
 - e. a, b and c.
6. The guidance provided by the AICPA Professional Ethics Division in the Frequently Asked Questions (FAQ) take precedent over the Code.
 - a. True. The FAQ explain and expand the Code.
 - b. False. The Code is the authoritative source of AICPA ethics rules.

7. The new interpretation in Staff Augmentation Arrangements explains that an “unexpected situation” is an event or set of circumstances that was:
 - a. Not planned for.
 - b. Unforeseen.
 - c. Expensive.
 - d. a and b.
 - e. a, b and c.
8. The AICPA Professional Ethics Division updated Frequently Asked Questions: General Ethics and explained how CPAs should determine whether an unexpected situation creates a “significant hardship.” The answer is: professional judgment.
 - a. True.
 - b. False. There are a variety of clear measures to use.
9. The effective date of the new interpretation is:
 - a. Nov. 30, 2020.
 - b. Dec. 31, 2020.
 - c. Nov. 30, 2021.
 - d. Dec. 31, 2021.
 - e. Nov. 30, 2022.
10. Firms that provide agreed-upon-procedures engagements to non-attest clients may also loan staff to the client if the staff's activities do not relate to the subject of the AUP.
 - a. True.
 - b. False.

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 17 of the May, 2022 *JofA*.)

- a. Incorrect. Lends firm personnel to the client to supplement their staff for a period of time.
- b. Incorrect. Lends firm personnel to the client to supplement their staff for a period of time.
- c. **Correct.** Lends firm personnel to the client to supplement their staff for a period of time.
- d. Incorrect. Lends firm personnel to the client to supplement their staff for a period of time.
- e. Incorrect. Lends firm personnel to the client to supplement their staff for a period of time.

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

- a. **Correct.** But, they may be allowed under limited conditions.
- b. Incorrect. But, they may be allowed under limited conditions.

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

- a. Incorrect. The arrangement may not reoccur.
- b. Incorrect. The arrangement may not reoccur.
- c. Incorrect. The arrangement may not reoccur.
- d. **Correct.** The arrangement may not reoccur.
- e. Incorrect. The arrangement may not reoccur.

Review Question 5. (Please see page 17 of the May, 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 6. (Please see page 17 of the May, 2022 *JofA*.)

- a. Incorrect. The code is the authoritative source of AICPA ethics rules.
- b. **Correct.** The code is the authoritative source of AICPA ethics rules.

Review Question 7. (Please see page 18 of the May, 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. Expense is not a consideration for “unexpected.”
- d. **Correct.** a and b are correct.
- e. Incorrect. c is not correct.

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

- a. **Correct.** “Significant hardship” is determined using professional judgment.
- b. Incorrect. “Significant hardship” is determined using professional judgment.

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

- a. Incorrect. Nov. 30, 2021 is correct.
- b. Incorrect. Nov. 30, 2021 is correct.
- c. **Correct.** Nov. 30, 2021 is correct.
- d. Incorrect. Nov. 30, 2021 is correct.
- e. Incorrect. Nov. 30, 2021 is correct.

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

- a. **Correct.** Firms may loan staff in the situation described.
- b. **Incorrect.** Firms may loan staff in the situation described.

===== **End of Section IV.**

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

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 36 through 40.

Section V Learning Objectives:

1. Learn about available tax benefits for adoptive parents.
2. Learn some planning considerations to maximize the available benefits.

Section V Review Questions:

1. Tax benefits related to adoptions apply generally available to:
 - a. The adopted child.
 - b. The adoptive parents.
 - c. The child's biological parents.
 - d. The adoption agency.
 - e. The local child services departments.
2. Some tax benefits are available to all parents (natural and adoptive). These include:
 - a. The child tax credit (CTC).
 - b. The child and dependent care credit (CDCC).
 - c. The dependent care flexible spending account (DCFSA).
 - d. a and b.
 - e. a, b and c.
3. For parents to be eligible to claim the CDCC, the child's age cannot exceed:
 - a. 5 years old.
 - b. 7 years old.
 - c. 10 years old.
 - d. 13 years old.
 - e. 17 years old.
4. The available adoption credit per child for 2022 is:
 - a. \$6,000
 - b. \$12,000
 - c. \$14,890
 - d. \$17,890
 - e. \$20,000
5. If the adoption credit exceeds the income tax liability, the unused credit:
 - a. Is lost.
 - b. Can be carried forward up to five years.
 - c. Can be carried back up to five years, then forward for ten years.
 - d. Can be carried back up to three years, then forward up to five years.
 - e. Is refunded in the current year.

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 23 of the May, 2022 *JofA*.)

- a. Incorrect. The tax benefits are claimed by the adoptive parents.
- b. **Correct.** The tax benefits are claimed by the adoptive parents.
- c. Incorrect. The tax benefits are claimed by the adoptive parents.
- d. Incorrect. The tax benefits are claimed by the adoptive parents.
- e. Incorrect. The tax benefits are claimed by the adoptive parents.

Review Question 2. (Please see page 23 of the May, 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 3. (Please see page 23 of the May, 2022 *JofA*.)

- a. Incorrect. The child's age cannot exceed 13.
- b. Incorrect. The child's age cannot exceed 13.
- c. Incorrect. The child's age cannot exceed 13.
- d. **Correct.** The child's age cannot exceed 13.
- e. Incorrect. The child's age cannot exceed 13.

Review Question 4: (Please see page 26 of the May, 2022 *JofA*.)

- a. Incorrect. \$14,890.
- b. Incorrect. \$14,890.
- c. **Correct.** \$14,890.
- d. Incorrect. \$14,890.
- e. Incorrect. \$14,890.

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

- a. Incorrect. Unused adoption credit can be carried forward for up to five years.
- b. **Correct.** Unused adoption credit can be carried forward for up to five years.
- c. Incorrect. Unused adoption credit can be carried forward for up to five years.
- d. Incorrect. Unused adoption credit can be carried forward for up to five years.
- e. Incorrect. Unused adoption credit can be carried forward for up to five years.

===== **End of Section V.**

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

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 about an accounting alternative now available for evaluating triggering events.
2. Learn about a proposal to amortize goodwill.
3. Consider how these changes may apply to your clients or company.

Section VI Review Questions:

1. Assessing goodwill for impairment became more difficult:
 - a. After issuance of ASU 2021-03.
 - b. During recent economic recovery from the COVID-19 shutdowns.
 - c. During the COVID-19 pandemic and economic uncertainty.
 - d. With the development of cryptocurrency.
 - e. After accelerated amortization rules were implemented.
2. ASU 2021-03 applies to:
 - a. All entities.
 - b. Only SEC entities.
 - c. Only small businesses.
 - d. Only private companies and not-for-profits.
 - e. Only small, privately-held businesses.
3. One CPA notes that for private companies issuing quarterly GAAP statements, ASU 2021-03 will not do much good.
 - a. True. They will still have to evaluate impairment during the year.
 - b. False. They can delay impairment evaluation until the end of the year.
4. ASU 2021-03 applies to:
 - a. All assets.
 - b. All intangible assets.
 - c. Goodwill only.
 - d. Goodwill, patents, trademarks and copyrights and patents.
 - e. Patents, trademarks and copyrights and patents, but not goodwill.
5. FASB has tentatively determined to require _____ to amortize goodwill on a straight-line basis, generally over 10 years.
 - a. Public companies.
 - b. Private companies.
 - c. Small privately-held companies.
 - d. Large publicly-held companies.
 - e. All entities.

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 25 of the June, 2022 *JofA*.)

- a. Incorrect. COVID-19 pandemic and related economic uncertainty made assessment more difficult.
- b. Incorrect. COVID-19 pandemic and related economic uncertainty made assessment more difficult.
- c. **Correct.** COVID-19 pandemic and related economic uncertainty made assessment more difficult.
- d. Incorrect. COVID-19 pandemic and related economic uncertainty made assessment more difficult.
- e. Incorrect. COVID-19 pandemic and related economic uncertainty made assessment more difficult.

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

- a. Incorrect. ASU 2021-03 applies only to privately-held businesses and not-for-profits.
- b. Incorrect. ASU 2021-03 applies only to privately-held businesses and not-for-profits.
- c. Incorrect. ASU 2021-03 applies only to privately-held businesses and not-for-profits.
- d. **Correct.** ASU 2021-03 applies only to privately-held businesses and not-for-profits.
- e. Incorrect. ASU 2021-03 applies only to privately-held businesses and not-for-profits.

Review Question 3: (Please see page 26 of the June, 2022 *JofA*.)

- a. **Correct.** If reporting quarterly, then impairment must be evaluated quarterly as well.
- b. Incorrect. If reporting quarterly, then impairment must be evaluated quarterly as well.

Review Question 4: (Please see page 27 of the June, 2022 *JofA*.)

- a. Incorrect. ASU 2021-03 applies to goodwill only.
- b. Incorrect. ASU 2021-03 applies to goodwill only.
- c. **Correct.** ASU 2021-03 applies to goodwill only.
- d. Incorrect. ASU 2021-03 applies to goodwill only.
- e. Incorrect. ASU 2021-03 applies to goodwill only.

Review Question 5: (Please see page 27 of the June, 2022 *JofA*.)

- a. Incorrect. All entities would be required to amortize goodwill (generally 10 year, straight-line).
- b. Incorrect. All entities would be required to amortize goodwill (generally 10 year, straight-line).
- c. Incorrect. All entities would be required to amortize goodwill (generally 10 year, straight-line).
- d. Incorrect. All entities would be required to amortize goodwill (generally 10 year, straight-line).
- e. **Correct.** All entities would be required to amortize goodwill (generally 10 year, straight-line).

===== End of Section VI

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

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 about some changes in ethics guidance related to certain situations.
2. Learn some approaches in response, primarily with regard to independence

Section VII Review Questions:

1. The AICPA Professional Ethics Executive Committee (PEEC) adopted revisions to the *AICPA Code of Professional Conduct* on several topics, including:
 - a. Noncompliance with laws and regulations (NOCLAR).
 - b. Unpaid fees.
 - c. Assisting clients with implementing accounting standards.
 - d. a and b.
 - e. a, b and c.
2. Prior to the adopted NOCLAR revisions, when a CPA encountered a suspected NOCLAR act, the requirement was to:
 - a. Document in the workpapers only if the act had a material effect on the financial statements.
 - b. Document in the workpapers whether the act was a result of internal control weaknesses.
 - c. Alert the appropriate client parties to enable them to properly address the issue.
 - d. Alert the appropriate regulatory bodies.
 - e. Withdraw from the engagement.
3. The revised interpretation of NOCLAR maintains the prior requirement to notify the client or employer parties. The new interpretation:
 - a. Has additional requirements for those CPAs providing financial statements audit or review services.
 - b. Has additional requirements for those providing tax preparation services.
 - c. Has additional requirements for CPAs in business working in senior accountant positions.
 - d. a and b.
 - e. a and c.
4. When attest clients ask CPAs for help in implementing accounting standards, there can be a concern:
 - a. That clients expect the service as part of the audit.
 - b. That doing so impairs the CPA's independence.
 - c. The client lacks the independence to implement the standards.
 - d. The CPA's independence is impaired if fees are charged for the service.
 - e. The client will not allow the CPA to manage the process and make all the significant decisions.
5. To avoid independence impairment, CPAs should determine who are beneficial owners of attest clients by:
 - a. Searching organizing papers available on the secretary of state web site
 - b. Searching the SEC list of shareholders available online for publicly-held companies.
 - c. Making reasonable inquiries.
 - d. Contacting directly the client's lenders, who would have shareholder information.
 - e. Searching available shareholder listing held by the credit-rating agencies.

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 31 of the June, 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 2: (Please see page 32 of the June, 2022 *JofA*.)

- a. Incorrect. The CPA should Alert the appropriate client parties to enable them to properly address the issue.
- b. Incorrect. The CPA should Alert the appropriate client parties to enable them to properly address the issue.
- c. **Correct.** The CPA should Alert the appropriate client parties to enable them to properly address the issue.
- d. Incorrect. The CPA should Alert the appropriate client parties to enable them to properly address the issue.
- e. Incorrect. The CPA should Alert the appropriate client parties to enable them to properly address the issue.

Review Question 3: (Please see pages 32 of the June, 2022 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. Additional requirements do not apply to tax preparation services.
- c. Incorrect. This is part of, but not the most complete answer.
- d. Incorrect. a is correct but not b.
- e. **Correct.** a and c are correct.

Review Question 4: (Please see page 33 of the June, 2022 *JofA*.)

- a. Incorrect. Helping attest clients implement accounting standards could impair independence.
- b. **Correct.** Helping attest clients implement accounting standards could impair independence.
- c. Incorrect. Helping attest clients implement accounting standards could impair independence.
- d. Incorrect. Helping attest clients implement accounting standards could impair independence.
- e. Incorrect. Helping attest clients implement accounting standards could impair independence.

Review Question 5: (Please see page 34 of the June, 2022 *JofA*.)

- a. Incorrect. The CPA should make reasonable inquiries.
- b. Incorrect. The CPA should make reasonable inquiries.
- c. **Correct.** The CPA should make reasonable inquiries.
- d. Incorrect. The CPA should make reasonable inquiries.
- e. Incorrect. The CPA should make reasonable inquiries.

===== **End of Section VII**