

**“Always remember that you are absolutely unique, just like everyone else”
... Margaret Mead, American cultural anthropologist**

**Supplementary Study Guide/Syllabus to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy***

Fourth Quarter (Oct – Dec), 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* – Oct., 2022:

Section I. What's Your Fraud IQ? (Page 12)

Section II. What CPAs Need to Know About NFTs (Page 23)

Section III. Tax Matters (Page 30)

Sections IV-V and Exam Questions 26 - 35 Relate to the *Journal of Accountancy* – Nov., 2022:

Section IV. Deliver Business Insights with CAS 2.0 (Page 6)

Section V. Amortizing R&E Expenditures under the TCJA (Page 27)

Sections VI-VII and Exam Questions 36 - 50 Relate to the *Journal of Accountancy* – Dec., 2022:

Section VI. Do I Really Need a New Engagement Letter for That? (Page 4)

Section VII. Proposed AICPA Tax Standards Address New Concerns (Page 30)

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

Section I. What's Your Fraud IQ? (Page 12)

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 about various scams related to processing business payments.
2. Consider how your clients or business may consider the need for controls.

Section I Review Questions:

1. To be successful, a business email compromise scam relies upon:
 - a. The loyalty of the bill-paying employee.
 - b. Weak spam filters used by the email server.
 - c. Manufactured urgency.
 - d. a, b and c.
 - e. a and c only.
2. Which of the following is a passthrough scheme?
 - a. An employee submitting an invoice for goods or services never received.
 - b. An employee purchases goods from a legitimate vendor and then resells the goods to the employer at a higher price.
 - c. An employee setting up a "shell" company to send invoices for goods or services never provided.
 - d. an employee poses as the company president and emails a fake invoice to be paid by the company's payable clerk,
 - e. Two or more employees working together to hide improper payments.
3. A vendor invoice displaying only a post office box for the address should be viewed with suspicion.
 - a. True.
 - b. False.
4. Most shell company schemes involve the purchase of services rather than goods.
 - a. True.
 - b. False.
5. Fraudsters use _____ connected with family or friends to hide their connections to a scheme.
 - a. Names.
 - b. Locations.
 - c. Businesses.
 - d. a and b.
 - e. a, b and c.

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 14 of the October, 2022 *JofA*.)

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

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

- a. Incorrect. An employee purchases good to resell to the employer at a higher price.
- b. **Correct.** An employee purchases good to resell to the employer at a higher price.
- c. Incorrect. An employee purchases good to resell to the employer at a higher price.
- d. Incorrect. An employee purchases good to resell to the employer at a higher price.
- e. Incorrect. An employee purchases good to resell to the employer at a higher price.

Review Question 3: (Please see page 14 of the October, 2022 *JofA*.)

- a. **Correct.** A post office box as the only address can be a red flag of a shell company.
- b. Incorrect. A post office box as the only address can be a red flag of a shell company.

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

- a. **Correct.** It is more difficult to verify whether services have been received.
- b. Incorrect. It is more difficult to verify whether services have been received.

Review Question 5. (Please see page 15 of the October, 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.

=====End of Section I.

Section II. What CPAs Need to Know about NFTs (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 6 through 15.

Section II Learning Objectives:

1. Learn the characteristics and purpose of NFTs.
2. Learn the how NFTs are created.
3. Learn about recommended accounting treatment of NFTs.

Section II Review Questions:

1. NFT stands for:
 - a. Nonfinancial token.
 - b. Nonfinancial transaction.
 - c. Nonfungible token.
 - d. Nonfungible transaction.
 - e. Nonfunctional token.
2. NFTs are recorded on:
 - a. Traditional banking ledgers.
 - b. Nontraditional “digital” ledgers.
 - c. Blockchain ledgers.
 - d. Digital currency exchange accounts.
 - e. None of the above.
3. “Nonfungible” means the item is unique and can't be replaced with another item of the same type.
 - a. True.
 - b. False.
4. A blockchain NFT transaction will typically contain at a minimum:
 - a. A unique ID.
 - b. Associated wallet addresses.
 - c. Owner name.
 - d. a and b.
 - e. a, b and c.
5. The author provides which example of how NFTs can help generate revenue?
 - a. Online auto sales.
 - b. Online bartering goods and services.
 - c. Artists and musicians earning royalties as their work is used in a game or streaming service.
 - d. Writers earning fees on papers downloaded by students.
 - e. Online book sales.
6. Before creating a NFT, the creator should consider:
 - a. The size of the marketplace.
 - b. The cryptoasset accepted.
 - c. The marketplace's fee.
 - d. a and b.
 - e. a, b and c.

7. NFT minting platforms are a type of “Dapp” which stands for:
 - a. Decentralized accounting program.
 - b. Distributed accounting program.
 - c. Decentralized/distributed application.
 - d. Decentralized approach.
 - e. Distributed approval.
8. GAAP standards for digital assets, including NFTs, currently do not exist.
 - a. True.
 - b. False.
9. The authors classify NFTs into four groups, which are:
 - a. Single use, Dual-use, Perpetuals and Real assets.
 - b. Single use, Reusables, Perpetuals and Intangibles.
 - c. Single use, Reusables, Tangible property and Real assets.
 - d. Single use, Reusables, Perpetuals and Real assets.
 - e. Single use, Swaps, Perpetuals and Real assets.
10. What is an example of a single use NFT?
 - a. Virtual event ticket.
 - b. Artwork.
 - c. Domain name.
 - d. Memes (GIFs)
 - e. Real assets.

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 October, 2022 *JofA*.)

- a. Incorrect. Nonfungible token.
- b. Incorrect. Nonfungible token.
- c. **Correct.** Nonfungible token.
- d. Incorrect. Nonfungible token.
- e. Incorrect. Nonfungible token.

Review Question 2. (Please see page 24 of the October, 2022 *JofA*.)

- a. Incorrect. Blockchain ledgers.
- b. Incorrect. Blockchain ledgers.
- c. **Correct.** Blockchain ledgers.
- d. Incorrect. Blockchain ledgers..
- e. Incorrect. Blockchain ledgers.

Review Question 3. (Please see page 24 of the October, 2022 *JofA*.)

- a. **Correct.** The item is unique and can't be replaced with another item of the same type.
- b. Incorrect. The item is unique and can't be replaced with another item of the same type.

Review Question 4. (Please see page 24 of the October, 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, but not c.
- e. Incorrect. a and b are correct, but not c.

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

- a. Incorrect. Artists and musicians earning royalties as their work is used in a game or streaming service.
- b. Incorrect. Artists and musicians earning royalties as their work is used in a game or streaming service.
- c. **Correct.** Artists and musicians earning royalties as their work is used in a game or streaming service.
- d. Incorrect. Artists and musicians earning royalties as their work is used in a game or streaming service.
- e. Incorrect. Artists and musicians earning royalties as their work is used in a game or streaming service.

Review Question 6: (Please see pages 26 of the October, 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 7. (Please see page 26 of the October, 2022 *JofA*.)

- a. Incorrect. Decentralized/distributed application.
- b. Incorrect. Decentralized/distributed application.
- c. **Correct.** Decentralized/distributed application.
- d. Incorrect. Decentralized/distributed application.
- e. Incorrect. Decentralized/distributed application.

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

- a. **Correct.** GAAP standards for digital assets do not yet exist.
- b. Incorrect. GAAP standards for digital assets do not yet exist.

Review Question 9. (Please see page 27 of the October, 2022 *JofA*.)

- a. Incorrect. Single use, Reusables, Perpetuals and Real assets.
- b. Incorrect. Single use, Reusables, Perpetuals and Real assets.
- c. Incorrect. Single use, Reusables, Perpetuals and Real assets.
- d. **Correct.** Single use, Reusables, Perpetuals and Real assets.
- e. Incorrect. Single use, Reusables, Perpetuals and Real assets.

Review Question 10. (Please see pages 28 of the October, 2022 *JofA*.)

- a. **Correct.** Virtual event ticket.
- b. Incorrect. Virtual event ticket.
- c. Incorrect. Virtual event ticket.
- d. Incorrect. Virtual event ticket.
- e. Incorrect. Virtual event ticket.

=====End of Section II.

Section III. Tax Matters (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.

Section III Learning Objectives:

1. Learn about a federal law and a subsequent commission that address the obligation for state income tax.
2. Learn how those rules are different from those governing state income tax.
3. Consider how your clients or business may be affected.

Section III Review Questions:

1. Public Law (P.L.) 86-272 provides limits on state's ability to subject persons (or entities) to:
 - a. Sales tax.
 - b. Property tax.
 - c. Income tax.
 - d. a and c.
 - e. a, b and c.
2. P.L. 86-272 has been in effect since:
 - a. 1959.
 - b. 1969.
 - c. 1986.
 - d. 1992.
 - e. 2002.
3. The Multistate Tax Commission (MTC) released a *Statement of Information* to clarify and provide detail examples related to:
 - a. *Northwestern States Portland Cement Co. v. Minnesota*.
 - b. *Wisconsin Department of Revenue v. William Wrigley, Jr. Co.*
 - c. *Quill Corp. v. North Dakota*.
 - d. *South Dakota v. Wayfair, Inc.*
 - e. P.L. 86-272.
4. In 2002 the MTC released Addendum II to the *Statement of Information*. The effect of Addendum II was to:
 - a. Expand P.L. 86-272 to cover sales of intangible property.
 - b. Require each state to use the same definition of nexus for sales tax and income tax purposes.
 - c. Introduce several factor-presence thresholds to establish nexus.
 - d. Expand P.L. 86-272 to cover sales of services.
 - e. To bring the nexus definitions of P.L. 86-272 in line with the provisions of U.S. Supreme Court in *Quill v. North Dakota*.
5. The factor-presences nexus standards have been adopted by _____ states.
 - a. 5.
 - b. 10.
 - c. 12.
 - d. 15.
 - e. 20.

6. The provisions of P.L. 86-272 supersede any state factor-presence nexus standards.
 - a. True.
 - b. False.
7. The 2018 U.S. Supreme Court *South Dakota v. Wayfair, Inc.* decision overturned the 1992 *Quill Corp. v. North Dakota* decision, which upheld the existing theory that _____ was needed to require an entity to collect and remit sales tax.
 - a. Physical presence.
 - b. Online presence.
 - c. Economic nexus.
 - d. Factor-presence nexus.
 - e. Minimal presence.
8. While states have been slower to adopt the MTC factor-presence standards for income tax purposes, _____ states with a sales and use tax have adopted rules similar to South Dakota, as approved by the *Wayfair* decision.
 - a. 10.
 - b. 12.
 - c. 20.
 - d. 25.
 - e. All.
9. In 2021, the MTC adopted revisions to the *Statement of Information*, adding a new subsection:
 - a. “Activities Conducted via the Internet.”
 - b. “Sellers of Tangible Personal Property.”
 - c. “Online Retailers.”
 - d. “Foreign Sales Entities.”
 - e. “Activities Conducted Offshore.”
10. The authors list aspects of the *Statement of Information* that could be challenged by states and recommend evaluating non filing positions with certain states, specifically:
 - a. California and Texas.
 - b. California and New York.
 - c. New York and Pennsylvania.
 - d. Pennsylvania and Ohio.
 - e. Ohio and Illinois.

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

Section III Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 30 of the October, 2022 *JofA*.)

- a. Incorrect. Income tax.
- b. Incorrect. Income tax.
- c. **Correct.** Income tax.
- d. Incorrect. Income tax.
- e. Incorrect. Income tax.

Review Question 2. (Please see page 30 of the October, 2022 *JofA*.)

- a. **Correct.** 1959.
- b. Incorrect. 1959.
- c. Incorrect. 1959.
- d. Incorrect. 1959.
- e. Incorrect. 1959.

Review Question 3. (Please see page 30 of the October, 2022 *JofA*.)

- a. Incorrect. P.L. 86-272.
- b. Incorrect. P.L. 86-272.
- c. Incorrect. P.L. 86-272.
- d. Incorrect. P.L. 86-272.
- e. **Correct.** P.L. 86-272.

Review Question 4. (Please see page 30 of the October, 2022 *JofA*.)

- a. Incorrect. Introduce factor-presence thresholds to establish nexus.
- b. Incorrect. Introduce factor-presence thresholds to establish nexus.
- c. **Correct.** Introduce factor-presence thresholds to establish nexus.
- d. Incorrect. Introduce factor-presence thresholds to establish nexus.
- e. Incorrect. Introduce factor-presence thresholds to establish nexus.

Review Question 5. (Please see page 30 of the October, 2022 *JofA*.)

- a. Incorrect. 12 states have adopted the MTC factor-presence nexus thresholds.
- b. Incorrect. 12 states have adopted the MTC factor-presence nexus thresholds.
- c. **Correct.** 12 states have adopted the MTC factor-presence nexus thresholds.
- d. Incorrect. 12 states have adopted the MTC factor-presence nexus thresholds.
- e. Incorrect. 12 states have adopted the MTC factor-presence nexus thresholds.

Review Question 6: (Please see page 30 of the October, 2022 *JofA*.)

- a. **Correct.** The provisions of P.L. 86-272 supersede state laws.
- b. Incorrect. The provisions of P.L. 86-272 supersede state laws.

Review Question 7. (Please see page 30 of the October, 2022 *JofA*.)

- a. **Correct.** The *Quill* decision affirmed physical presence.
- b. Incorrect. The *Quill* decision affirmed physical presence.
- c. Incorrect. The *Quill* decision affirmed physical presence.
- d. Incorrect. The *Quill* decision affirmed physical presence.
- e. Incorrect. The *Quill* decision affirmed physical presence.

Review Question 8. (Please see page 31 of the October, 2022 *JofA*.)

- a. Incorrect. All sales tax states have adopted economic nexus rules brought by *Wayfair*.
- b. Incorrect. All sales tax states have adopted economic nexus rules brought by *Wayfair*.
- c. Incorrect. All sales tax states have adopted economic nexus rules brought by *Wayfair*.
- d. Incorrect. All sales tax states have adopted economic nexus rules brought by *Wayfair*.
- e. **Correct.** All sales tax states have adopted economic nexus rules brought by *Wayfair*.

Review Question 9. (Please see page 31 of the October, 2022 *JofA*.)

- a. **Correct.** “Activities Conducted via the Internet.”
- b. Incorrect. “Activities Conducted via the Internet.”
- c. Incorrect. “Activities Conducted via the Internet.”
- d. Incorrect. “Activities Conducted via the Internet.”
- e. Incorrect. “Activities Conducted via the Internet.”

Review Question 10. (Please see page 34 of the October, 2022 *JofA*.)

- a. Incorrect. California and New York.
- b. **Correct.** California and New York.
- c. Incorrect. California and New York.
- d. Incorrect. California and New York.
- e. Incorrect. California and New York.

=====End of Section III.

Section IV. Deliver Business Insights with CAS 2.0 (Page 6)

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 why some firms are offering CAS services and are offering another level of CAS.
2. Learn some recommendations about how a firm can adapt to offering these services.

Section IV Review Questions:

1. "CAS" stands for:
 - a. Cost accounting solutions.
 - b. Computer audit services.
 - c. Client accounting services.
 - d. Client advisory services.
 - e. Client audit services.
2. Most CAS services are performed:
 - a. At the client's office.
 - b. In the firm's office by firm personnel.
 - c. Using cloud-based financial services through a standardized dashboard.
 - d. By an outside third-party provider arranged by the firm.
 - e. By the client using recommended stand-alone software.
3. According to a vice-president with Compact, increased demand for business insights was driven by:
 - a. Complexity of client tax and accounting needs.
 - b. The pandemic.
 - c. Difficulty in finding qualified staff.
 - d. Inflation and fear of recession.
 - e. Pressure from lenders and advisors.
4. One way to help accelerate the move to business insight CAS, the author suggests moving from billable hours to subscription or recurring billing for bundled services.
 - a. True.
 - b. False.
5. In addition to identifying the right technology for CAS client services, the firm will need the right technology to:
 - a. Track and bill staff hours.
 - b. Allocate billable time to various client jobs.
 - c. Standardize firm systems for greater efficiency.
 - d. Identify potential CAS clients.
 - e. None of the above.

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 6 of the November, 2022 *JofA*.)

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

Review Question 2. (Please see page 6 of the November, 2022 *JofA*.)

- a. Incorrect. CAS services usually involve cloud-based service using a standardized dashboard.
- b. Incorrect. CAS services usually involve cloud-based service using a standardized dashboard.
- c. **Correct.** CAS services usually involve cloud-based service using a standardized dashboard.
- d. Incorrect. CAS services usually involve cloud-based service using a standardized dashboard.
- e. Incorrect. CAS services usually involve cloud-based service using a standardized dashboard.

Review Question 3. (Please see page 7 of the November, 2022 *JofA*.)

- a. Incorrect. Increased demand was driven by the pandemic.
- b. **Correct.** Increased demand was driven by the pandemic.
- c. Incorrect. Increased demand was driven by the pandemic.
- d. Incorrect. Increased demand was driven by the pandemic.
- e. Incorrect. Increased demand was driven by the pandemic.

Review Question 4. (Please see page 9 of the November, 2022 *JofA*.)

- a. **Correct.** Moving to subscription billing or other methods can be helpful.
- b. Incorrect. Moving to subscription billing or other methods can be helpful.

Review Question 5. (Please see page 10 of the November, 2022 *JofA*.)

- a. Incorrect. Systems standardization is important.
- b. Incorrect. Systems standardization is important.
- c. **Correct.** Systems standardization is important.
- d. Incorrect. Systems standardization is important.
- e. Incorrect. Systems standardization is important.

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

Section V. Amortizing R&E Expenditures under the TCJA (Page 27)

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 35.

Section V Learning Objectives:

1. Learn how amortization of R&E expenditures changed under the TCJA.
2. Learn how the change affects other tax items.

Section V Review Questions:

1. Most tax provisions of the Tax Cuts and Jobs Act (TCJA) took effect on:
 - a. Jan. 1, 2018.
 - b. Jan. 1, 2019.
 - c. Jan. 1, 2020.
 - d. Jan. 1, 2021.
 - e. Jan. 1, 2022.
2. Prior to the TCJA, taxpayer's choice of tax treatment for R&E expenditures could include:
 - a. Full deduction.
 - b. Capitalize and amortize over 60 months.
 - c. Capitalize and amortize over 10 years.
 - d. a and b.
 - e. a, b and c.
3. Under the TCJA, R&E expenses for domestic and foreign research are treated the same.
 - a. True.
 - b. False.
4. In response to the TCJA, the FASB amended ASB Topic 730 to require five-year amortization of R&E expenditures.
 - a. True.
 - b. False.
5. According to the author, there is political support to:
 - a. Disallow deduction or amortization of R&E expenses.
 - b. Change the amortization period from five years to ten.
 - c. Extend the effective date of the TCJA amortization provisions or modify the provisions.
 - d. Require more documentation of a "business purpose."
 - e. Treat all R&E expenses as nondeductible.

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 27 of the November, 2022 *JofA*.)

- a. **Correct.** Most provisions were effective Jan. 1, 2018.
- b. Incorrect. Most provisions were effective Jan. 1, 2018.
- c. Incorrect. Most provisions were effective Jan. 1, 2018.
- d. Incorrect. Most provisions were effective Jan. 1, 2018.
- e. Incorrect. Most provisions were effective Jan. 1, 2018.

Review Question 2. (Please see page 28 of the November, 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 3. (Please see page 27 of the November, 2022 *JofA*.)

- a. Incorrect. Domestic R&E are amortized over five years while foreign are over fifteen.
- b. **Correct.** Domestic R&E are amortized over five years while foreign are over fifteen.

Review Question 4: (Please see page 30 of the November, 2022 *JofA*.)

- a. Incorrect. ASB Topic 730 is unchanged.
- b. **Correct.** ASB Topic 730 is unchanged.

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

- a. Incorrect. The political support is to extend the effective date or modify the provisions.
- b. Incorrect. The political support is to extend the effective date or modify the provisions.
- c. **Correct.** The political support is to extend the effective date or modify the provisions.
- d. Incorrect. The political support is to extend the effective date or modify the provisions.
- e. Incorrect. The political support is to extend the effective date or modify the provisions.

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

Section VI. Do I Really Need a New Engagement Letter for That? (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 36 through 40.

Section VI Learning Objectives:

1. Reinforce the importance of obtaining an engagement letter.
2. Learn how using alternative documentation may be acceptable in some situations.

Section VI Review Questions:

1. According to the AICPA Professional Liability Insurance Program, in _____ of claims asserted in 2021, the CPA firm had no engagement letter for the service.
 - a. 23%.
 - b. 35%.
 - c. 43%.
 - d. 53%.
 - e. 63%.
2. Professional claims arise due to:
 - a. Mistakes.
 - b. Misunderstandings.
 - c. Misrepresentations.
 - d. a and b.
 - e. a, b and c.
3. An engagement letter is highly recommended for a new client or new services for an existing client.
 - a. True.
 - b. False.
4. The primary benefit of an engagement letter is:
 - a. To assure fee collection.
 - b. To help detect fraud.
 - c. Document which firm personnel will provide services.
 - d. Align the CPA's and client's expectations regarding the scope and limitations of the service.
 - e. Legal protection.
5. In the final example where the CPA emailed a preliminary tax calculation along with a warning to the client not to act, the CPA included an additional statement that helped prevent some of the client claims. The statement affirmed:
 - a. All facts were provided by the client.
 - b. It was the client's responsibility to check all calculations.
 - c. That the terms and conditions of the CPA's tax preparation engagement letter applied to the current request.
 - d. The CPA bears no responsibility for the accuracy of the calculations.
 - e. The client waives the right to file claims resulting from the advice.

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 December, 2022 *JofA*.)

- a. Incorrect. For 53% of claims, there was no engagement letter.
- b. Incorrect. For 53% of claims, there was no engagement letter.
- c. Incorrect. For 53% of claims, there was no engagement letter.
- d. **Correct.** For 53% of claims, there was no engagement letter.
- e. Incorrect. For 53% of claims, there was no engagement letter.

Review Question 2. (Please see page 4 of the December, 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 3. (Please see page 4 of the December, 2022 *JofA*.)

- a. Incorrect. An engagement letter is highly recommended for new clients or services.
- b. **Correct.** An engagement letter is highly recommended for new clients or services.

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

- a. Incorrect. To align the CPA's and client's expectations regarding scope and limitations of service.
- b. Incorrect. To align the CPA's and client's expectations regarding scope and limitations of service.
- c. Incorrect. To align the CPA's and client's expectations regarding scope and limitations of service.
- d. **Correct.** To align the CPA's and client's expectations regarding scope and limitations of service.
- e. Incorrect. To align the CPA's and client's expectations regarding scope and limitations of service.

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

- a. Incorrect. That the terms and conditions of the tax preparation engagement letter applied.
- b. Incorrect. That the terms and conditions of the tax preparation engagement letter applied.
- c. **Correct.** That the terms and conditions of the tax preparation engagement letter applied.
- d. Incorrect. That the terms and conditions of the tax preparation engagement letter applied.
- e. Incorrect. That the terms and conditions of the tax preparation engagement letter applied.

===== **End of Section VI**

Section VII. Proposed AICPA Tax Standards Address New Concerns (Page 30)

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 41 through 50.

Section VII Learning Objectives:

1. Learn about provisions included in the AICPA Statements on Standards for Tax Services.
2. Consider how your firm's approach may align with these proposed standards.
3. For those not involved in tax services, consider how certain provisions may be relevant, such as data security.

Section VII Review Questions:

1. The AICPA Statements on Standards for Tax Services (SSTS) are enforceable standards that apply to _____ providing tax services.
 - a. Person.
 - b. Enrolled agent.
 - c. CPA.
 - d. AICPA member.
 - e. Owners of firms.
2. Some examples of possible data security plan components include:
 - a. Virtual private networks (VPNs).
 - b. Strong password policies.
 - c. Firewalls.
 - d. a and c.
 - e. a, b and c.
3. Members of the task force believe most members take appropriate measures to safeguard taxpayer data.
 - a. True.
 - b. False.
4. In addition to data security, the author advises consideration of additional steps, including:
 - a. Masking identifying information where permissible
 - b. Develop a plan to ensure unnecessary client information is not maintained.
 - c. Establish a training program for data protection.
 - d. a and c.
 - e. a, b and c.
5. If using a highly rated tax preparation software, there is little need to review the final tax return.
 - a. True.
 - b. False.
6. Use of tax preparation software can be a good defense in the case of tax return adjustments by the IRS.
 - a. True.
 - b. False.

7. The SSTS Sec. 4 standards duplicate existing standards.
 - a. True. Many of the concepts already exists in the *Code of Professional Conduct*.
 - b. True. Each state has standards for tax preparers.
 - c. True. But Circular 230 applies only to federal taxes and these new standards provide uniform guidance for other tax services.
 - d. True. But the new standards actually supersede aspects of Circular 230.
 - e. False. SSTS Sec. 4 updates existing standards.
8. Member should act:
 - a. With integrity.
 - b. With professionalism.
 - c. In the interests of the taxing authority.
 - d. a and b.
 - e. a, b and c.
9. The predecessor to the SSTSs, AICPA Statements on Responsibilities in Tax Practice (SRTP), were drafted when tax practices:
 - a. Primarily only prepared tax returns.
 - b. Routinely offered tax representation.
 - c. Were not allowed to offer tax representation.
 - d. Rarely encountered an examination need from a client.
 - e. a and d.
10. The expected effective date for the updated SSTSs is:
 - a. Dec. 31, 2022.
 - b. Jan. 1, 2023.
 - c. Jan. 1, 2024.
 - d. Jan. 1, 2025.
 - e. Dec. 31, 2025.

Section VII Solutions and Suggested Responses to Review Questions:

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

- a. Incorrect. The standards apply to AICPA members.
- b. Incorrect. The standards apply to AICPA members.
- c. Incorrect. The standards apply to AICPA members.
- d. **Correct.** The standards apply to AICPA members.
- e. Incorrect. The standards apply to AICPA members.

Review Question 2: (Please see page 32 of the December, 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 3: (Please see pages 32 of the December, 2022 *JofA*.)

- a. **Correct.** Reports of data theft have been relatively small.
- b. Incorrect. Reports of data theft have been relatively small.

Review Question 4: (Please see page 33 of the December, 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 5: (Please see page 33 of the December, 2022 *JofA*.)

- a. Incorrect. Standards require professional care when relying upon a tool.
- b. **Correct.** Standards require professional care when relying upon a tool.

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

- a. Incorrect. The author mentions a tax court case where the taxpayer was denied relief.
- b. **Correct.** The author mentions a tax court case where the taxpayer was denied relief.

Review Question 7: (Please see page 34 of the December, 2022 *JofA*.)

- a. Incorrect. True. But, Circular 230 applies only to federal taxes.
- b. Incorrect. True. But, Circular 230 applies only to federal taxes.
- c. **Correct.** True. But, Circular 230 applies only to federal taxes.
- d. Incorrect. True. But, Circular 230 applies only to federal taxes.
- e. Incorrect. True. But, Circular 230 applies only to federal taxes.

Review Question 8: (Please see page 34 of the December, 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, but not c.
- d. **Correct.** a and b, but not c.
- e. Incorrect. a and b, but not c.

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

- a. **Correct.** The SRTPs were drafted when tax firms primarily only offered tax preparation services.
- b. Incorrect. The SRTPs were drafted when tax firms primarily only offered tax preparation services.
- c. Incorrect. The SRTPs were drafted when tax firms primarily only offered tax preparation services.
- d. Incorrect. The SRTPs were drafted when tax firms primarily only offered tax preparation services.
- e. Incorrect. The SRTPs were drafted when tax firms primarily only offered tax preparation services.

Review Question 10. (Please see page 31 of the December, 2022 *JofA*.)

- a. Incorrect. Jan. 1, 2024 is the effective date for the updated SSTs.
- b. Incorrect. Jan. 1, 2024 is the effective date for the updated SSTs.
- c. **Correct.** Jan. 1, 2024 is the effective date for the updated SSTs.
- d. Incorrect. Jan. 1, 2024 is the effective date for the updated SSTs.
- e. Incorrect. Jan. 1, 2024 is the effective date for the updated SSTs.

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