"The man on top of the mountain didn't fall there."
… Vince Lombardi, Hall of Fame Coach

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

First Quarter (Jan – Mar), 2023

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 1–30 Relate to the *Journal of Accountancy* – Jan., 2023:

Sections IV-V and Exam Questions 31 - 50 Relate to the *Journal of Accountancy* – Feb., 2023:

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

Section I. Client Breakups Can Create Malpractice Risk (Page 4)

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 6.

Section I Learning Objectives:
1. Learn about various issues that could arise resulting from clients divorcing.
2. Consider the author's recommendations for dealing with the issues.

Section I Review Questions:
1. An actual (or even potential) conflict of interest will will automatically result in a professional liability claim against the CPA.
   a. True.
   b. False.

2. When dealing with divorcing clients, the CPA may be accused of violating ET Sec 1.700.001 of the AICPA *Code of Professional Conduct*, which addresses:
   a. Objectivity.
   b. Sufficient knowledge.
   c. Confidential client information.
   d. Engagement letters.
   e. Peer review.

3. When preparing tax returns for parties in divorce or disputes, the author recommends that choices made by the clients be communicated in writing by:
   a. An independent tax preparer.
   b. Each client.
   c. Just <u>one</u> of the clients, to avoid any miscommunication.
   d. Each client's attorney.
   e. A third party representing both parties.

4. One spouse of a divorcing couple may request copies of current or prior year jointly filed tax returns. In that case, the author advises:
   a. Copies should be sent to the requesting spouse by certified mail.
   b. Copies should be sent to the spouse's attorney.
   c. Copies should be sent to the spouse's financial advisor.
   d. Copies should be held for pickup so the spouse may sign to acknowledge receipt.
   c. Copies should be sent to <u>both</u> spouses.

5. If you receive a subpoena (generally from one party's attorney requesting documents) the author recommends:
   a. Sending the requested copies by certified mail.
   b. Sending copies to <u>each</u> party in the divorce or dispute.
   c. Contacting our professional liability insurer for advice, as they may have resources.
   d. Contacting your personal attorney.
   e. Declining to provide copies as these are confidential information.

6. If a couple informs their CPA they are divorcing and want the CPA to prepare their tax returns, Treasury Circular 230 requires the CPA to get a signed, written conflict-of-interest waiver within _____ of being informed.
   a. 10 days.
   b. 30 days.
   c. 60 days.
   d. 12 months.
   e. 36 months.

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 4 of the January, 2023 *JofA*.)
a. Incorrect. A conflict of interest does not automatically result in a claim.
b. **Correct.** A conflict of interest does not automatically result in a claim.

Review Question 2. (Please see page 4 of the January, 2023 *JofA*.)
a. Incorrect. Confidential client information.
b. Incorrect. Confidential client information.
c. **Correct.** Confidential client information.
d. Incorrect. Confidential client information.
e. Incorrect. Confidential client information.

Review Question 3: (Please see page 4 of the January, 2023 *JofA*.)
a. Incorrect. Each client's attorney.
b. Incorrect. Each client's attorney.
c. Incorrect. Each client's attorney.
d. **Correct.** Each client's attorney.
e. Incorrect. Each client's attorney.

Review Question 4. (Please see page 5 of the January, 2023 *JofA*.)
a. Incorrect. Copies should be sent to both spouses.
b. Incorrect. Copies should be sent to both spouses.
c. Incorrect. Copies should be sent to both spouses.
d. Incorrect. Copies should be sent to both spouses.
e. **Correct.** Copies should be sent to both spouses.

Review Question 5. (Please see page 5 of the January, 2023 *JofA*.)
a. Incorrect. Contact your professional liability insurer for advice, as they may have resources.
b. Incorrect. Contact your professional liability insurer for advice, as they may have resources.
c. **Correct.** Contact your professional liability insurer for advice, as they may have resources.
d. Incorrect. Contact your professional liability insurer for advice, as they may have resources.
e. Incorrect. Contact your professional liability insurer for advice, as they may have resources.

Review Question 6. (Please see page 5 of the January, 2023 *JofA*.)
a. Incorrect. A signed, written waiver should be obtained within 30 days.
b. **Correct.** A signed, written waiver should be obtained within 30 days.
c. Incorrect. A signed, written waiver should be obtained within 30 days.
d. Incorrect. A signed, written waiver should be obtained within 30 days.
e. Incorrect. A signed, written waiver should be obtained within 30 days.

==========End of Section I.

Section II. Initial Direct Cost and Deferred Rent Under FASB ASC 842 (Page 14)

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 7 through 21.

Section II Learning Objectives:

1. Learn the treatment of lease arrangements under Topics 840 and 842.
2. Consider how this guidance may apply to your clients or business.

Section II Review Questions:

1. FASB ASC Topic 842 brought about a significant change in the accounting for _____ leases.
   a. All.
   b. Capital.
   c. Operating.
   d. Short-term.
   e. Long-term.

2. FASB ASC Topic replaces:
   a. FASB ASC Topic 800.
   b. FASB ASC Topic 824.
   c. FASB ASC Topic 830.
   d. FASB ASC Topic 840.
   e. None of the above.

3. How did FASB ASC Topic 840 treat initial direct costs associated with a long-term lease?
   a. The amount is expensed in the year paid.
   b. The amount is expensed in the year incurred.
   c. The amount is capitalized, written off using the straight-line method and reported as part of lease expense.
   d. The amount is capitalized and expensed the year the lease expires.
   e. The amount is amortized over 15 years along with other intangible assets.

4. Assume an entity has a ten-year lease with payments that increase each year by 5%. How would the entity calculate the amount to report as "lease expense" on the annual income statement under Topic 840?
   a. The entity would total the payments and report one-tenth of that amount as lease expense.
   b. The entity would calculate the present value of the lease payments, deduct the related interest and report one-tenth of that amount as lease expense.
   c. The entity would report as lease expense the actual amount paid for that year.
   d. The entity would report as lease expense the actual amount paid less the deferred tax asset.
   e. The entity would report as lease expense the total payments amortized using the 200% declining balance method.

5. Under Topic 840, the difference between the amount reported as rent or lease expense (using an amortization of total payments) and the actual amount paid to the lessor is reported as:
   a. Other expense.
   b. Lease expense.
   c. Deferred rent (an expense account).
   d. Deferred rent (a liability).
   e. Deferred tax asset.

6. How is the deferred rent liability removed from the balance sheet?
   a. Five year amortization.
   b. Fifteen year amortization (similar to intangibles).
   c. Once the actual lease payment exceeds the calculated lease expense, the difference reduces deferred rent until the final year in which the balance would be zero.
   d. Once the calculated lease expense (using straight-line amortization of total lease payments) exceeds the actual lease payment, the balance will decrease to zero.
   e. Never, it remains a permanent balance.

7. Topic 842 brought about substantial changes in accounting treatment of capital leases.
   a. True.
   b. False.

8. To ease the transition to Topic 842, the FASB allowed that an entity need not:
   a. Reassess whether any expired or existing contracts at transition are (or contain) leases.
   b. Reassess lease classification for any expired or existing leases.
   c. Reassess initial indirect costs for any existing leases at transition.
   d. a and b.
   e. a, b and c.

9. As a result of Topic 842, operating leases greater than one year:
   a. Will be recognized on the balance sheet as an asset and related liability.
   b. Will continue to be expensed with each payment.
   c. Will be capitalized and depreciated using current depreciation methods.
   d. Will not appear on the balance sheet, but will be described in a footnote.
   e. Will be shown as an asset with an offsetting "deferred rent liability."

10. Under both Topic 840 and 872 initial direct costs include allocated overhead.
    a. True.
    b. False.

11. How is deferred rent handled under Topic 842?
    a. Deferred rent is a liability created by the difference between the actual lease payment and the lease expense, which is the amortization of total lease payments.
    b. Deferred rent is the liability calculated using the present value of total lease payments. It is amortized over the life of the lease.
    c. Topic 842 does not have a calculation of deferred rent while Topic 840 does.
    d. As with Topic 840, Topic 842 excludes <u>any</u> calculation of deferred rent.
    e. Topic 842 uses present value calculations to determine deferred rent.

12. Under Topic 842, at initial recording, the right-of-use asset balance should equal the lease liability.
    a. Correct. The assets and liability balances should be the same.
    b. Incorrect. The lease liability balance will be greater by the amount of initial indirect costs.
    c. Incorrect. The right-of-use asset will be greater by the amount of initial indirect costs.
    d. Incorrect. The lease liability does not include the present value of future payment increases.
    e. Incorrect. The right-of-use asset includes refundable security deposit amounts.

13. Over the life of the lease, what happens to the right-of-use asset and lease liability account?
    a. Both will decrease by the same amount each period.
    b. The right-of-use accounts will decrease by the same amount each period while the lease liability accounts will decrease by greater amounts due to decreasing interest.
    c. The right-of-use asset will decrease by greater amounts while the lease liability decreases by the same amount each period.
    d. Each account will decrease by increasing amounts as the interest portion of the payment decreases.
    e. The asset and liability remain unchanged until the property is disposed.

14. How does the treatment of the deferred tax asset differ between Topics 840 and 842?
    a. Topic 842 no longer requires a deferred tax asset.
    b. Topic 840 no longer requires a deferred tax asset while Topic 842 does.
    c. There is no difference. Neither requires a deferred tax asset.
    d. The calculation is the same under both.
    e. Topic 842 requires discounting to present value while Topic 840 did not.

15. For nonpublic entities, Topic 842 is effective for fiscal years beginning after:
    a. Dec. 15, 2019.
    b. Dec. 15, 2020.
    c. Dec. 15, 2021.
    d. Dec. 15, 2022.
    e. Dec. 15, 2023.

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 15 of the January, 2023 *JofA*.)
a. Incorrect. Long-term leases.
b. Incorrect. Long-term leases.
c. Incorrect. Long-term leases.
d. Incorrect. Long-term leases.
e. **Correct.** Long-term leases.

Review Question 2. (Please see page 15 of the January, 2023 *JofA*.)
a. Incorrect. FASB ASC Topic 840.
b. Incorrect. FASB ASC Topic 840.
c. Incorrect. FASB ASC Topic 840.
d. **Correct.** FASB ASC Topic 840.
e. Incorrect. FASB ASC Topic 840.

Review Question 3. (Please see page 16 of the January, 2023 *JofA*.)
a. Incorrect. The amount is capitalized, written off using the straight-line method and reported as part of lease expense.
b. Incorrect. The amount is capitalized, written off using the straight-line method and reported as part of lease expense.
c. **Correct.** The amount is capitalized, written off using the straight-line method and reported as part of lease expense.
d. Incorrect. The amount is capitalized, written off using the straight-line method and reported as part of lease expense.
e. Incorrect. The amount is capitalized, written off using the straight-line method and reported as part of lease expense.

Review Question 4. (Please see page 16 of the January, 2023 *JofA*.)
a. Incorrect. The entity would total the payments and report one-tenth of that amount as lease expense.
b. Incorrect. The entity would total the payments and report one-tenth of that amount as lease expense.
c. Incorrect. The entity would total the payments and report one-tenth of that amount as lease expense.
d. **Correct.** The entity would total the payments and report one-tenth of that amount as lease expense.
e. Incorrect. The entity would total the payments and report one-tenth of that amount as lease expense.

Review Question 5. (Please see page 16 of the January, 2023 *JofA.*)
a. Incorrect. Deferred rent (a liability).
b. Incorrect. Deferred rent (a liability).
c. Incorrect. Deferred rent (a liability).
d. **Correct.** Deferred rent (a liability).
e. Incorrect. Deferred rent (a liability).

Review Question 6: (Please see pages 16 of the January, 2023 *JofA*.)
a. Incorrect. Once the actual lease payment exceeds the calculated lease expense, the difference reduces deferred rent until the final year in which the balance would be zero.
b. Incorrect. Once the actual lease payment exceeds the calculated lease expense, the difference reduces deferred rent until the final year in which the balance would be zero.
c. **Correct.** Once the actual lease payment exceeds the calculated lease expense, the difference reduces deferred rent until the final year in which the balance would be zero.
d. Incorrect. Once the actual lease payment exceeds the calculated lease expense, the difference reduces deferred rent until the final year in which the balance would be zero.
e. Incorrect. Once the actual lease payment exceeds the calculated lease expense, the difference reduces deferred rent until the final year in which the balance would be zero.

Review Question 7. (Please see page 17 of the January, 2023 *JofA.*)
a. Incorrect. Just operating leases greater than one year are affected.
b. **Correct.** Just operating leases greater than one year are affected.

Review Question 8. (Please see pages 17 & 18 of the January, 2023 *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 9. (Please see page 17 of the January, 2023 *JofA.*)
a. **Correct.** Operating leases greater than one year will be recognized on the balance sheet as an asset and related liability.
b. Incorrect. Operating leases greater than one year will be recognized on the balance sheet as an asset and related liability.
c. Incorrect. Operating leases greater than one year will be recognized on the balance sheet as an asset and related liability.
d. Incorrect. Operating leases greater than one year will be recognized on the balance sheet as an asset and related liability.
e. Incorrect. Operating leases greater than one year will be recognized on the balance sheet as an asset and related liability.

Review Question 10. (Please see pages 18 of the January, 2023 *JofA.*)
a. Incorrect. Topic 842 excludes allocated overhead.
b. **Correct.** Topic 842 excludes allocated overhead.

Review Question 11. (Please see pages 18 of the January, 2023 *JofA.*)
a. Incorrect. Topic 842 does not have a calculation of deferred rent while Topic 840 does.
b. Incorrect. Topic 842 does not have a calculation of deferred rent while Topic 840 does.
c. **Correct.** Topic 842 does not have a calculation of deferred rent while Topic 840 does.
d. Incorrect. Topic 842 does not have a calculation of deferred rent while Topic 840 does.
e. Incorrect. Topic 842 does not have a calculation of deferred rent while Topic 840 does.

Review Question 12. (Please see pages 18 of the January, 2023 *JofA.*)
a. Incorrect. Incorrect. The right-of-use asset will be greater by the amount of initial indirect costs.
b. Incorrect. Incorrect. The right-of-use asset will be greater by the amount of initial indirect costs.
c. **Correct.** Incorrect. The right-of-use asset will be greater by the amount of initial indirect costs.
d. Incorrect. Incorrect. The right-of-use asset will be greater by the amount of initial indirect costs.
e. Incorrect. Incorrect. The right-of-use asset will be greater by the amount of initial indirect costs.

Review Question 13. (Please see pages 20 of the January, 2023 *JofA.*)
a. Incorrect. Each account will decrease by increasing amounts as the interest portion of the payment decreases.
b. Incorrect. Each account will decrease by increasing amounts as the interest portion of the payment decreases.
c. Incorrect. Each account will decrease by increasing amounts as the interest portion of the payment decreases.
d. **Correct.** Each account will decrease by increasing amounts as the interest portion of the payment decreases.
e. Incorrect. Each account will decrease by increasing amounts as the interest portion of the payment decreases.

Review Question 14. (Please see pages 19 of the January, 2023 *JofA.*)
a. Incorrect. The calculation is the same under both.
b. Incorrect. The calculation is the same under both.
c. Incorrect. The calculation is the same under both.
d. **Correct.** The calculation is the same under both.
e. Incorrect. The calculation is the same under both.

Review Question 15. (Please see pages 19 of the January, 2023 *JofA.*)
a. Incorrect. Dec. 15, 2021.
b. Incorrect. Dec. 15, 2021.
c. **Correct.** Dec. 15, 2021.
d. Incorrect. Dec. 15, 2021.
e. Incorrect. Dec. 15, 2021.

==========End of Section II.

Section III. The Rise of the Cash Balance Pension Plan (Page 27)

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 22 through 30.

Section III Learning Objectives:
1. Learn aspects of cash balance plans and how they differ from other popular retirement plans.
2. Consider how you or your clients may benefit from these plans.

Section III Review Questions:

1. Popular company retirement plans include:
   a. Section 401(k) plans.
   b. Profit sharing plans.
   c. Simplified employee pension plans (SEPs).
   d. SIMPLE IRAs.
   e. All of the above.

2. A cash balance plan (CBP) is a defined benefit plan that has some characteristics of a _____.
   a. Section 401(k) plans..
   b. Profit sharing plans.
   c. Money purchase plan.
   d. Defined contribution plan.
   e. Defined rollover plan.

3. Under a traditional pension plan, the retiring employee:
   a. Receives a lump sum payment.
   b. Receives a monthly benefit until the balance is depleted.
   c. Receives a monthly payment for life.
   d. Receives a guaranteed payment for usually 20 years.
   e. Will usually rollover their balance to an IRA.

4. CBPs are mainly used by :
   a. Publicly-held companies.
   b. Large privately-held companies.
   c. Nonprofit entities.
   d. Small businesses.
   e. Municipal governments.

5. One feature of CBPs that participants most appreciate is:
   a. Investments grow tax deferred.
   b. The ability to control the plan investments.
   c. The ability to rollover their balance to an IRA upon retirement.
   d. The "portability" feature.
   e. The plan funds are insured by the PBGC.

6. CBPs are structured to target:
   a. An allowable.
   b. Certain classes of employees.
   c. Owners only.
   d. The minimum allowable income at retirement.
   e. Younger employees.

7. CBP contributions cannot exceed compensation reported by participants, which could appear on:
   a. Form W-2.
   b. Partner Schedule K-1.
   c. Schedule C.
   d. a, b and c.
   e. a and b only.

8. For 2022, what is the maximum contribution an entity could make to the CPB for an employee aged 65?
   a. $222,000.
   b. $285,000.
   c. $295,000.
   d. $352,500.
   e. $362,500.

9. One significant benefit of CBPs to the sponsoring entity is:
   a. No reporting requirements.
   b. Simple to setup and operate.
   c. The entity doesn't contribute, only the employee.
   d. The contributions are tax-deductible.
   e. Investments are safe.

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 27 of the January, 2023 *JofA*.)
a. Incorrect. All of the above.
b. Incorrect. All of the above.
c. Incorrect. All of the above.
d. Incorrect. All of the above.
e. **Correct.** All of the above.

Review Question 2. (Please see page 27 of the January, 2023 *JofA*.)
a. Incorrect. Defined compensation plan.
b. Incorrect. Defined compensation plan.
c. Incorrect. Defined compensation plan.
d. **Correct.** Defined compensation plan.
e. Incorrect. Defined compensation plan.

Review Question 3. (Please see page 27 of the January, 2023 *JofA*.)
a. Incorrect. Receives a monthly payment for life.
b. Incorrect. Receives a monthly payment for life.
c. **Correct.** Receives a monthly payment for life.
d. Incorrect. Receives a monthly payment for life.
e. Incorrect. Receives a monthly payment for life.

Review Question 4. (Please see page 28 of the January, 2023 *JofA*.)
a. Incorrect. Small business.
b. Incorrect. Small business.
c. Incorrect. Small business.
d. **Correct.** Small business.
e. Incorrect. Small business.

Review Question 5. (Please see page 29 of the January, 2023 *JofA*.)
a. Incorrect. The ability to rollover their balance to an IRA upon retirement.
b. Incorrect. The ability to rollover their balance to an IRA upon retirement.
c. **Correct.** The ability to rollover their balance to an IRA upon retirement.
d. Incorrect. The ability to rollover their balance to an IRA upon retirement.
e. Incorrect. The ability to rollover their balance to an IRA upon retirement.

Review Question 6: (Please see page 29 of the January, 2023 *JofA*.)
a. **Correct.** An allowable maximum income at retirement.
b. Incorrect. An allowable maximum income at retirement.
c. Incorrect. An allowable maximum income at retirement.
d. Incorrect. An allowable maximum income at retirement.
e. Incorrect. An allowable maximum income at retirement.

Review Question 7. (Please see pages 29 & 30 of the January, 2023 *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. **Correct.** a, b & c are correct.
e. Incorrect. This is part of, but not the most complete answer.

Review Question 8. (Please see page 30 of the January, 2023 *JofA*.)
a. Incorrect. $295,000.
b. Incorrect. $295,000.
c. **Correct.** $295,000.
d. Incorrect. $295,000.
e. Incorrect. $295,000.

Review Question 9. (Please see page 30 of the January, 2023 *JofA.*)
a. Incorrect. The contributions are tax-deductible.
b. Incorrect. The contributions are tax-deductible.
c. Incorrect. The contributions are tax-deductible.
d. Incorrect. The contributions are tax-deductible.
e. **Correct.** The contributions are tax-deductible.

==========End of Section III.

Section IV. Private-Equity Eyes Accounting Firms Large and Small (Page 7)

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 31 through 40.

Section IV Learning Objectives:
1. Learn about the recent trend of private-equity firms buying accounting firms.
2. Learn about certain aspects of these transactions, both positive and negative.
3. Consider how some of the drivers of these deals could be relevant to your firm or business.

Section IV Review Questions:

1. Private-equity firm investment in large accounting firms have drawn attention since:
   a. 2008.
   b. 2012.
   c. 2018.
   d. 2020.
   e. 2021.

2. Private-equity firms view the accounting sector as a _____ market.
   a. Declining.
   b. Growth.
   c. Turbulent.
   d. Stagnant.
   e. Risky.

3. The author notes that accounting firms are experiencing declining revenues in:
   a. Consulting.
   b. Audit.
   c. Independent CFO services.
   d. Compliance.
   e. ESG advisory services.

4. In addition to private-equity deals, there have still been tremendous numbers of:
   a. New firm formation.
   b. Small firm closures.
   c. Traditional merger deals.
   d. Foreign mergers.
   e. Firm spinoffs.

5. With most private-equity investments in a public accounting firm, the business will need to:
   a. Change names.
   b. Obtain approval from the CPA licensing board.
   c. Restructure.
   d. Reorganize from a partnership to a corporation.
   e. Register with the Securities Exchange Commission.

6. Regulations stipulate that _____ must be at least majority-owned by CPAs.
   a. Tax firms.
   b. Audit firms.
   c. Advisory firms.
   d. a and b.
   e. a, b and c.

7. The private-equity deals create a new draw for young partners because:
   a. Salaries generally increase rapidly.
   b. Firm growth will result in higher partnership values upon retirement.
   c. They are eligible for employee benefits to the equity fund.
   d. They could get a payout in five to ten years assuming another sale is arranged.
   e. Often these private-equity deals allow partners to invest in the equity fund.

8. One result of investment by private-equity is there is more of a corporate decision-making process and less of "decision by committee."
   a. True.
   b. False.

9. One result of the trend in the merger and acquisition of CPA firms is there is demand in the middle and lower-middle market for services previously offered by large firms. These services include:
   a. Technology.
   b. Cybersecurity.
   c. Valuation.
   d. a and b.
   e. a, b and c.

10. According to one source, the private-equity investors that understand the accounting business and importance of people:
   a. Are not going to micromanage.
   b. Will be a strategic and capital partner.
   c. Will offer detailed cost-cutting ideas.
   d. a and b.
   e. b and c.

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 8 of the January, 2023 *JofA.*)
a. Incorrect. 2021.
b. Incorrect. 2021.
c. Incorrect. 2021.
d. Incorrect. 2021.
e. **Correct.** 2021.

Review Question 2. (Please see page 8 of the January, 2023 *JofA.*)
a. Incorrect. Growth.
b. **Correct.** Growth.
c. Incorrect. Growth.
d. Incorrect. Growth.
e. Incorrect. Growth.

Review Question 3. (Please see page 9 of the January, 2023 *JofA.*)
a. Incorrect. Compliance.
b. Incorrect. Compliance.
c. Incorrect. Compliance.
d. **Correct.** Compliance.
e. Incorrect. Compliance.

Review Question 4. (Please see page 9 of the January, 2023 *JofA.*)
a. Incorrect. Traditional merger deals.
b. Incorrect. Traditional merger deals.
c. **Correct.** Traditional merger deals.
d. Incorrect. Traditional merger deals.
e. Incorrect. Traditional merger deals.

Review Question 5. (Please see page 10 of the January, 2023 *JofA.*)
a. Incorrect. Restructure.
b. Incorrect. Restructure.
c. **Correct.** Restructure.
d. Incorrect. Restructure.
e. Incorrect. Restructure.

Review Question 6. (Please see page 10 of the January, 2023 *JofA.*)
a. Incorrect. Audit firms.
b. Incorrect. Audit firms.
c. **Correct.** Audit firms.
d. Incorrect. Audit firms.
e. Incorrect. Audit firms.

Review Question 7. (Please see page 11 of the January, 2023 *JofA.*)
a. Incorrect. They could get a payout in five to ten years assuming another sale is arranged.
b. Incorrect. They could get a payout in five to ten years assuming another sale is arranged.
c. Incorrect. They could get a payout in five to ten years assuming another sale is arranged.
d. **Correct.** They could get a payout in five to ten years assuming another sale is arranged.
e. Incorrect. They could get a payout in five to ten years assuming another sale is arranged.

Review Question 8. (Please see page 11 of the January, 2023 *JofA.*)
a. **Correct.** There is more of a corporate decision-making and less decision-by-committee.
b. Incorrect. There is more of a corporate decision-making and less decision-by-committee.

Review Question 9. (Please see page 12 of the January, 2023 *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 10. (Please see page 13 of the January, 2023 *JofA.*)
a. Incorrect. This is part of, but not the most complete answer.
b. Incorrect. This is part of, but not the most complete answer.
c. Incorrect. a and b are correct.
d. **Correct.** a and b are correct.
e. Incorrect. This is part of, but not the most complete answer.

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

Section V. How to Talk About Long-Term Care With Clients (Page 15)

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 41 through 50.

Section V Learning Objectives:

1. Learn about various aspects and challenges related to long-term care.
2. Consider how this information could be helpful to your clients or family.

Section V Review Questions:

1. Many people do not research long-term care options or costs until they:
   a. Have a medical issue.
   b. Reach the age of 50.
   c. Decide to downsize.
   d. a, b and c.
   e. a and c.

2. One financial planner reminds us that long-term care:
   a. Is very expensive.
   b. On average lasts at least six months or more.
   c. Isn't always a long-term expense.
   d. Involves end of life care.
   e. Choices are fewer in recent years.

3. One advantage of more people entering long-term care is:
   a. The cost of care is going down.
   b. The cost of long-term care insurance continues to decline.
   c. There is no shortage of care-givers.
   d. Available data on cost, length of stay, age and means of funding helps decision-making.
   e. All of the above.

4. Long-term care discussions with clients should cover:
   a. Health concerns.
   b. Importance of preserving an inheritance.
   c. Client's lifestyle expectations.
   d. a and c.
   e. a, b and c.

5. According to one financial planner, long-term care insurance is the best option for most clients.
   a. True.
   b. False.

6. Clients with assets under a certain amount may be advised to avoid purchasing long-term care insurance because:
   a. Medicaid could cover the expense.
   b. Medicare could cover the expense.
   c. Health insurance could cover the expense.
   d. Government-operated facilities are available at no cost.
   e. In home care is very affordable.

7. For those 65 or older, short stays in a skilled nursing facility due to surgery or a short-term health need (eg: rehab or recovery) can be fully paid by:
   a. Medicaid.
   b. Medicare.
   c. Long-term disability insurance.
   d. Long-term care insurance.
   e. State insurance programs.

8. For those who would like to stay in their home as they age, one advisor has clients consider:
   a. Downsizing.
   b. Moving to an independent living community.
   c. Using a reverse mortgage to pay for needed updates and modifications to the home.
   d. Using HSA funds to pay for home updates and modifications.
   e. Move in with adult children.

9. One drawback to having <u>only</u> long-term care insurance is:
   a. It is difficult to qualify for benefits.
   b. The benefits generally pay only one-half of the actual expenses.
   c. The coverage only applies to certain facilities or care.
   d. There is no guarantee benefits will be paid (eg: the policy holder dies without needing long-term care).
   e. It is only available in a few states.

10. One advisor noted some common concerns of those considering long-term care strategies, including:
   a. Fear of needing memory care.
   b. Concern about needing care and having no spouse, family or friends to help with care.
   c. Concern that family members will disagree with choices.
   d. a, b and c.
   e. a and b only.

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 15 of the January, 2023 *JofA.*)
a. Incorrect. This is part of, but not the most complete answer.
b. Incorrect. a and c are correct.
c. Incorrect. This is part of, but not the most complete answer.
d. Incorrect. a and c are correct.
e. **Correct.** a and c are correct.

Review Question 2. (Please see page 15 of the January, 2023 *JofA.*)
a. Incorrect. Long-term care is not always a long-term expense.
b. Incorrect. Long-term care is not always a long-term expense.
c. **Correct.** Long-term care is not always a long-term expense.
d. Incorrect. Long-term care is not always a long-term expense.
e. Incorrect. Long-term care is not always a long-term expense.

Review Question 3. (Please see page 17 of the January, 2023 *JofA.*)
a. Incorrect. With more people entering long-term care, available data helps decision-making.
b. Incorrect. With more people entering long-term care, available data helps decision-making.
c. Incorrect. With more people entering long-term care, available data helps decision-making.
d. **Correct.** With more people entering long-term care, available data helps decision-making.
e. Incorrect. With more people entering long-term care, available data helps decision-making.

Review Question 4: (Please see page 17 of the January, 2023 *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 17 of the January, 2023 *JofA.*)
a. Incorrect. Long-term insurance isn't the best option for <u>most</u> clients.
b. **Correct.** Long-term insurance isn't the best option for <u>most</u> clients.

Review Question 6: (Please see page 17 of the January, 2023 *JofA.*)
a. **Correct.** Medicaid could cover the expense.
b. Incorrect. Medicaid could cover the expense.
c. Incorrect. Medicaid could cover the expense.
d. Incorrect. Medicaid could cover the expense.
e. Incorrect. Medicaid could cover the expense.

Review Question 7: (Please see page 17 of the January, 2023 *JofA.*)
a. Incorrect. Medicare can pay for short stays for those age 65 and over.
b. **Correct.** Medicare can pay for short stays for those age 65 and over.
c. Incorrect. Medicare can pay for short stays for those age 65 and over.
d. Incorrect. Medicare can pay for short stays for those age 65 and over.
e. Incorrect. Medicare can pay for short stays for those age 65 and over.

Review Question 8: (Please see page 17 of the January, 2023 *JofA.*)
a. Incorrect. Using a reverse mortgage to fund modifications to allow the owner to age at home.
b. Incorrect. Using a reverse mortgage to fund modifications to allow the owner to age at home.
c. **Correct.** Using a reverse mortgage to fund modifications to allow the owner to age at home.
d. Incorrect. Using a reverse mortgage to fund modifications to allow the owner to age at home.
e. Incorrect. Using a reverse mortgage to fund modifications to allow the owner to age at home.

Review Question 9: (Please see page 17 of the January, 2023 *JofA.*)
a. Incorrect. There is no guarantee benefits will be paid (eg: the policyholder dies without care).
b. Incorrect. There is no guarantee benefits will be paid (eg: the policyholder dies without care).
c. Incorrect. There is no guarantee benefits will be paid (eg: the policyholder dies without care).
d. **Correct.** There is no guarantee benefits will be paid (eg: the policyholder dies without care).
e. Incorrect. There is no guarantee benefits will be paid (eg: the policyholder dies without care).

Review Question 10: (Please see page 18 of the January, 2023 *JofA.*)
a. Incorrect. This is part of, but not the most complete answer.
b. Incorrect. This is part of, but not the most complete answer.
c. Incorrect. a and b are correct.
d. Incorrect. a and b are correct.
e. **Correct.** a and b are correct.

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

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