

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

QUARTERLY CPE EXAM ON THE *Journal of Accountancy*
Second Quarter (Apr – June), 2023 (Course # 2302)
A Formal CPE Course using the *JoA* as Reference Material
Recommended CPE Credit: 8 Hours (Category: Interactive Self Study)
Subject division: Fin Plan 1, Prac. Mgt. 1, Tax 6

INSTRUCTIONS:

1. Complete but do not submit all the assignments in the **Supplementary Study Guide** with **Course objectives** available at our Web site: www.accounting-education.com
2. Answer the 50 multiple-choice questions by selecting the one **best** answer.
Blacken the letter; do **not** circle. A score of 70 or better is required.
3. Unless prepaid, please submit a Payment Voucher with your completed Exam.
4. **Scan/email**, fax or snail mail your answer sheet to AEA for grading by deadline below.
5. For CPE credit, please be sure your name and email address are legible.
6. **For faster response, please provide your email address below.**

COURSE EVALUATION:

On a scale of A (highest) to F (lowest), please evaluate the following:

1. The course met the objectives described in the promotional material?
2. Any stated prerequisites were necessary or desirable?
3. The course was timely and effective?
4. The course met your professional education needs?
5. The course materials were understandable and helpful?

On my honor as a CPA or CMA, I have neither given nor received assistance on this Exam.

(Signed) _____ (Dated) _____

Please print your full name: _____

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

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Illinois (#158-000242), **Pennsylvania** (#PX000005-L) and **Texas** (#000211). Most state boards do not require sponsor registration. Check with your Board.

Please leave this space blank for your Certificate of Completion.

****For CPE credit, this exam must be submitted to AEA by
11/28/2025.****

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Date completed: _____

“The man on top of the mountain didn't fall there.”

... Vince Lombardi

This is a formal Interactive self-study CPE course using the *Journal of Accountancy* as reference material designed to keep you abreast of the latest changes affecting our profession. Our course consists of a Supplementary Study Packet (available at our Web site: www.accounting-education.com) and this Final Exam; it is divided into sections, each corresponding to selected articles appearing in the JoA. This series of **quarterly** formal self-study programs can be completed in the convenience of your home or office. New courses normally appear on our Web site around the beginning of each quarter.

LEARNING OBJECTIVES:

The specific learning objectives are stated in the individual sections of the **Supplementary Study Guide** associated with this Quarterly CPE Exam available at www.accounting-education.com

PREREQUISITES: None.

LEVEL: Basic.

COURSE NUMBER: The course number we assign to each quarterly CPE Exam is derived from the Year and Quarter, YYQQ.

COURSE SPONSOR:

Accounting Education Associates (“AEA”) has offered **Quarterly CPE Exams** on the *Journal of Accountancy* every quarter since 1982. Courses were prepared by either:

James H. Ogburn, MBA, CPA, founder of AEA. Jim's experience includes public accounting, finance and 18 years as Director of Graduate Programs in Accounting and Business at the University of North Carolina at Greensboro and 36 years developing AEA courses. **Keith A. Pearson, CPA**. Keith's experience includes “Big 4” public accounting, industry as a CFO and controller and managing a CPA firm serving closely-held businesses and individuals.

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

RECOMMENDED CPE CREDIT:

We recommend CPE credit of ten (8) hours in based on a 50-minute hour for Interactive Self-Study CPE courses. The estimated completion time of 8 hours is based on pilot tests of our Study Packet, reference material readings and final exam and are likely to vary from quarter to quarter. A few state boards still use the old standard of awarding CPE credit of only 50% of the estimated completion time. **For further guidance, please check with your own state board or agency.**

SUBJECT DIVISIONS OF CPE CREDIT:

The recommended subject division is shown on the Final Exam answer sheet, applies to this quarter only and is likely to vary from quarter to quarter.

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Check with your Board. AEA's courses are accepted by many but not all state boards of accountancy. We do not have a sponsor agreement with the CFP Board, the IRS, NASBA or QAS.

PRICES:

The price of a **Quarterly CPE Exam** is \$49, with lower prices when an order involves four or more courses:

Price per course for orders of 1 to 3 courses:	\$49
Price per course for orders of 4 to 7 courses:	\$46
Price per course for orders of 8 to 23 courses:	\$43
Price per course for orders of 24 or more:	\$40

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Source of referral if applicable: _____

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Quantity	Year
_____ First Quarter (January - March), 20____	
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_____ Third Quarter (July - September), 20____	
_____ Fourth Quarter (October - December), 20____	

_____ First Quarter (January - March), 20____	
_____ Second Quarter (April - June), 20____	
_____ Third Quarter (July - September), 20____	
_____ Fourth Quarter (October - December), 20____	

_____ Total Quantity times Unit price of \$ _____ = \$ _____ Total charge

Unit price depends on total number of Exams:

1 – 3 Exams: \$49 8 – 23 Exams: \$43

4 – 7 Exams: \$46 24 and over: \$40

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

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PLEASE DO NOT SEND CREDIT CARD# TO AEA.

Optional: Please estimate your course completion time. _____

Thank you for your business and referrals.

The learning objectives of this course are in the Study Guide at www.accounting-education.com

Sections I-III and exam questions 1-21 Relate to the Journal of Accountancy – April, 2023

Section I. Beneficiary IRAs: A Guide to the RMD Maze (page 8)

1. For accounts inherited on or after January 1, 2020, under the SECURE Act rules, most nonspouse beneficiaries will be required to withdraw the balance of the inherited IRA account within:
 - a. Five years.
 - b. Ten years.
 - c. Fifteen years.
 - d. The life expectancy of the beneficiary.
 - e. The remaining life expectancy of the original IRA owner.
2. Before the SECURE Act, the “stretch” IRA allowed designated beneficiaries to take distributions from their inherited account over:
 - a. Five years.
 - b. Ten years.
 - c. Fifteen years.
 - d. The life expectancy of the beneficiary.
 - e. The remaining life expectancy of the original IRA owner.
3. Eligible designated beneficiaries can enjoy special treatment under the SECURE Act distribution rules. Eligible designated beneficiaries can include:
 - a. The spouse and any children under the age of majority.
 - b. An individual who is disabled, chronically ill or no more than 10 years younger than the deceased IRA owner.
 - c. Any 501(c)(3) charitable organization.
 - d. a, b and c.
 - e. a and b only.
4. A spouse who chooses to be treated as a beneficiary of the IRA can “step into the shoes” of the deceased spouse. This means if the owner died before their beginning required date, the surviving spouse can elect to take RMDs:
 - a. The later of the year following the owner’s death or the year of the owner’s required beginning date.
 - b. The later of five years following the owner’s death or the year of the owner’s required beginning date.
 - c. The later of ten years following the owner’s death or the year of the owner’s required beginning date.
 - d. The later of the year of the owner’s death or the year of the surviving spouse’s required beginning date.
 - e. The later of the year following the owner’s death or the year of the surviving spouse’s required beginning date.
5. Generally, the required beginning date for the owner’s RMD is:
 - a. The year of the owner’s death.
 - b. The year following the owner’s death.
 - c. April 1 of the calendar year following the calendar year in which the owner reaches the applicable age for beginning RMDs.
 - d. April 1 of the calendar year following the calendar year in which the owner retires from work.
 - e. The same year the owner is eligible for full Social Security retirement benefits.

6. The SECURE 2.0 Act allows the surviving spouse to elect to be treated as the original owner. When that happens, the RMDs will be:
 - a. Based upon the spouse's life expectancy and start based on their age.
 - b. Based upon the owner's life expectancy and start based on their age.
 - c. Based upon spouse's life expectancy and start based on the owner's age.
 - d. Based upon owner's life expectancy and start based on the spouse's age.
 - e. Based upon owner's life expectancy and start based on year after death.
7. Why would a younger surviving spouse (less than age 59½) who needs financial support, chose to treat the inherited IRA as a beneficiary, rather than owner?
 - a. The distributions would not be subject to early withdrawal penalties.
 - b. The distributions would be tax free.
 - c. The distributions would be calculated using the owner's life expectancy.
 - d. The surviving spouse wouldn't have to start RMDs until later.
 - e. If account is a ROTH less than five years old, the distributions would be tax free.
8. For a surviving spouse to be treated as a beneficiary, they must:
 - a. Roll the balance into their existing IRA.
 - b. Take an RMD in the year of the IRA owner's death.
 - c. Take an RMD before the end of the year following the IRA owner's year of death.
 - d. File an election form with their tax return.
 - e. Notify the entity holding the account.
9. A child under the age of majority can withdraw from the account over their life expectancy. Once they reach the age of majority, they are required to:
 - a. Distribute the entire balance within three years.
 - b. Distribute the entire balance within five years.
 - c. Distribute the entire balance within ten years.
 - d. Recalculate the RMDs using joint life expectancy.
 - e. Distribute the balance over the owner's life expectancy.
10. Typically, the decedent's IRA account is divided into separate accounts for each beneficiary to ease the RMD calculations. This separation of accounts must be completed by:
 - a. 60 days after death.
 - b. 90 days after death.
 - c. Six months after death
 - d. April 1 of the year following death.
 - e. The end of the year following the year of death.
11. If the account owner died before taking their RMD:
 - a. The RMD will be paid to the beneficiaries.
 - b. The RMD will be paid to the decedent's estate.
 - c. The RMD is not required to be distributed.
 - d. The RMD is paid in the year following death.
 - e. The RMD must be paid by April 1 of the following year.

Section II. Funding Health Care When Retiring before Medicare (Page 14)

12. What is a common reason people delay retirement?
 - a. They enjoy their work.
 - b. They want to save more money.
 - c. They need health insurance coverage but haven't researched options.
 - d. They are not eligible for Social Security.
 - e. They have too much free time.
13. What is the Consolidated Omnibus Budget Reconciliation Act (COBRA)?
 - a. A law that allows people to temporarily keep their employer-provided health insurance after leaving their job.
 - b. A law that reformed the health care system .
 - c. A government program that provides health insurance.
 - d. A type of retirement account.
 - e. A type of life insurance policy.
14. What is the average retirement age in the United States?
 - a. 55
 - b. 60
 - c. 61
 - d. 65
 - e. 70
15. Data shows that most people pay _____ for health insurance than they would for the health care services they consume through their insurance.
 - a. Much less.
 - b. Somewhat less.
 - c. Roughly the same.
 - d. A bit more.
 - e. Far more.
16. A person leaving a company-provided plan may find the ACA marketplace plans to be expensive. However, rather than compare options similar to the employer plan, the author recommends healthy individuals consider:
 - a. A platinum-level plan.
 - b. A gold-level plan.
 - c. A silver-level plan.
 - d. A bronze-level plan with a higher deductible.
 - e. Going without insurance.

Section III. Name, Image, Liability (Page 27)

17. What events led to the ability of NCAA athletes to earn compensation for the use of their name, image and likeness?
 - a. The introduction of the Fair Pay to Play Act in California.
 - b. The suspension by the NCAA of previous NIL rules
 - c. The NCAA's creation of interim rules allowing NIL payments
 - d. a and b.
 - e. a, b and c.

18. What is the status of student-athletes in relation to universities or NIL entities according to the NCAA board of directors?
- Employees.
 - Independent contractors.
 - Partners.
 - Shareholders.
 - Faculty.
19. What is the role of CPA firms in relation to student-athletes and NIL deals?
- They are required to withhold and remit federal or state income tax, Social Security tax, or Medicare tax.
 - They can assist student-athletes with their tax education, planning, and preparation.
 - They are responsible for facilitating NIL deals.
 - They are required to manage the funds of NIL collectives.
 - They must prepare the Form 1099-K.
20. What are NIL collectives?
- They are groups of student-athletes who have signed NIL deals.
 - They are generally business entities that pool money from alumni and athletic boosters to fund and facilitate NIL deals.
 - They are committees within universities that regulate NIL deals.
 - They are government bodies that oversee the implementation of NIL laws.
 - They are state government-run entities that regulate NIL payments.
20. What percentage of college athletes have signed an NIL deal, according to ESPN?
- 10%.
 - 25%.
 - 35%.
 - 50%.
 - 75%.

Sections IV-VII and exam questions 22-45 Relate to the Journal of Accountancy – May, 2023

Section IV. Bad Billing Practices Can Affect Malpractice Risk (Page 4)

22. Having a large unpaid balance with a client may:
- Unduly influence the CPA's decision whether to continue providing services.
 - Hinder the CPA's objectivity regarding client risk.
 - Violate ethics rules.
 - a and b.
 - a, b and c.
23. The author notes that aggressively pursuing collection or filing a claim:
- Would not likely result in successful collection.
 - Could violate ethics rules.
 - Could prompt a counter claim for professional negligence.
 - Could result in client resentment and negative publicity.
 - Could be difficult to prove in court.

24. The author notes a client's lack of timely payment could indicate:
- The client may neglect other responsibilities that are important.
 - If other disputes arise the client may be quick to blame the CPA.
 - A "red flag" for an underlying issue or future dispute.
 - a and b.
 - a, b and c.
25. Among client credit risk mitigation procedures, the author recommends:
- Use of credit checks and inquiries.
 - Retainers, particularly for new clients.
 - Never negotiate a lesser amount.
 - a and b.
 - a, b and c.
26. For certain services such as payroll, bookkeeping and accounting services the author recommends alternative billing practices, such as:
- Payment at the beginning of each month or quarter (upfront billing).
 - Milestone billing.
 - Use of CPA initiated payments such as direct drafts or credit charges.
 - a and b.
 - a, b and c.

Section V. The Promise and Peril of ChatGPT (Page 12)

27. ChatGPT is a chatbot that is powered by artificial intelligence. What is one of the ways that early adopters are using ChatGPT in accounting?
- To write financial reports.
 - To audit financial statements .
 - To draft responses to clients.
 - To prepare tax returns.
 - To draft employee evaluations.
28. Some of the concerns about ChatGPT include:
- It sometimes gives a wrong answer to a simple math problem.
 - It can struggle with complex arithmetic.
 - A tendency to get facts wrong.
 - b and c.
 - a, b and c.
29. Another concern about ChatGPT is that it can "hallucinate." This means that it can:
- Sometimes make up facts.
 - Sometimes be biased in its answers.
 - Sometimes introduce bizarre or false ideas for no apparent reason.
 - Sometimes be slow to respond.
 - Sometimes get simple math questions wrong.

30. What is one thing that accountants should do to ensure that ChatGPT is used responsibly in the accounting profession?
- a. Accountants should not use ChatGPT for any type of research.
 - b. Accountants should always double-check any work that is done by ChatGPT.
 - c. Accountants should not use ChatGPT to provide financial advice to clients.
 - d. Accountants should not use ChatGPT to communicate with clients.
 - e. Accountants should not use ChatGPT for client billing purposes.
31. What is a security concern associated with ChatGPT?
- a. ChatGPT has experienced several data intrusions.
 - b. The user agreement allows OpenAI, the operator of ChatGPT, to use data entered by users of the free product.
 - c. The user agreement allows OpenAI, the operator of ChatGPT, to sell data entered by users of the free product.
 - d. Concern that its vast database has been corrupted by foreign hackers.
 - e. That the Chatbot system itself is vulnerable to malware that can spread to users.

Section VI. Digital Documentation: Avoiding a Business Deduction Disallowance (Page 31)

32. Maintaining business records to comply with tax requirements for business deductions can be particularly challenging for _____.
- a. Large corporations.
 - b. Small corporations.
 - c. Employees of large corporations.
 - d. Employees of governmental agencies.
 - e. Self-employed workers.
33. Whether business expenses can be deducted often hinges on whether:
- a. They are properly substantiated.
 - b. Paper invoices are available.
 - c. Paid checks can be produced.
 - d. They were paid by check or credit card.
 - e. The business accepts cash payments.
34. In one tax court case, the taxpayer's deduction for business-related vehicle expenses was denied due to lack of adequate substantiation and lack of:
- a. Fuel receipts.
 - b. Motel receipts.
 - c. Contemporaneous records.
 - d. All of the above.
 - e. a and b only.
35. In the same tax court case, the taxpayer's travel (non-vehicle) expenses were denied due to a lack of evidence of:
- a. Travel dates.
 - b. Destinations.
 - c. Business purpose.
 - d. All of the above.
 - e. b and c only.

36. Code Sec. 274(d) provides “heightened” substantiation requirements, for certain business expenses, including:
- Employee social functions.
 - Travel and vehicle.
 - Management meetings.
 - Entertainment.
 - Club dues paid for employees.
37. Under the “Cohan” rule, the court may:
- Estimate a deduction amount if the taxpayer can’t fully substantiate the expense.
 - Allow vehicle expenses based upon only testimony.
 - Estimate certain travel expenses when the taxpayer can’t provide substantiation.
 - Estimate certain vehicle expenses when the taxpayer can’t provide substantiation.
 - Deny all business expenses if only some are not substantiated.
38. To aid in the creation and maintenance of business expense records, there are some key questions noted by the authors, including:
- Do you want to use electronic methods to streamline recordkeeping?
 - Do you have an employee to handle this for you?
 - Do you need the expense tracking application to integrate with an accounting system?
 - a and c.
 - a, b and c.
39. To help with expense documentation, the authors recommend a smart phone app, most of which can :
- Track mileage using GPS.
 - Scan and upload receipts.
 - Sync with bank and credit card accounts.
 - a and b only.
 - a, b and c.
40. Regarding the mileage tracking apps, the authors state it is important to:
- Remember your data is being collected, so take precautions to protect your privacy.
 - Keep the app updated.
 - Keep the battery charged to assure all mileage is tracked.
 - Check with your CPA to determine if the mileage report is proper substantiation.
 - Keep business and personal use separate.

Section VII. Tax Matters (Page 38)

41. Taxpayer, Robert Lucas withdrew \$19,365 from his 401(k) plan. His tax return did not report the distribution as taxable income, nor did he pay the 10% penalty (due because he withdrew the funds before age 59 ½). Mr. Lucas claimed the distribution was not taxable because he was diagnosed with diabetes and qualified as “disabled.” Did the tax court agree?
- Yes. A diabetes diagnosis automatically qualifies a person as disabled.
 - No. Mr. Lucas did not have a medical evaluation to confirm impairment.
 - Yes. The tax court agreed with the website information Mr. Lucas relied upon.
 - Yes. The IRS can waive taxes and penalties for distributions regardless of disability.
 - No. However the court did not assess tax or penalties because Mr. Lucas received flawed advice.

42. In a footnote to the decision, the court noted Mr. Lucas:
- a. Mr. Lucas could have excluded the distribution from tax by petitioning the IRS.
 - b. Mr. Lucas should have had his employer correct the distribution code on the Form 1099-R.
 - c. Mr. Lucas could have avoided income tax by claiming the distribution did not exceed the amount of allowable medical deductions.
 - d. Mr. Lucas could have avoided the 10% penalty by claiming the distribution did not exceed the amount of allowable medical deductions.
 - e. Had Mr. Lucas stopped working after his diagnosis, he could have avoided the tax.
43. Hrach Shilgevorkyan was denied what type of deduction?
- a. Business interest.
 - b. Home mortgage interest.
 - c. Consumer debt interest.
 - d. Business credit card interest.
 - e. Construction interest.
44. In order to deduct nonbusiness mortgage interest:
- a. The taxpayer must owe the debt.
 - b. The taxpayer must be the legal owner of the property.
 - c. The property must be the taxpayer's qualified residence.
 - d. a and b only.
 - e. a, b and c.
45. A taxpayer living in company-provided housing can exclude the value of the housing from income tax if the following conditions are met:
- a. The lodging is furnished on the employer's "business premises."
 - b. The lodging is furnished for the convenience of the employer.
 - c. The employee is required to accept the lodging as a condition of employment.
 - d. a, b and c.
 - e. a and b only.

Section VIII and exam questions 46-50 Relate to the Journal of Accountancy – June, 2023

Section VIII. Tax Matters (Page 30)

46. For income tax reporting, cryptocurrencies are treated as _____ by the IRS.
- a. Currency.
 - b. Publicly traded securities.
 - c. Property held for sale to customers.
 - d. Intellectual Property.
 - e. Property.
47. In order to claim a charitable deduction of more than _____ for donated property, the taxpayer must obtain an appraisal from a qualified appraiser and cannot use the value from a cryptocurrency exchange.
- a. \$500.
 - b. \$1,000.
 - c. \$5,000.
 - d. \$7,500.
 - e. \$10,000.

48. Attorney James Avery deducted on his Schedule C, *Profit or Loss from Business*, amounts paid for advertising totaling \$355,000, most of which related to his car racing activities. The Tax Court denied the expenses related to racing of \$303,366 because:
- a. None of the expenses were properly substantiated.
 - b. None of the expenses were ordinary or necessary business expenses.
 - c. He had no decals on the car that would constitute advertising for his business.
 - d. a and b.
 - e. a, b and c.
49. In the Seaview Trading LLC case, which of the following did the court decide did not meet the definition of “filing” a tax return and so the statute of limitations would not begin to run?
- a. A tax return is mailed or faxed to an IRS agent upon request.
 - b. A tax return is mailed to the correct service center.
 - c. A tax return is filed electronically, but the payment is mailed to the wrong service center.
 - d. a and b.
 - e. a, b and c.
50. The Ninth Circuit noted that a tax return mailed to the wrong service center which forwards it to the correct service center will be considered filed:
- a. By the postmark on the envelope.
 - b. When received by the first service center.
 - c. When the envelope is forwarded to the correct service center.
 - d. When received by the correct service center.
 - e. The earliest of the four dates.