

**“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*
Second Quarter (Apr – Jun), 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 1–21 Relate to the *Journal of Accountancy* – Apr., 2023:

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

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

Section III. Name, Image, Liability (Page 17)

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)

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

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

Section VII. Tax Matters (Page 38)

Sections VIII and Exam Questions 46 - 50 Relate to the *Journal of Accountancy* – Jun, 2023:

Section VIII. Tax Matters (Page 30)

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

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

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 11.

Section I Learning Objectives:

1. Learn about various issues and choices related to inherited IRAs.
2. Consider how this may apply to your clients or family.

Section I Review Questions:

1. RMD stands for:
 - a. Requested medical distribution.
 - b. Required minimum distribution.
 - c. Requested minimum distribution.
 - d. Required maximum distribution.
 - e. None of the above.
2. The SECURE Act affects the RMD rules for those who inherited accounts on or after:
 - a. Dec. 31, 2018.
 - b. Jan. 1, 2019.
 - c. Dec. 31, 2019.
 - d. Jan. 1, 2020.
 - e. Dec 31, 2020.
3. Provisions of the SECURE Act limited the _____ tax planning option.
 - a. Minimum distribution.
 - b. Beneficiary contribution.
 - c. "Expanded IRA."
 - d. "Stretch IRA."
 - e. "Expanded distribution."
4. RMD rules can apply only to which of the following?
 - a. Regular and Roth IRAs.
 - b. Profit sharing and 401(k) plans.
 - c. Annuity contracts.
 - d. a and c.
 - e. a, b and c.
5. Under the SECURE Act, only _____ can take distributions based on life expectancy.
 - a. Beneficiaries.
 - b. Designated beneficiaries.
 - c. Eligible designated beneficiaries.
 - d. Qualified designated beneficiaries.
 - e. Eligible qualified beneficiaries.
6. A surviving spouse can elect to be treated as a _____ of the IRA:
 - a. Beneficiary.
 - b. Trustee.
 - c. Owner.
 - d. a and c.
 - e. a, b and c.

7. Under the SECURE Act and SECURE Act 2.0, the required beginning age for RMDs was increased to _____ in 2023.
- 70 ½.
 - 71.
 - 72.
 - 73.
 - 75.
8. IRA distributions to an owner under the age of 59 ½ can be subject of an early withdrawal penalty of _____.
- 5%.
 - 10%.
 - 15%.
 - 20%.
 - 25%
9. If the spouse elects to be treated as the owner of the IRA:
- Normal rules apply to both regular and Roth IRAs.
 - The spouse will be required to take RMDs from the Roth IRA..
 - The spouse will be required to take RMDs if the owner had past their beginning date.
 - Special rules will apply only to the Roth IRA.
 - Special rules will apply only to the regular IRA.
10. There are rules for beneficiary children who have not reached the “age of majority,” which under IRS rules is:
- 16.
 - 18.
 - 21.
 - 24.
 - 26.
11. Starting in 2023, failure to start RMDs at the correct time can result in an excise tax of _____ on the amount not distributed.
- 6%.
 - 10%.
 - 15%.
 - 25%.
 - 50%.

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 8 of the April, 2023 *JofA*.)

- a. Incorrect. Required minimum distribution.
- b. **Correct.** Required minimum distribution.
- c. Incorrect. Required minimum distribution.
- d. Incorrect. Required minimum distribution.
- e. Incorrect. Required minimum distribution.

Review Question 2. (Please see page 9 of the April, 2023 *JofA*.)

- a. Incorrect. Jan. 1, 2020.
- b. Incorrect. Jan. 1, 2020.
- c. Incorrect. Jan. 1, 2020.
- d. **Correct.** Jan. 1, 2020.
- e. Incorrect. Jan. 1, 2020.

Review Question 3: (Please see page 9 of the April, 2023 *JofA*.)

- a. Incorrect. "Stretch IRA."
- b. Incorrect. "Stretch IRA."
- c. Incorrect. "Stretch IRA."
- d. **Correct.** "Stretch IRA."
- e. Incorrect. "Stretch IRA."

Review Question 4. (Please see page 9 of the April, 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 10 of the April, 2023 *JofA*.)

- a. Incorrect. Eligible designated beneficiaries.
- b. Incorrect. Eligible designated beneficiaries.
- c. **Correct.** Eligible designated beneficiaries.
- d. Incorrect. Eligible designated beneficiaries.
- e. Incorrect. Eligible designated beneficiaries.

Review Question 6. (Please see page 10 of the April, 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. **Correct.** a and c are correct.
- e. Incorrect. a, b and c are correct.

Review Question 7. (Please see page 10 of the April, 2023 *JofA*.)

- a. Incorrect. 73.
- b. Incorrect. 73.
- c. Incorrect. 73.
- d. **Correct.** 73.
- e. Incorrect. 73.

Review Question 8. (Please see page 11 of the April, 2023 *JofA*.)

- a. Incorrect. 10%.
- b. Incorrect. 10%.
- c. **Correct.** 10%.
- d. Incorrect. 10%.
- e. Incorrect. 10%.

Review Question 9. (Please see page 11 of the April, 2023 *JofA*.)

- a. **Correct.** Normal rules apply to regular and Roth IRAs.
- b. Incorrect. Normal rules apply to regular and Roth IRAs.
- c. Incorrect. Normal rules apply to regular and Roth IRAs.
- d. Incorrect. Normal rules apply to regular and Roth IRAs.
- e. Incorrect. Normal rules apply to regular and Roth IRAs.

Review Question 10. (Please see page 11 of the April, 2023 *JofA*.)

- a. Incorrect. 21.
- b. Incorrect. 21.
- c. **Correct.** 21.
- d. Incorrect. 21.
- e. Incorrect. 21.

Review Question 11. (Please see page 12 of the April, 2023 *JofA*.)

- a. Incorrect. 25%.
- b. Incorrect. 25%.
- c. Incorrect. 25%.
- d. **Correct.** 25%.
- e. Incorrect. 25%.

=====End of Section I.

Section II. Funding Health Care When Retiring Before Medicare (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 12 through 16.

Section II Learning Objectives:

1. Become familiar with the issues and choices confronting those choosing to retire before Medicare eligibility.
2. Consider how this may apply to your clients or others.

Section II Review Questions:

1. According to one survey, ____ of people with health insurance through their employer chose to work full time (rather than parttime) in order to receive those benefits.
 - a. 10%.
 - b. 11%.
 - c. 15%.
 - d. 20%.
 - e. 25%.
2. The author notes that people who use little health care beyond annual screenings and occasional treatment:
 - a. Should consider the ACA gold plan coverage.
 - b. Should continue to work to retain employer-provided coverage.
 - c. Should rethink how much insurance they need.
 - d. Should consider the ACA silver plan coverage.
 - e. Should consider going without coverage.
3. All ACA-compliant plans have an out-of-pocket maximum of less than _____ for an individual.
 - a. \$1,000.
 - b. \$2,500.
 - c. \$5,000.
 - d. \$7,500.
 - e. \$10,000.
4. One popular option is to obtain coverage through a spouse's employer-provided plan. The author cautions to be aware the retiring spouse will have to wait until the annual enrollment date to retire and then sign up for the spousal coverage.
 - a. True.
 - b. False.
5. Among the various options retirees should consider are short-term insurance plans, which:
 - a. Can run from 12 months to 36 months.
 - b. Are not ACA compliant.
 - c. Can exclude certain preexisting conditions.
 - d. a and b.
 - e. a, b and c.

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 April, 2023 *JofA*.)

- a. Incorrect. 20%.
- b. Incorrect. 20%.
- c. Incorrect. 20%.
- d. **Correct.** 20%.
- e. Incorrect. 20%.

Review Question 2. (Please see page 16 of the April, 2023 *JofA*.)

- a. Incorrect. They should rethink how much insurance they need.
- b. Incorrect. They should rethink how much insurance they need.
- c. **Correct.** They should rethink how much insurance they need.
- d. Incorrect. They should rethink how much insurance they need.
- e. Incorrect. They should rethink how much insurance they need.

Review Question 3. (Please see page 16 of the April, 2023 *JofA*.)

- a. Incorrect. The maximum out-of-pocket is \$10,000.
- b. Incorrect. The maximum out-of-pocket is \$10,000.
- c. Incorrect. The maximum out-of-pocket is \$10,000.
- d. Incorrect. The maximum out-of-pocket is \$10,000.
- e. **Correct.** The maximum out-of-pocket is \$10,000.

Review Question 4. (Please see page 16 of the April, 2023 *JofA*.)

- a. Incorrect. The loss of coverage is an exception to the enrollment period rules.
- b. **Correct.** The loss of coverage is an exception to the enrollment period rules.

Review Question 5. (Please see page 17 of the April, 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.

=====End of Section II.

Section III. Name, Image, Liability (Page 17)

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 17 through 21.

Section III Learning Objectives:

1. Learn about recent rule changes related to college athletes and earnings from their name, image or likeness (NIL).
2. Learn about certain related tax consequences and opportunities for CPAs to provide services.

Section III Review Questions:

1. The NCAA suspended prior rules that disallowed payments to athletes and established temporary rules allowing certain payments on:
 - a. Jan 1, 2020.
 - b. Jun. 30, 2020.
 - c. Jun. 30, 2021.
 - d. Sept. 30, 2021.
 - e. Dec. 31, 2021.
2. A college athlete receiving payments for the use of their NIL can be liable for:
 - a. Federal income tax.
 - b. State income tax.
 - c. Social security and Medicare tax.
 - d. a and b.
 - e. a, b and c.
3. Some of the NIL collectives have organized as Sec. 501(c)(3) not-for-profit entities. The author notes those organizations will need to operate carefully to avoid:
 - a. Paying for speaking engagements.
 - b. Having athletes make public appearances.
 - c. Having some of the revenue taxed as “unrelated business income.”
 - d. Having to pay Social Security and Medicare taxes.
 - e. Having to file the Form 990 “Return of Organization Exempt from Income Tax.”
4. Which of the following types of NIL compensation will be taxed as self-employment income?
 - a. Direct payments of cash (or check).
 - b. Payment of cryptocurrency.
 - c. Use of a vehicle.
 - d. a, b and c.
 - e. a and b only.
5. The author provides some practical advice when the NIL payment is noncash (eg: use of a vehicle):
 - a. Use the vehicle to provide ride-sharing services to earn extra money tax-free.
 - b. Arrange to rent the vehicle to others to earn extra money.
 - c. Share the vehicle with another athlete to decrease the reportable income.
 - d. Negotiate some cash as part of the NIL deal in order to pay taxes due.
 - e. None of the above.

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 April, 2023 *JofA*.)

- a. Incorrect. Jun. 30, 2021.
- b. Incorrect. Jun. 30, 2021.
- c. **Correct.** Jun. 30, 2021.
- d. Incorrect. Jun. 30, 2021.
- e. Incorrect. Jun. 30, 2021.

Review Question 2. (Please see page 28 of the April, 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.** The athlete could be responsible for all payroll taxes.

Review Question 3. (Please see page 29 of the April, 2023 *JofA*.)

- a. Incorrect. Not-for-profit entities will want to avoid the “unrelated business income tax.”
- b. Incorrect. Not-for-profit entities will want to avoid the “unrelated business income tax.”
- c. **Correct.** Not-for-profit entities will want to avoid the “unrelated business income tax.”
- d. Incorrect. Not-for-profit entities will want to avoid the “unrelated business income tax.”
- e. Incorrect. Not-for-profit entities will want to avoid the “unrelated business income tax.”

Review Question 4. (Please see page 28 of the April, 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 and c are correct.
- e. Incorrect. This is part of, but not the most complete answer.

Review Question 5. (Please see page 29 of the April, 2023 *JofA*.)

- a. Incorrect. Negotiate some cash as part of the NIL deal in order to pay taxes due.
- b. Incorrect. Negotiate some cash as part of the NIL deal in order to pay taxes due.
- c. Incorrect. Negotiate some cash as part of the NIL deal in order to pay taxes due.
- d. **Correct.** Negotiate some cash as part of the NIL deal in order to pay taxes due.
- e. Incorrect. Negotiate some cash as part of the NIL deal in order to pay taxes due.

=====End of Section III.

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

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 22 through 26.

Section IV Learning Objectives:

1. Learn how poor billing and collection can lead to professional liability issues..
2. Learn some tips for improving billing and collection.

Section IV Review Questions:

1. When clients in financial difficulty fail, those seeking to recoup losses often look to accounting firms. Particularly at risk are:
 - a. Tax preparers.
 - b. Payroll and bookkeeping providers.
 - c. Auditors.
 - d. a and b.
 - e. a, b and c.
2. In evaluating a client (or potential client), the author recommends contacting the previous CPA (of course the client will need to give consent). The author states:
 - a. These efforts rarely yield any useful information.
 - b. These efforts usually yield a wealth of information.
 - c. The client rarely gives consent.
 - d. You can learn a lot from the reaction of both parties.
 - e. If not conducted appropriately, can lead to ethics violations.
3. The author advises CPAs to show special caution for:
 - a. Cash businesses.
 - b. Those who have never engaged CPA services.
 - c. Not-for-profit entities.
 - d. Those who have a few years of unfiled tax returns.
 - e. Those changing CPAs.
4. The author recommends the use of retainers for:
 - a. All clients.
 - b. Only audit clients.
 - c. Only the largest clients.
 - d. Only clients needing monthly accounting work.
 - e. Slow-paying clients only.
5. One document that could improve collections (and may be overlooked) is:
 - a. The original invoice.
 - b. Monthly statement reminders.
 - c. Collection letters.
 - d. The engagement letter.
 - 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 4 of the May, 2023 *JofA*.)

- a. Incorrect. Auditors are particularly at risk.
- b. Incorrect. Auditors are particularly at risk.
- c. **Correct.** Auditors are particularly at risk.
- d. Incorrect. Auditors are particularly at risk.
- e. Incorrect. Auditors are particularly at risk.

Review Question 2. (Please see page 4 of the May, 2023 *JofA*.)

- a. Incorrect. You can learn a lot from the reaction of both parties.
- b. Incorrect. You can learn a lot from the reaction of both parties.
- c. Incorrect. You can learn a lot from the reaction of both parties.
- d. **Correct.** You can learn a lot from the reaction of both parties.
- e. Incorrect. You can learn a lot from the reaction of both parties.

Review Question 3. (Please see page 4 of the May, 2023 *JofA*.)

- a. Incorrect. Those who have a few years of unfiled tax returns.
- b. Incorrect. Those who have a few years of unfiled tax returns.
- c. Incorrect. Those who have a few years of unfiled tax returns.
- d. **Correct.** Those who have a few years of unfiled tax returns.
- e. Incorrect. Those who have a few years of unfiled tax returns.

Review Question 4. (Please see page 4 of the May, 2023 *JofA*.)

- a. **Correct.** Firms should consider retainers for all clients.
- b. Incorrect. Firms should consider retainers for all clients.
- c. Incorrect. Firms should consider retainers for all clients.
- d. Incorrect. Firms should consider retainers for all clients.
- e. Incorrect. Firms should consider retainers for all clients.

Review Question 5. (Please see page 10 of the January, 2023 *JofA*.)

- a. Incorrect. The engagement letter should state the terms and consequences for nonpayment.
- b. Incorrect. The engagement letter should state the terms and consequences for nonpayment.
- c. Incorrect. The engagement letter should state the terms and consequences for nonpayment.
- d. **Correct.** The engagement letter should state the terms and consequences for nonpayment.
- e. Incorrect. The engagement letter should state the terms and consequences for nonpayment.

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

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

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 27 through 31.

Section V Learning Objectives:

1. Learn about various aspects and concerns related to ChatGPT.
2. Consider how this information could be helpful in your practice or business.

Section V Review Questions:

1. ChatGPT has been used to compose:
 - a. Restaurant reviews.
 - b. College essays.
 - c. Website copy.
 - d. a, and b.
 - e. a, b and c.
2. Author cautions that ChatGPT:
 - a. Can provide false information.
 - b. Is difficult to use.
 - c. Can pose a security risk.
 - d. a and c.
 - e. a, b and c.
3. When a user enters a prompt, ChatGPT will generate content:
 - a. Choosing sequences of words, based on patterns in the data it has “learned.”
 - b. Searching the internet based upon the topics in the prompt.
 - c. Using results of prior prompts by the same user.
 - d. That is always concise and error-free.
 - e. Taken from original material, word for word.
4. The author cites an example where ChatGPT was used to:
 - a. Construct an itinerary for a business trip.
 - b. Reconcile a bank account.
 - c. Write a macro to organize some excel data.
 - d. Generate a depreciation schedule for a business vehicle.
 - e. Draft footnotes to an audited financial statement.
5. The author states that ChatGPT and similar products are mostly prototypes or demonstration versions and advises caution.
 - a. True.
 - b. False.

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 13 of the May, 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 2. (Please see page 13 of the May, 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. **Correct.** a and c are correct.
- e. Incorrect. a and c are correct.

Review Question 3. (Please see page 13 of the May, 2023 *JofA*.)

- a. **Correct.** Choosing sequences of words, based on patterns in the data it has “learned.”
- b. Incorrect. Choosing sequences of words, based on patterns in the data it has “learned.”
- c. Incorrect. Choosing sequences of words, based on patterns in the data it has “learned.”
- d. Incorrect. Choosing sequences of words, based on patterns in the data it has “learned.”
- e. Incorrect. Choosing sequences of words, based on patterns in the data it has “learned.”

Review Question 4: (Please see page 14 of the May, 2023 *JofA*.)

- a. Incorrect. Write a macro to organize some excel data.
- b. Incorrect. Write a macro to organize some excel data.
- c. **Correct.** Write a macro to organize some excel data.
- d. Incorrect. Write a macro to organize some excel data.
- e. Incorrect. Write a macro to organize some excel data.

Review Question 5: (Please see page 16 of the May, 2023 *JofA*.)

- a. **Correct.** Current products are mostly prototypes or demonstration versions.
- b. Incorrect. Current products are mostly prototypes or demonstration versions.

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

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

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 32 through 40.

Section VI Learning Objectives:

1. Learn about proper documentation of business expenses.
2. Learn about certain apps that can help document business expenses.

Section VI Review Questions:

1. The increase in self-employed workers is attributable to _____.
 - a. Companies downsizing as a result of efficiencies learned during covid.
 - b. Reluctance of companies to hire employees due to the cost of health insurance.
 - c. The rise of the “gig” economy and the flexibility people enjoy.
 - d. Economic slowdowns and the related decrease in demand for services.
 - e. The opportunity for them to increase earnings and more easily afford health insurance.
2. In the tax court case where the taxpayer reported business income and expense for an IT consulting business and a construction business, the court disallowed nearly all of the expenses due to:
 - a. Lack of business purpose.
 - b. The “businesses” were deemed a “hobby.”
 - c. The expenses were not considered ordinary and necessary to the business.
 - d. Lack of substantiation.
 - e. Some missing receipts.
3. In the tax court case in the previous question, what fact likely helped undermine the taxpayer's prospects with the court?
 - a. The taxpayer claimed most records were lost when the basement flooded.
 - b. The taxpayer paid some of the expenses with personal checks.
 - c. The taxpayer claimed to have paid many of the expenses in cash.
 - d. The taxpayer claimed to have paid a spouse to perform some work for the business.
 - e. The taxpayer did not engage a CPA to prepare the tax returns.
4. In the *Elbasha* case, a doctor working in rural Georgia claimed as a business expense the cost to travel to attend a business meeting in Cairo, Egypt. The court disallowed the the travel and other deductions because the expenses were not substantiated and/or:
 - a. The amounts were paid in cash.
 - b. The business purpose was not established.
 - c. The court ruled the expenses were ordinary but not necessary.
 - d. The court ruled the expenses were necessary but not ordinary.
 - e. The expenses could not be business because the doctor was not licensed to practice in Egypt.
5. In the *Patitz* case, the taxpayers were able to substantiate travel expenses and establish the mileage records were contemporaneous through their use of:
 - a. Notes on motel receipts.
 - b. A manual mileage log that was completed after the year as part of the tax return preparation.
 - c. An electronic logbook that documented the mileage.
 - d. A printed itinerary of the travel.
 - e. Convincing testimony.

6. Taxpayers bear the burden of _____ the claimed business deductions:
 - a. Proving they are entitled to.
 - b. Substantiating the amount of.
 - c. Substantiating the purpose of.
 - d. b and c.
 - e. a, b and c.
7. For purposes of Sec. 274(d) an “adequate record” must include:
 - a. The amount, time and place of the expense.
 - b. Whether any sales taxes or occupancy taxes were paid (these are not deductible).
 - c. The business purpose of the expense and the business relationship related to the expense.
 - d. a and c.
 - e. a, b and c.
8. Under the *Cohan* rule, the Tax Court may estimate the business expenses related to passenger vehicles.
 - a. True.
 - b. False
9. The author lists several apps that can help account for mileage and travel documentation. In addition, particularly helpful for self-employed taxpayers, these smartphone apps can:
 - a. Prepare business tax returns.
 - b. Record and to prevent commingling, separate expenses between business and personal expenses (using the receipt scanning and expense categorization functions).
 - c. Link to accounting software.
 - d. a, b and c.
 - e. b and c.

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 31 of the May, 2023 *JofA*.)

- a. Incorrect. The rise of the “gig” economy and the flexibility people enjoy.
- b. Incorrect. The rise of the “gig” economy and the flexibility people enjoy.
- c. **Correct.** The rise of the “gig” economy and the flexibility people enjoy.
- d. Incorrect. The rise of the “gig” economy and the flexibility people enjoy.
- e. Incorrect. The rise of the “gig” economy and the flexibility people enjoy.

Review Question 2. (Please see page 32 of the May, 2023 *JofA*.)

- a. Incorrect. Lack of substantiation.
- b. Incorrect. Lack of substantiation.
- c. Incorrect. Lack of substantiation.
- d. **Correct.** Lack of substantiation.
- e. Incorrect. Lack of substantiation.

Review Question 3. (Please see page 31 of the May, 2023 *JofA*.)

- a. Incorrect. The taxpayer claimed to have paid many of the expenses in cash.
- b. Incorrect. The taxpayer claimed to have paid many of the expenses in cash.
- c. **Correct.** The taxpayer claimed to have paid many of the expenses in cash.
- d. Incorrect. The taxpayer claimed to have paid many of the expenses in cash.
- e. Incorrect. The taxpayer claimed to have paid many of the expenses in cash.

Review Question 4: (Please see page 32 of the May, 2023 *JofA*.)

- a. Incorrect. The business purpose was not established.
- b. **Correct.** The business purpose was not established.
- c. Incorrect. The business purpose was not established.
- d. Incorrect. The business purpose was not established.
- e. Incorrect. The business purpose was not established.

Review Question 5: (Please see page 32 of the May, 2023 *JofA*.)

- a. Incorrect. An electronic logbook that documented the mileage.
- b. Incorrect. An electronic logbook that documented the mileage.
- c. **Correct.** An electronic logbook that documented the mileage.
- d. Incorrect. An electronic logbook that documented the mileage.
- e. Incorrect. An electronic logbook that documented the mileage.

Review Question 6. (Please see page 32 of the May, 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 7. (Please see page 33 of the May, 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. **Correct.** a and c are correct.
- e. Incorrect. a and c are correct.

Review Question 8. (Please see page 33 of the May, 2023 *JofA*.)

- a. Incorrect. The *Cohan* rule does not apply to passenger vehicles.
- b. **Correct.** The *Cohan* rule does not apply to passenger vehicles.

Review Question 9. (Please see page 34 of the May, 2023 *JofA*.)

- a. Incorrect. Record and, to prevent commingling, separate expenses between business and personal expenses (using the receipt scanning and expense categorization functions) and link to accounting software..
- 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. Record and, to prevent commingling, separate expenses between business and personal expenses (using the receipt scanning and expense categorization functions) and link to accounting software..
- e. **Correct.** Record and, to prevent commingling, separate expenses between business and personal expenses (using the receipt scanning and expense categorization functions) and link to accounting software.

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

Section VII. Tax Matters (Page 38)

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 45.

Section VII Learning Objectives:

1. Learn about certain tax issues decided in three the Tax Court cases.
2. Consider how these results could apply to clients or others.

Section VII Review Questions:

1. The taxpayer, Robert Lucas reported a distribution from his 401(k) account on his tax return, but did not include it in taxable income. Mr. Lucas should have expected a notice from the IRS because:
 - a. All distributions from retirement accounts are taxable.
 - b. All distributions are taxable for recipients under the age of 59 ½.
 - c. Box 7 of the tax reporting document was Code 1, which indicates: “early distribution, no known exception.”
 - d. a, b and c.
 - e. a and c.
2. Based upon information from a website, Mr. Lucas concluded that “disabled” status allowed him to avoid income tax and the early withdrawal penalty. The court noted in their ruling:
 - a. Confirmed disability will exclude the early withdrawal penalty only.
 - b. Confirmed disability will exclude income tax only.
 - c. Confirmed disability has no bearing on tax or penalties.
 - d. a and b.
 - e. None of the above.
3. In trying to determine whether Hrach was eligible to deduct mortgage interest, the court noted certain facts, including:
 - a. The Form 1098 *Mortgage Interest Statement* was issued to Hrach's brother and his wife.
 - b. Hrach claimed one-half of the mortgage interest from the Form 1098 but could not show any evidence that he actually made any payments to the lender.
 - c. Hrach had sufficient records to document that he lived in the related residence.
 - d. a and b.
 - e. a, b and c.
4. In determining who legally owned the property in question, the court noted:
 - a. Federal law determines both property rights and the federal tax consequences.
 - b. State law determines both property rights and the federal tax consequences.
 - c. Common law determines property rights and federal law determines the federal tax consequences.
 - d. The tax court determines both property rights and the federal tax consequences.
 - e. State law determines property rights and federal law determines the federal tax consequences.
5. In the case of employer-provided housing, Cory Smith was hired as an employee and the value of the taxable housing was reported to him in a Form W-2.
 - a. True.
 - b. False.

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

Section VII Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 38 of the May, 2023 *JofA*.)

- a. Incorrect. Box 7 of the tax reporting document was Code 1, which indicates: “early distribution, no known exception.”
- b. Incorrect. Box 7 of the tax reporting document was Code 1, which indicates: “early distribution, no known exception.”
- c. **Correct.** Box 7 of the tax reporting document was Code 1, which indicates: “early distribution, no known exception.”
- d. Incorrect. Box 7 of the tax reporting document was Code 1, which indicates: “early distribution, no known exception.”
- e. Incorrect. Box 7 of the tax reporting document was Code 1, which indicates: “early distribution, no known exception.”

Review Question 2. (Please see page 35 of the May, 2023 *JofA*.)

- a. **Correct.** Confirmed disability will exclude the early withdrawal penalty only.
- b. Incorrect. Confirmed disability will exclude the early withdrawal penalty only.
- c. Incorrect. Confirmed disability will exclude the early withdrawal penalty only.
- d. Incorrect. Confirmed disability will exclude the early withdrawal penalty only.
- e. Incorrect. Confirmed disability will exclude the early withdrawal penalty only.

Review Question 3. (Please see page 40 of the May, 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. a and b are correct.

Review Question 4: (Please see page 40 of the May, 2023 *JofA*.)

- a. Incorrect. State law determines property rights and federal law determines the federal tax consequences.
- b. Incorrect. State law determines property rights and federal law determines the federal tax consequences.
- c. Incorrect. State law determines property rights and federal law determines the federal tax consequences.
- d. Incorrect. State law determines property rights and federal law determines the federal tax consequences.
- e. **Correct.** State law determines property rights and federal law determines the federal tax consequences.

Review Question 5: (Please see page 41 of the May, 2023 *JofA*.)

- a. Incorrect. The taxable housing was reported to him in a Form 1099-MISC.
- b. **Correct.** The taxable housing was reported to him in a Form 1099-MISC.

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

Section VIII. Tax Matters (Page 30)

Section VIII Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives* stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 46 through 50.

Section VIII Learning Objectives:

1. Learn about certain tax issues decided in three the Tax Court cases.
2. Consider how these results could apply to clients or others.

Section VIII Review Questions:

1. A qualified appraisal is not required for donations of:
 - a. Property held for sale.
 - b. Cryptocurrency.
 - c. Publicly traded securities.
 - d. a and b.
 - e. a and c.
2. The Chief Counsel Advice (CCA) was issued to respond to a set of facts relating to a donation of non-cash property. In the scenario, the taxpayer included a partially completed a Form 8283, *Noncash Charitable Contributions* to claim a deduction of cryptocurrency but did not include an appraisal. Arguing against the use of “reasonable cause” as a defense for omitting the appraisal, the CCA quoted the tax court in *Pankratz*, noting that:
 - a. Taxpayers are expected to have a adequate knowledge of US tax law.
 - b. The taxpayer could have use their cost basis in the cryptocurrency as the value.
 - c. The taxpayer had ample notice of the appraisal requirement as the Form 8383 mentions some version of “appraise” four times.
 - d. An ordinary taxpayer couldn't be expected to know of appraisal requirements.
 - e. Determining what is a “qualified appraisal” is difficult, even for professional preparers.
3. The tax court was dubious of Mr. Avery's claim of his auto-racing expenses as advertising, noting that:
 - a. When he moved back to Denver from Indiana, he discontinued the racing activities.
 - b. He had only one client engagement resulting from his racing activities.
 - c. He claimed the racing was a “good conversation starter.”
 - d. None of the above.
 - e. All of the above.
4. Facts that perhaps undermined Mr. Avery's credibility could include:
 - a. Due to lack of filing, the IRS prepared substitute tax returns for 2008, 2009 and 2013.
 - b. He filed delinquent tax returns for 2010 and 2011.
 - c. IRS audits did not result in any tax assessments.
 - d. a and b.
 - e. a, b and c.
5. The IRS claimed Seaview Trading had not filed a 2001 tax return. Some facts noted in the case but not addressed by the court that may be of interest to many CPAs:
 - a. Seaview's accountant faxed a copy of the tax return when requested by the IRS agent.
 - b. Seaview's accountant also faxed a copy of the certified mail receipt dated July, 2002.
 - c. Seaview conceded it could not prove the envelope connected to the receipt actually contained the income tax return.
 - d. a and b.
 - e. b and c.

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

Section VIII Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 30 of the June, 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 30 of the June, 2023 *JofA*.)

- a. Incorrect. The taxpayer had ample notice of the appraisal requirement as the Form 8383 mentions some version of “appraise” four times.
- b. Incorrect. The taxpayer had ample notice of the appraisal requirement as the Form 8383 mentions some version of “appraise” four times.
- c. **Correct.** The taxpayer had ample notice of the appraisal requirement as the Form 8383 mentions some version of “appraise” four times.
- d. Incorrect. The taxpayer had ample notice of the appraisal requirement as the Form 8383 mentions some version of “appraise” four times.
- e. Incorrect. The taxpayer had ample notice of the appraisal requirement as the Form 8383 mentions some version of “appraise” four times.

Review Question 3. (Please see page 32 of the June, 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. a, b and c are correct.
- e. **Correct.** a, b and c are correct.

Review Question 4: (Please see page 31 of the June, 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. a and b are correct.

Review Question 5: (Please see page 33 of the June, 2023 *JofA*.)

- a. Incorrect. b and c are correct.
- 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. b and c are correct.
- e. **Correct.** b and c are correct.

===== **End of Section VIII.**