

**“Congress can raise taxes because it can persuade a sizable fraction of the populace that somebody else will pay.”
... Milton Friedman, Economist**

**Supplementary Study Guide/Syllabus to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy*
Fourth Quarter (Oct – Dec), 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-IV and Exam Questions 1–25 Relate to the *Journal of Accountancy* – Oct., 2023:

Section I. Generative AI and Risks to CPA Firms (Page 4)

Section II. How Accounting Leaders can Embrace ESG for a Strategic Advantage (Page 12)

Section III. How to Implement the Risk-Based Quality Management Standards (Page 20)

Section IV. Tax Matters (Page 32)

Sections V-VI and Exam Questions 26 - 35 Relate to the *Journal of Accountancy* – Nov., 2023:

Section V. QM is Approaching Faster Than You Think – Get Ready (Page 6)

Section VI. Tax Matters (Page 32)

Sections VII-IX and Exam Questions 41 - 50 Relate to the *Journal of Accountancy* – Dec., 2023:

Section VII. Auditor Independence Threats and Malpractice Claims (Page 4)

Section VIII. The Home Mortgage Interest Deduction Under the TCJA (Page 16)

Section IX. QM Standards: How to Perform a Root Cause Analysis (Page 24)

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

Section I. Generative AI and Risks to CPA Firms (Page 4)

Section I 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 1 through 5.

Section I Learning Objectives:

1. Learn about some limitations and risks related to the use of generative AI.
2. Learn some strategies or policies to help limit potential risks.

Section I Review Questions:

1. A very popular generative artificial intelligence (AI) product is:
 - a. Microsoft Word.
 - b. Microsoft excel.
 - c. ChatGPT.
 - d. Google Chrome.
 - e. Norton Anti-virus software.
2. Because CPA firms handle sensitive information, a top priority for CPAs is:
 - a. Liability insurance.
 - b. Data security and privacy.
 - c. Avoiding the use of generative AI tools
 - d. a, b and c.
 - e. b and c.
3. The accuracy of the output of generative AI products is so reliable human review are unnecessary.
 - a. True.
 - b. False.
4. When using generative AI, the author recommends understanding the product's:
 - a. Purpose.
 - b. Instructions.
 - c. Limitations.
 - d. a, b and c.
 - e. b and c only.
5. If generative AI will be used, the author states the firm should:
 - a. Develop a policy governing the the scope or uses of the product.
 - b. Develop a policy governing inputs and review of outputs.
 - c. Not inform clients of generative AI use.
 - d. a, b and c.
 - e. a and b only.

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 October, 2023 *JofA*.)

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

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

- a. Incorrect. Data security and privacy.
- b. **Correct.** Data security and privacy.
- c. Incorrect. Data security and privacy.
- d. Correct. Data security and privacy.
- e. Incorrect. Data security and privacy.

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

- a. Incorrect. There can be errors and the author advises all output should be reviewed.
- b. **Correct.** There can be errors and the author advises all output should be reviewed.

Review Question 4. (Please see page 5 of the October, 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 5 of the October, 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, but not c.
- d. Incorrect. a and b are correct, but not c.
- e. **Correct.** a and b are correct, but not c.

=====End of Section I.

Section II. How Accounting Leaders can Embrace ESG for a Strategic Advantage (Page 12)

Section II 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 6 through 15.

Section II Learning Objectives:

1. Learn how companies are affected by recent ESG initiatives and how financial professionals can be a resource for implementing strategies and reporting.
2. Learn about relevant reporting standards.

Section II Review Questions:

1. ESG stands for:
 - a. Equity, social and governance.
 - b. Environmental, sustainability and governance.
 - c. Environmental, social and governance.
 - d. Environmental, scientific and governance.
 - e. Environmental, social and global.
2. The authors believe by adopting ESG in their strategies, entities can:
 - a. Attract investors.
 - b. Retain talent.
 - c. Appease customers.
 - d. a, b and c.
 - e. a and c only.
3. According to the authors, _____ are seeking more information about a company's sustainability risks and opportunities:
 - a. Environmental regulatory agencies.
 - b. Stock exchanges.
 - c. Securities Exchange Commission and some state agencies.
 - d. The Sustainability Rating Board (which issues a sustainability rating for member companies).
 - e. Investors.
4. Companies that improve their ESG rating scores are more likely to:
 - a. Be listed on the New York Stock Exchange.
 - b. Be considered for inclusion in exchange traded funds requiring baseline ESG scores.
 - c. Attract investors in the hedge fund markets.
 - d. Experience greater than expected increased in their stock prices.
 - e. Have less debt than other companies in their sector.
5. Regardless whether the personnel have ESG expertise or not, _____ personnel can be invaluable in driving ESG reporting efforts.
 - a. Investor relations.
 - b. Human resources.
 - c. Internal audit.
 - d. Product development.
 - e. Legal.

6. The authors recommend a cross-functional steering committee that would include leaders from various sections of the business, but would also typically include the:
 - a. The CEO.
 - b. CFO.
 - c. General counsel.
 - d. a and b.
 - e. a, b and c.

7. In March, 2022, the SEC proposed rules to enhance and standardize _____ disclosures.
 - a. Safety risk.
 - b. Climate-related.
 - c. Employee diversity.
 - d. Water conservation and recycling.
 - e. All of the above.

8. To help map business priorities with internal and external stakeholders to focus the ESG program, the authors suggest _____.
 - a. Benchmarking against industry peers.
 - b. Engaging an oversight committee.
 - c. A formal materiality assessment.
 - d. Consulting outside auditors.
 - e. Reviewing the ISSB standards.

9. The _____ is uniquely positioned to think through value creation with the executive team
 - a. CFO.
 - b. CEO
 - c. General Counsel.
 - d. Director of Internal Audit.
 - e. Director of Shareholder Services.

10. Once companies have determined what ESG information to report and where to report it, the top priority is:
 - a. Quality.
 - b. Auditability.
 - c. Quick response to ESG reporting requests.
 - d. a, b and c.
 - e. a and b only.

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 13 of the October, 2023 *JofA*.)

- a. Incorrect. Environmental, social and governance.
- b. Incorrect. Environmental, social and governance.
- c. **Correct.** Environmental, social and governance.
- d. Incorrect. Environmental, social and governance.
- e. Incorrect. Environmental, social and governance.

Review Question 2. (Please see page 13 of the October, 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 3. (Please see page 13 of the October, 2023 *JofA*.)

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

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

- a. Incorrect. Be considered for inclusion in exchange traded funds requiring baseline ESG scores.
- b. **Correct.** Be considered for inclusion in exchange traded funds requiring baseline ESG scores.
- c. Incorrect. Be considered for inclusion in exchange traded funds requiring baseline ESG scores.
- d. Incorrect. Be considered for inclusion in exchange traded funds requiring baseline ESG scores.
- e. Incorrect. Be considered for inclusion in exchange traded funds requiring baseline ESG scores.

Review Question 5. (Please see page 14 of the October, 2023 *JofA*.)

- a. Incorrect. Internal audit.
- b. Incorrect. Internal audit.
- c. **Correct.** Internal audit.
- d. Incorrect. Internal audit.
- e. Incorrect. Internal audit.

Review Question 6. (Please see page 14 of the October, 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 16 of the October, 2023 *JofA*.)

- a. Incorrect. Climate-related.
- b. **Correct.** Climate-related.
- c. Incorrect. Climate-related.
- d. Incorrect. Climate-related.
- e. Incorrect. Climate-related.

Review Question 8. (Please see page 16 of the October, 2023 *JofA*.)

- a. Incorrect. A formal materiality assessment.
- b. Incorrect. A formal materiality assessment.
- c. **Correct.** A formal materiality assessment.
- d. Incorrect. A formal materiality assessment.
- e. Incorrect. A formal materiality assessment.

Review Question 9. (Please see page 16 of the October, 2023 *JofA*.)

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

Review Question 10. (Please see page 17 of the October, 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 II.

Section III. How to Implement the Risk-Based Quality Management Standards (Page 20)

Section III Assignment:

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives* stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 16 through 20.

Section III Learning Objectives:

1. Learn about aspects of the new quality standards.
2. Learn which services will be affected by the standards.

Section III Review Questions:

1. The new quality management standards were issued by:
 - a. The Financial Accounting Standards Board (FASB).
 - b. Auditing Standards Board (ASB).
 - c. Accounting and Review Services Committee (ARSC).
 - d. a, b and c.
 - e. b and c only.
2. The firm must evaluate _____ whether the firm's system of quality management is meeting its objectives:
 - a. Quarterly.
 - b. Annually.
 - c. Every two years.
 - d. Every three years.
 - e. As needed.
3. The new quality standards changes include:
 - a. Two new components of systems of quality management (risk assessment process and the information and communications component).
 - b. More robust requirements for leadership and governance.
 - c. Enhanced monitoring and remediation processes.
 - d. a and b.
 - e. a, b and c.
4. The systems of quality management compliant with SQMS No. 1 must be implemented by:
 - a. Dec. 15, 2023.
 - b. Dec. 15, 2024.
 - c. Dec. 15, 2025.
 - d. Dec. 15, 2026.
 - e. Dec. 15, 2027.
5. SQMS No. 1 requires that ultimate responsibility and authority for the quality control plan development is with the:
 - a. Quality management partner.
 - b. Firm's managing partner.
 - c. The firm's quality management committee.
 - d. The firm's peer reviewer.
 - e. The firm's third party quality control consultant.

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 21 of the October, 2023 *JofA*.)

- a. Incorrect. b and c only.
- 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 only.
- e. **Correct.** b and c only.

Review Question 2. (Please see page 21 of the October, 2023 *JofA*.)

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

Review Question 3. (Please see page 22 of the October, 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 4. (Please see page 22 of the October, 2023 *JofA*.)

- a. Incorrect. Dec. 15, 2025.
- b. Incorrect. Dec. 15, 2025.
- c. **Correct.** Dec. 15, 2025.
- d. Incorrect. Dec. 15, 2025.
- e. Incorrect. Dec. 15, 2025.

Review Question 5. (Please see page 23 of the October, 2023 *JofA*.)

- a. Incorrect. Firm's managing partner.
- b. **Correct.** Firm's managing partner.
- c. Incorrect. Firm's managing partner.
- d. Incorrect. Firm's managing partner.
- e. Incorrect. Firm's managing partner.

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

Section IV. Tax Matters (Page 32)

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 21 through 25.

Section IV Learning Objectives:

1. Learn about the income tax treatment of gambling winnings, losses and expenses.
2. Learn how the taxpayer's status (hobby vs business) can affect the tax treatment.

Section IV Review Questions:

1. In the tax court case related to gambling, the Merciers considered themselves to be professional gamblers. They were very knowledgeable and played only:
 - a. Blackjack.
 - b. Roulette.
 - c. Poker.
 - d. Video poker.
 - e. Craps.
2. At issue in the tax court case was whether the Merciers could deduct their gambling losses as professional gamblers on Schedule C or whether they must deduct them on _____ as recreational gamblers.
 - a. Schedule A, *Itemized Deductions*.
 - b. Schedule 1, *Adjustments to Income*.
 - c. Schedule D, *Capital Gains and Losses*.
 - d. Schedule G, *Gambling Expenses*.
 - e. Schedule 3, *Miscellaneous Expenses*.
3. In general, deductions related to an activity are allowed only if:
 - a. The activity usually earns a profit.
 - b. The taxpayer maintains acceptable records.
 - c. The taxpayer demonstrates suitable proficiency in operating the activity.
 - d. The activity is engaged in for a profit.
 - e. The taxpayer files the correct forms.
4. To determine whether an activity is engaged in for a profit, there is a nine-factor test, which includes consideration of:
 - a. The taxpayer's history of winnings and losses.
 - b. The taxpayer's success in nongambling activities.
 - c. The presence of elements of personal pleasure or recreation.
 - d. a and b.
 - e. a, b and c.
5. The court found the facts and circumstances did not support the claim that the Merciers were professional gamblers. In addition to failing some of the nine tests, the court noted:
 - a. As an accountant and business owner, they should have known how to properly treat the activity as a business.
 - b. They did not apply for a gambling license in Nevada.
 - c. They did not submit quarterly income tax payments.
 - d. They were fully aware of the tax rules for gambling activities.
 - e. They each had other careers and so, could not qualify as professional gamblers.

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 32 of the October, 2023 *JofA*.)

- a. Incorrect. Video poker.
- b. Incorrect. Video poker.
- c. Incorrect. Video poker.
- d. **Correct.** Video poker.
- e. Incorrect. Video poker.

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

- a. **Correct.** Schedule A, *Itemized Deductions*.
- b. Incorrect. Schedule A, *Itemized Deductions*.
- c. Incorrect. Schedule A, *Itemized Deductions*.
- d. Incorrect. Schedule A, *Itemized Deductions*.
- e. Incorrect. Schedule A, *Itemized Deductions*.

Review Question 3. (Please see page 32 of the October, 2023 *JofA*.)

- a. Incorrect. The activity is engaged in for a profit.
- b. Incorrect. The activity is engaged in for a profit.
- c. Incorrect. The activity is engaged in for a profit.
- d. **Correct.** The activity is engaged in for a profit.
- e. Incorrect. The activity is engaged in for a profit.

Review Question 4. (Please see page 32 of the October, 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 5. (Please see page 32 of the October, 2023 *JofA*.)

- a. **Correct.** As an accountant and business owner, they should have known how to properly treat the activity as a business.
- b. Incorrect. As an accountant and business owner, they should have known how to properly treat the activity as a business.
- c. Incorrect. As an accountant and business owner, they should have known how to properly treat the activity as a business.
- d. Incorrect. As an accountant and business owner, they should have known how to properly treat the activity as a business.
- e. Incorrect. As an accountant and business owner, they should have known how to properly treat the activity as a business.

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

Section V. QM is Approaching Faster Than You Think – Get Ready (Page 6)

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 26 through 30.

Section V Learning Objectives:

1. Learn some aspects of implementing the quality management standards.
2. Consider how certain aspects may apply to your firm.

Section V Review Questions:

1. The risk assessment process can include:
 - a. Establishing quality objectives.
 - b. Identifying and assessing risks that could hinder achieving quality objectives.
 - c. Designing and implementing responses to address the quality risks.
 - d. a and b.
 - e. a, b and c.
2. A quality risk is a risk that has a _____ possibility of occurring and individually or in combination with other risks, adversely affecting achievement of quality objectives.
 - a. Remote.
 - b. Slight.
 - c. Reasonable.
 - d. Likely.
 - e. Probable.
3. One approach can be to develop quality objective by “component.” Components can include:
 - a. Governance, leadership and ethical requirements.
 - b. Client acceptance and continuance.
 - c. Engagement performance and resources.
 - d. a and b.
 - e. a, b and c.
4. Which component would include assessment of risks related to independence issues?
 - a. Governance.
 - b. Ethical requirements.
 - c. Client acceptance and continuance.
 - d. Engagement performance.
 - e. Resources.
5. The author notes audit quality is enhanced by:
 - a. Increasing partner involvement throughout the engagement.
 - b. Assigning two partners to the engagement.
 - c. Providing for anonymous reporting of potential ethical violations.
 - d. Allowing staff members to select preferred engagements.
 - e. Rotating the partner in charge each year.

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

Section V Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 8 of the November, 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 8 of the November, 2023 *JofA*.)

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

Review Question 3. (Please see page 9 of the November, 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 4: (Please see page 10 of the November, 2023 *JofA*.)

- a. Incorrect. Ethical requirements.
- b. **Correct.** Ethical requirements.
- c. Incorrect. Ethical requirements.
- d. Incorrect. Ethical requirements.
- e. Incorrect. Ethical requirements.

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

- a. **Correct.** Increasing partner involvement throughout the engagement.
- b. Incorrect. Increasing partner involvement throughout the engagement.
- c. Incorrect. Increasing partner involvement throughout the engagement.
- d. Incorrect. Increasing partner involvement throughout the engagement..
- e. Incorrect. Increasing partner involvement throughout the engagement.

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

Section VI. Tax Matters (Page 32)

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 31 through 36.

Section VI Learning Objectives:

1. Learn aspects of the Sec. 965 repatriation tax.
2. Learn some of the rules related to businesses that could be deemed a hobby.

Section VI Review Questions:

1. The Sec. 965 repatriation tax is also known as:
 - a. The foreign business income tax.
 - b. The foreign business transaction tax.
 - c. The undistributed foreign income tax.
 - d. The “transaction tax.”
 - e. The “transition tax.”
2. The Sec. 965 tax applies whether earnings are distributed or not.
 - a. True.
 - b. False.
3. The taxpayers argued to the court that the repatriation tax is an unapportioned direct tax (which they claimed is unconstitutional) and not a tax on income because:
 - a. Income must be realized before it can be taxable.
 - b. Income must be properly reported by the company (as dividends, interest, etc) before it can be taxable.
 - c. Income must be apportioned to the taxpayer before it can be taxed.
 - d. Income must have been paid directly to the taxpayer before it can be taxed.
 - e. Income cannot include amounts that were never paid in cash to the taxpayer.
4. The author notes that the owner of Happy Jack Charters kept business records that consisted of:
 - a. Typical computerized accounting ledgers and financial statements.
 - b. A manual ledger and checkbook with supporting documents.
 - c. A summary of revenue and expenses using spreadsheet software.
 - d. Expense receipts only, which were delivered to the tax preparer.
 - e. The owner kept no records of any kind, but made reasonable estimates based upon the number of charter trips, which is allowed by the IRS.
5. For “business expenses” to be eligible for deduction, the entity must:
 - a. Show a profit three out of the last five years.
 - b. Show the “primary” objective is to make a profit.
 - c. Use one of several approved accounting software systems.
 - d. Apply for a business license.
 - e. Operate at least six months out of the year.

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 32 of the November, 2023 *JofA*.)

- a. Incorrect. The “transition tax.”
- b. Incorrect. The “transition tax.”
- c. Incorrect. The “transition tax.”
- d. Incorrect. The “transition tax.”
- e. **Correct.** The “transition tax.”

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

- a. **Correct.** The Sec. 965 tax applies whether earnings are distributed or not
- b. Incorrect. The Sec. 965 tax applies whether earnings are distributed or not

Review Question 3. (Please see page 33 of the November, 2023 *JofA*.)

- a. **Correct.** Income must be realized before it can be taxable.
- b. Incorrect. Income must be realized before it can be taxable.
- c. Incorrect. Income must be realized before it can be taxable.
- d. Incorrect. Income must be realized before it can be taxable.
- e. Incorrect. Income must be realized before it can be taxable.

Review Question 4: (Please see page 34 of the November, 2023 *JofA*.)

- a. Incorrect. Expense receipts only, which were delivered to the tax preparer.
- b. Incorrect. Expense receipts only, which were delivered to the tax preparer.
- c. Incorrect. Expense receipts only, which were delivered to the tax preparer.
- d. **Correct.** Expense receipts only, which were delivered to the tax preparer.
- e. Incorrect. Expense receipts only, which were delivered to the tax preparer.

Review Question 5: (Please see page 34 of the November, 2023 *JofA*.)

- a. Incorrect. Show the “primary” objective is to make a profit.
- b. **Correct.** Show the “primary” objective is to make a profit.
- c. Incorrect. Show the “primary” objective is to make a profit.
- d. Incorrect. Show the “primary” objective is to make a profit.
- e. Incorrect. Show the “primary” objective is to make a profit.

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

Section VII. Auditor Independence Threats and Malpractice Claims (Page 4)

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 36 through 40.

Section VII Learning Objectives:

1. Learn about certain threats to independence.
2. Learn some of the author's recommended responses to prevent or counter threats.

Section VII Review Questions:

1. Under the AICPA *Code of Professional Conduct*, integrity requires CPAs to maintain:
 - a. Objectivity.
 - b. Independence.
 - c. Due care.
 - d. a and b.
 - e. a, b and c.
2. Complicating the assessment of threats to independence is:
 - a. There is no guidance in the *Code*.
 - b. The *Code* has very few examples to use as a guide.
 - c. Individuals may have different conclusions depending on their experience.
 - d. Other authorities, such as SEC rules, governmental audit rules and civil law, can conflict with the *Code*.
 - e. The *Code* has some conflicting language.
3. Auditors must constantly balance the priorities of:
 - a. Audit vs tax services.
 - b. Due care and efficiency.
 - c. Objectivity and independence.
 - d. Independence and client service.
 - e. Objectivity and client service.
4. An example of impaired independence resulting from “self-interest” can include:
 - a. Fees earned from an attest client are significant to the firm as a whole.
 - b. Fees from tax preparation clients exceed fees from attest clients.
 - c. The partner in charge of the audit is a close relation to the CFO.
 - d. a and b.
 - e. a, b and c.
5. Independence rules require attest clients to designate someone with the capability to oversee the attest services and yet, not all clients will have such a person on staff.
 - 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 4 of the December, 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 4 of the December, 2023 *JofA*.)

- a. Incorrect. Individuals may have different conclusions depending on their experience.
- b. Incorrect. Individuals may have different conclusions depending on their experience.
- c. **Correct.** Individuals may have different conclusions depending on their experience.
- d. Incorrect. Individuals may have different conclusions depending on their experience.
- e. Incorrect. Individuals may have different conclusions depending on their experience.

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

- a. Incorrect. Independence and client service.
- b. Incorrect. Independence and client service.
- c. Incorrect. Independence and client service.
- d. **Correct.** Independence and client service.
- e. Incorrect. Independence and client service.

Review Question 4: (Please see page 5 of the December, 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 5 of the December, 2023 *JofA*.)

- a. **Correct.** Some clients will not have a person capable of overseeing the attest engagement.
- b. Incorrect. Some clients will not have a person capable of overseeing the attest engagement.

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

Section VIII. The Home Mortgage Interest Deduction Under the TCJA (Page 16)

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 41 through 45.

Section VIII Learning Objectives:

1. Learn how the home mortgage deduction was affected by the TCJA.
2. Consider how these changes apply to your clients or personal tax situation.

Section VIII Review Questions:

1. Before the TCJA, mortgage interest was deductible to the extent of _____ of home acquisition indebtedness.
 - a. \$375,000.
 - b. \$500,000.
 - c. \$750,000.
 - d. \$1,000,000.
 - e. \$1,500,000.
2. The TCJA also lowered the home equity interest deduction to:
 - a. \$0.
 - b. \$5,000.
 - c. \$10,000.
 - d. \$100,000.
 - e. Unlimited.
3. Although the TCJA limited the interest deduction to amounts related to \$750,000 of home acquisition indebtedness, the new limit does not apply to loans originated before _____.
 - a. Dec. 15, 2017.
 - b. Dec. 15, 2018.
 - c. Dec. 15, 2019.
 - d. Dec. 15, 2020.
 - e. Dec. 15, 2021.
4. The author notes that the deduction limit for state and local taxes will more significantly affect taxpayers:
 - a. Residing in areas with high property taxes.
 - b. Who have a high state income tax burden.
 - c. Those who claim the standard deduction.
 - d. a, b and c.
 - e. a and b only.
5. The author advises financial planners to pay attention to how members of congress or the administration proposes to address the TCJA as the provisions:
 - a. Will expire after Dec. 31, 2024, but could be extended or changed.
 - b. Will expire after Dec. 31, 2025, but could be extended or changed.
 - c. Will expire after Dec. 31, 2026, but could be extended or changed.
 - d. Cannot be extended.
 - e. Are permanent.

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 17 of the December, 2023 *JofA*.)

- a. Incorrect. \$1,000,000.
- b. Incorrect. \$1,000,000.
- c. Incorrect. \$1,000,000.
- d. **Correct.** \$1,000,000.
- e. Incorrect. \$1,000,000.

Review Question 2. (Please see page 17 of the December, 2023 *JofA*.)

- a. **Correct.** \$0.
- b. Incorrect. \$0.
- c. Incorrect. \$0.
- d. Incorrect. \$0.
- e. Incorrect. \$0.

Review Question 3. (Please see page 17 of the December, 2023 *JofA*.)

- a. **Correct.** Dec. 15, 2017.
- b. Incorrect. Dec. 15, 2017.
- c. Incorrect. Dec. 15, 2017.
- d. Incorrect. Dec. 15, 2017.
- e. Incorrect. Dec. 15, 2017.

Review Question 4: (Please see page 18 of the December, 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 only.
- d. Incorrect. a and b only.
- e. **Correct.** a, and b only.

Review Question 5: (Please see page 22 of the December, 2023 *JofA*.)

- a. Incorrect. Will expire after Dec. 31, 2025, but could be extended or changed.
- b. **Correct.** Will expire after Dec. 31, 2025, but could be extended or changed.
- c. Incorrect. Will expire after Dec. 31, 2025, but could be extended or changed.
- d. Incorrect. Will expire after Dec. 31, 2025, but could be extended or changed.
- e. Incorrect. Will expire after Dec. 31, 2025, but could be extended or changed.

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

Section IX. QM Standards: How to Perform a Root Cause Analysis (Page 24)

Section IX 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 IX Learning Objectives:

1. Continue to learn aspects of the new quality management standards.
2. Learn about performing a root cause analysis.

Section IX Review Questions:

1. Regarding the required process for monitoring the system of quality management, which of the follow are true:
 - a. Firms should tailor monitoring processes to firm-specific factors.
 - b. Monitoring processes should be conducted by those on the attest teams.
 - c. The standard does not prescribe the monitoring activities.
 - d. a and b.
 - e. a and c.
2. All firms are required to inspect selected completed engagements:
 - a. Annually.
 - b. Every two years.
 - c. Every three years.
 - d. When requested by the AICPA.
 - e. On a cycle determined by the firm.
3. Information resulting from the quality monitoring activities, external inspections and other sources which indicate one or more deficiencies is defined as a _____ by the standards.
 - a. Failure.
 - b. Finding.
 - c. Deficiency.
 - d. Root cause issue.
 - e. Review result.
4. All findings are deemed a “deficiency” and require a remediation plan.
 - a. True. All findings are deficiencies.
 - b. False. Not all findings rise to the level of a deficiency.
5. Root cause analysis requires asking tough questions and you need to go where the answers take you in order to determine the “root cause” of deficiencies. SQMS No. 1 indicates firms may investigate:
 - a. Non-attest service engagements.
 - b. Tax compliance engagements.
 - c. Root causes of positive outcomes.
 - d. Root causes of declining firm profitability.
 - e. Root causes of employee turnover.

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

Section IX Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 25 & 26 of the December, 2023 *JofA*.)

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

Review Question 2. (Please see page 26 of the December, 2023 *JofA*.)

- a. Incorrect. On a cycle determined by the firm.
- b. Incorrect. On a cycle determined by the firm.
- c. Incorrect. On a cycle determined by the firm.
- d. Incorrect. On a cycle determined by the firm.
- e. **Correct.** On a cycle determined by the firm.

Review Question 3. (Please see page 26 of the December, 2023 *JofA*.)

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

Review Question 4: (Please see page 27 of the December, 2023 *JofA*.)

- a. Incorrect. All findings are deficiencies.
- b. **Correct.** Not all findings rise to the level of a deficiency.

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

- a. Incorrect. Root causes of positive outcomes.
- b. Incorrect. Root causes of positive outcomes.
- c. **Correct.** Root causes of positive outcomes.
- d. Incorrect. Root causes of positive outcomes.
- e. Incorrect. Root causes of positive outcomes.

===== **End of Section IX.**