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QUARTERLY CPE EXAM ON THE *Journal of Accountancy*
First Quarter (Jan – Mar), 2024 (Course # 2401)
A Formal CPE Course using the *JoA* as Reference Material
Recommended CPE Credit: 7 Hours (Category: Interactive Self Study)
Subject division: Audit 3, Fin Plan 1, Prac. Mgt. 2, Tax 2

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: _____

Please print your email address: _____

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

Sponsor Agreements with State Boards of Accountancy:

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.

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Date completed: _____

****For CPE credit, this exam must be submitted to AEA by 9/14/2026.****

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“There are only two ways of telling the complete truth-anonymously and posthumously.”
... **Thomas Sowell, U.S. Economist**

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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Scan/Email, fax or mail your answer sheets to us:

Email: info@accounting-education.com

Telephone: 1-800-CPE-EXAM (1-800-273-3926)

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Greensboro, NC 27404

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.

PROGRAM SPONSOR AGREEMENTS:

AEA has sponsor agreements with the following state boards: **Illinois** (#158-000242), **Pennsylvania** (#PX000005-L) and **Texas** (#000211). Most state boards do not require sponsor registration. **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

TWO PAYMENT OPTIONS:

Credit card: Click the secure PayPal link on our Web site and at the “PayPal Guest Checkout” option, enter your credit card information. Please do not send us credit card information as AEA no longer accepts or processes credit cards.

Check: Mail a check to the PO box indicated to the left.

Exams will be graded when received regardless of payment method.

Payment Voucher: Please complete and submit this form with your downloaded Exam(s).

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Email: info@accounting-education.com
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Name _____
Firm (If part of address) _____
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To which state board(s) do you report CPE? _____
Source of referral if applicable: _____

I am submitting _____ completed Exam(s) on the *JofA* that I've downloaded from www.accounting-education.com

Quantity	Year
_____	First Quarter (January - March), 20____
_____	Second Quarter (April - June), 20____
_____	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

Payment options:

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

_____ **By using the secure PayPal link on our Web site to pay with favorite credit card (Visa, MasterCard, Amex or Discover)**

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-IV and exam questions 1-20 Relate to the Journal of Accountancy – January, 2024

Section I. Oh BOI: The Corporate Transparency Act and CPA Firms (page 4)

1. The Corporate Transparency Act (CTA) will require companies to report information about their:
 - a. Beneficial owners.
 - b. Banks or other financial institutions.
 - c. Company applicants.
 - d. a, b and c.
 - e. a and c only.

2. Failure to timely comply with CTA filing requirements could result in:
 - a. \$100 per day fine and 30 days imprisonment.
 - b. \$500 per day fine and 180 days imprisonment.
 - c. \$500 per day fine and up to two years imprisonment.
 - d. \$500 per day fine and up to five years imprisonment.
 - e. \$10,000 fine and up to five years imprisonment.

3. The purpose of the CTA filing requirements is to:
 - a. Help the Internal Revenue Service identify entities that have not filed tax returns.
 - b. Help identify entities engaged in money laundering and other illegal acts.
 - c. Help the Treasury Department identify counterfeiting operations.
 - d. Provide ownership information to the Internal Revenue Service to verify passthrough income has been properly reported.
 - e. Merely compare the CTA information to Internal Revenue Service records for discrepancies.

4. Regarding CTA services, the author recommends:
 - a. CPAs notify their clients of the new requirements, even if the CPA will not assist with CTA reporting.
 - b. If the CPA doesn't provide CTA services, that fact should be noted in all other engagement letters.
 - c. When answering informal CTA questions, always follow up in writing.
 - d. a, b and c.
 - e. b and c only.

5. Whether the CPA's providing CTA filing services constitutes the "unauthorized practice of law" is determined by:
 - a. The Treasury Department.
 - b. The Internal Revenue Service.
 - c. Individual states.
 - d. The AICPA.
 - e. FinCEN.

Section II. Talking Through Post-Retirement Housing Options (Page 13)

6. The author notes that often retirees or their families fail to research living options and put themselves at a disadvantage, having to quickly make living arrangements due to a sudden event, such as:
 - a. The death of a spouse.
 - b. A serious accident, such as a fall.
 - c. A difficult medical diagnosis.
 - d. a, b and c.
 - e. b and c only.

7. The author notes some considerations for those clients hoping to ‘age at home,’ which include:
 - a. In case of mobility or cognitive changes, can hallways accommodate a wheelchair?
 - b. In case of mobility or cognitive changes, is there a bedroom and bathroom on the ground floor?
 - c. Are relatives or neighbors close enough to help in an emergency?
 - d. a, b and c.
 - e. a and b only.

8. Assisted living facilities provide individual living spaces with access to:
 - a. Medicine management and help with daily care, such as bathing and dressing.
 - b. Skilled nursing care.
 - c. End of life care, such as hospice services.
 - d. On site medical services such as minor surgical procedures and imaging services.
 - e. All of the above.

9. When evaluating a continuing care retirement community (CCRC), the author lists several factors to consider, including:
 - a. Lifestyle preferences and quality of health-care services.
 - b. Affordability and tax impact.
 - c. Whether the provider is for-profit or not-for-profit.
 - d. a, b and c.
 - e. a and b only.

10. When evaluating a continuing care retirement community (CCRC), the author advises CPAs to:
 - a. Recommend not-for-profit CCRC providers as those communities are usually more affordable.
 - b. Assess the provider’s financial health to avoid loss of some or all of a client’s upfront payment.
 - c. Recommend clients retire to a state that does not have a state income tax.
 - d. Recommend a CCRC in a larger metropolitan area because of the quality of local healthcare.
 - e. Discourage clients from selling their home until they have lived in the CCRC for a year.

Section III. Using Technology to Boost Audit Quality (Page 18)

11. The CPA profiled in the article led the firm's effort to use artificial intelligence to:
 - a. Speed the preparation of financial statements.
 - b. Draft risk assessment conclusions.
 - c. Identify high-risk transactions.
 - d. Identify potential related party transactions.
 - e. Test the client's internet security systems.

12. The Dynamic Audit Solution (DAS) combines in a single, cloud-based platform:
 - a. Important manual checklists for client risk assessment.
 - b. Guided workflow tools.
 - c. Data analytics.
 - d. a, b and c.
 - e. b and c only.

13. Statement on Auditing Standards (SAS) No. 145 requires firms to gain an understanding of the client's use of technology relevant to:
 - a. The profitability of the client.
 - b. The preparation of the financial statements.
 - c. IT security.
 - d. Industry standards and practice.
 - e. Similar clients.

14. One CPA believes AI is a valuable tool for:
 - a. Planning and initial risk assessment stage of the audit.
 - b. Planning generic audit procedures.
 - c. Drafting financial statements.
 - d. Reducing staffing needs.
 - e. Discovering fraud or illegal acts.

15. Some of the barriers to using emerging technology in audits include:
 - a. Lack of training and infrastructure.
 - b. Client resistance.
 - c. Doubts about usefulness.
 - d. a, b and c.
 - e. a and c only.

Section IV. Tax Matters (Page 32)

16. William and Nelle Evenhouse filed a petition with the Tax Court in response to a notice of deficiency issued by the IRS. Under Sec. 6213(a), the petition must be filed with the court within _____ of receipt of the notice of deficiency.
- 30 days.
 - 60 days.
 - 60 days or 90 days if out of the country.
 - 90 days or 150 days if out of the country.
 - 90 days or 180 days if out of the country.
17. Although the Evenhouses demonstrated they were traveling outside the US on part of the date the notice of deficiency was mailed, the court denied their petition because:
- They returned on the same day and so were in the US on the date the notice was mailed.
 - They were in the US on the date the notice was delivered.
 - Their petition was mailed to the wrong address.
 - a, b and c.
 - a and b.
18. Walter and Denise Schiller owed the IRS for income taxes, penalties and interest for 2007 and proposed an installment agreement in late 2017. While an installment agreement is pending (not yet approved or rejected by the IRS), which of the following is true:
- The taxpayer may not leave the country.
 - The IRS may not levy property or rights to property.
 - The IRS may place a lien on real property, but not commence further proceedings.
 - The IRS may petition for signatory rights on the taxpayer's bank accounts.
 - The taxpayer must obtain IRS approval for disbursements greater than \$1,000.
19. Braen Commercial Holdings Corp. (Holdings) claimed a charitable deduction, arguing that land was sold to the town of Ramapo for far less than the actual value (a "bargain sale"). The Tax Court disallowed the charitable deduction because:
- Holdings did not reduce the deduction by the value of rezoning benefits received.
 - The town did not acknowledge the gift.
 - Holdings did not attach required appraisals to the Form 8283.
 - The appraisals of the property were not conducted by a certified, licensed appraiser.
 - The property was sold to a community development corporation, not a tax exempt entity.
20. The Tax Court noted that the charitable deduction would also have been disallowed because the required contemporaneous acknowledgement provided by the town:
- Did not clearly state the amount of the donation.
 - Did not state that "no goods or services were received in return for the donation".
 - Did not describe and value the zoning changes received as part of the agreement.
 - Was not attached to the tax return.
 - Did not describe the property received in the bargain sale.

Sections V-VIII and exam questions 21-40 Relate to the Journal of Accountancy – February, 2024

Section V. Do Names Matter? Risk and the Use of ‘Merger’ or ‘Acquisition’ (Pg. 4)

21. In a merger, the newly merged entity:
 - a. Is a continuation of the two firms.
 - b. Takes on all the assets and liabilities of both firms.
 - c. Assumes the liability risk errors or omissions committed by either firm prior to the merger.
 - d. a and b.
 - e. a, b and c.

22. To avoid liability for prior acts when acquiring a CPA firm, the acquiring firm will often structure the transaction as a:
 - a. Merger.
 - b. Stock trade.
 - c. Successor-in-interest.
 - d. Purchase of assets.
 - e. Purchase of assets and assumption of liabilities.

23. To help mitigate claims related to prior acts of the acquired firm in an asset-purchase agreement, the author recommends the use of an indemnity agreement. In this arrangement, the _____ agree to reimburse the firm for any claims related to prior acts.
 - a. Acquired firm partners.
 - b. The acquired firm’s professional liability risk insurer.
 - c. The acquiring firm’s professional liability risk insurer.
 - d. The acquired firm’s escrow account.
 - e. The acquiring firm’s due diligence advisors.

24. The author recommends acquired firm purchase professional liability insurance that provides extended coverage for claims arising from services provided before the acquisition date. This is referred to as _____.
 - a. Merger coverage.
 - b. Gap coverage.
 - c. Tail coverage.
 - d. Indemnity coverage.
 - e. Lookback coverage.

25. If extended professional liability coverage is purchased, it should go into effect:
 - a. On the acquisition date.
 - b. Only after the acquired firm ceases providing services.
 - c. On the date the acquired firm’s articles of dissolution are accepted.
 - d. Only after the acquisition is publicly announced.
 - e. Only after the acquiring firm provides services to the acquired clients.

Section VI. What AI Can Do for Auditors (Page 12)

26. Some examples of how AI can be used during audit services include:
 - a. Helping perform risk identification and assessment procedures.
 - b. Drafting financial statement footnote disclosures.
 - c. Analyzing journal entries for patterns and anomalies.
 - d. a, b and c.
 - e. a and b only.

27. How has AI affected the use of sampling?
 - a. Rather than examine a sample of a data set, AI can analyze all the data for anomalies.
 - b. It has not changed because auditors must select a random sample of data to examine.
 - c. The cost of selecting and examining sample data increased significantly.
 - d. The time and complexity of examining sample data increased significantly.
 - e. Anomaly detection has become less reliable.

28. One firm uses an intelligent platform that uses Excel to link information from client data into a single workbook the auditor can use to analyze data and view source documents. The platform is known as:
 - a. Microsoft Excel Audit.
 - b. AuditPal.
 - c. DataSnipper.
 - d. WorkWise.
 - e. ACCOUNTability Plus.

29. To help firm leadership and clients to understand the value of AI, the author recommends:
 - a. Waiting a couple of years for the technology to mature.
 - b. Implementing the full range of AI for all audit clients immediately.
 - c. Implementing the full range of AI for all larger and sophisticated clients immediately.
 - d. Performing “R&D” audits by testing AI on a recently completed audit or one just beginning.
 - e. Waiting a year or two for prices to become more competitive.

30. Some warnings from the author concerning AI technology include:
 - a. The efficiency is often not worth the cost.
 - b. Sometimes client data isn’t easily processed by AI.
 - c. Auditors should continue to perform some traditional sampling and testing procedures to supplement the AI because that technology is still very new.
 - d. a and b.
 - e. a, b and c.

Section VII. How Tax Practice Standards Affect CPAs (Page 19)

31. The original Statements on Standards for Tax Services (SSTSs) were based substantially on:
 - a. Statements on Standards for Tax Practitioners (SSTPs) developed in 1991.
 - b. Statements on Tax Practice Standards (STPSs), first issued in 1964.
 - c. Circular 230-*Regulations Governing Practice Before the Internal Revenue Service*.
 - d. Principles in the AICPA Code of Professional Ethics Sec. 300.050.
 - e. Statements on Responsibilities in Tax Practice (SRTPs) which were voluntary guidelines.

32. The professional practice standards apply to:
 - a. Members of the AICPA in public practice.
 - b. Members of the AICPA in in business.
 - c. Nonmember CPAs whose licensing state has adopted the AICPA Code of Conduct.
 - d. a, b and c.
 - e. a and b only.

33. Entirely new standards added to the SSTs:
 - a. Address the CPA's reliance on tools.
 - b. Allow the CPA to be an advocate for the client.
 - c. Require the CPA to exercise due diligence.
 - d. Removed the requirement to advise clients of potential penalties related to tax returns.
 - e. Replaced authority of Circular 230 rules for federal tax return preparation.

34. The standard expands the definition of "tax position" to include "a matter about which a member has knowledge of all material facts" and:
 - a. The client has concluded whether the position is appropriate.
 - b. The member concludes the IRS will not likely question the position.
 - c. The member has concluded whether the position is appropriate.
 - d. Accepts a reasonable amount of risk the IRS may challenge the position.
 - e. The client insists on taking the position but understands the potential penalties.

35. Circular 230:
 - a. Regulates all tax preparers.
 - b. Regulates representation activities.
 - c. Regulates CPAs who prepare income tax returns, but not non-CPAs.
 - d. Regulates representation activities performed by attorneys only.
 - e. Regulates only those preparing federal income tax returns.

Section VIII. A Refresher on Fraud and the Responsibility for its Detection (Page 25)

36. In a compilation engagement, the CPA:
 - a. Is required to assess internal controls and the risk of fraud that could have a material effect on the financial statements.
 - b. Must obtain management's acknowledgment of responsibility for preventing and detecting fraud.
 - c. Is advised to inform management the engagement cannot be relied upon to identify financial statement misstatements caused by fraud or errors.
 - d. a, b and c.
 - e. b and c only.

37. During a review engagement, the CPA must obtain limited assurance in order to report they are not aware of any material modifications that should be made to the financial statements. This is achieved through:
- Risk assessment analysis and testing.
 - Documenting and testing the system of internal controls.
 - Use of artificial intelligence applications to identify patterns and anomalies in accounting data.
 - Make inquiries of management and those responsible for financial and accounting functions about the existence of actual, alleged or suspected fraud.
 - Research of management and others responsible for accounting functions for relationships with others in the company or outside (vendors, customers, etc.) that could pose a risk to controls.
38. During an audit engagement, the CPA is required to obtain _____ that the financial statements are free of material misstatements, whether due to fraud or error.
- Limited assurance.
 - Material assurance.
 - Reasonable assurance.
 - Justifiable assurance.
 - Absolute assurance.
39. The limitations of an audit are significant when misstatements result from fraud. According to the author, the limitations are even more significant when the source of the fraud is:
- Management.
 - Payroll processing employees.
 - Accounts payable employees.
 - A third party human resources provider.
 - A vendor.
40. When performing an audit engagement, the author suggests considering whether the three elements of the “fraud-risk triangle” might be present within the client. Included in the three elements are:
- Events or conditions that provide incentive or pressure to commit fraud.
 - Opportunity to commit fraud.
 - A basis to rationalize or justify fraud.
 - a, b and c.
 - a and b only.

Sections IX - X and exam questions 40-50 Relate to the Journal of Accountancy – March, 2024

Section IX. Data Analytics and Visualization in the Audit (Page 21)

41. Data visualization is a graphical representation of information auditors can use to spot and understand _____ in analyzed data:
- Trends.
 - Patterns.
 - Outliers.
 - a and b only.
 - a, b and c.

42. Data analytics can be performed using simple spreadsheet software up to advanced machine learning and artificial intelligence (AI). The choice of tools is determined by:
- Using a checklist provided in an appendix in AU-C Sec. 315.
 - Client senior management.
 - Agreement between the auditor and client's senior management.
 - Auditor professional judgement.
 - Guidelines provided by the Auditing Standards Board AI committee.
43. According to the authors data analytics could be used for several purposes, including:
- Confirming accounts receivable balances.
 - Journal entry testing.
 - Detection of potential fraud.
 - a, b and c.
 - b and c only.
44. An AICPA practice aid provides an example of data analytics and visualization. In that example, the auditor used traditional risk assessment procedures to evaluate revenue and concluded there was a risk of revenue misstatement. Using data analytics, the auditor obtained a visual depiction of revenue that allowed the auditor to determine:
- The potential for fraudulent revenue reporting across all products.
 - There was elevated risk concentrated in sales to one area, allowing procedures to be tailored to those transactions.
 - There was a single erroneous invoice for a significant amount that skewed the testing.
 - There were misstatements that could only result from an employee overriding system controls.
 - Due to a fluctuating customer base, it was difficult to obtain a useful visualization chart.
45. The authors caution the users of data analytics and visualization that:
- The data analytics software can sometimes be inaccurate.
 - Often the resulting efficiencies are not justified by the cost of training and software.
 - Many different datapoints can result in making inaccurate assumptions.
 - Some of the available technology still needs some refining to be useful to auditors.
 - All of the above.

Section X. Tax Matters (Page 32)

46. Carl and Leila Gregory formed a corporation (CLC Ventures Ltd.) in the Cayman Islands to own and charter a yacht. For tax purposes, CLC was treated as a _____ and so income and expenses were reported on Schedule C, *Profit or loss from a Business*.
- Disregarded entity.
 - Foreign corporation.
 - Limited Liability Company.
 - Tax shelter.
 - Personal Holding Company.

47. The Gregory's agreed the CLC activities were not engaged in for a profit and so, the IRS considered the revenue and expense amounts reported for 2014 and 2015 as "hobby" related and adjusted the tax reporting as follows:
- Revenue reported as "Other Income." Expenses were not deductible on any form or schedule.
 - The amount of revenue minus expenses was reported as "Other Income."
 - Revenue reported as "Other Income". Expenses fully deductible on Schedule A, *Itemized Deduction*.
 - Revenue reported as "Other Income". Expenses deductible on Schedule A, *Itemized Deduction*, but subject to the amount that exceeds 2% of adjusted gross income (AGI).
 - Revenue and expenses reported on Schedule H, *Profit or loss from a Hobby Business*.
48. The authors note that for tax years 2018 through 2025, miscellaneous itemized deductions:
- Will be fully deductible.
 - Will be deductible to the extent the expenses exceed 2% of AGI.
 - Will be deductible to the extent the expenses exceed 5% of AGI.
 - Will be deductible to the extent the expenses exceed 7.5% of AGI.
 - Will be disallowed entirely.
49. Mylan, Inc. sought Food and Drug Administration (FDA) approval to manufacture a generic version of an existing branded drug and was required to send formal notice letters to the brand drug manufacturers and patent holders, which triggered patent infringement lawsuits. For tax years 2012 to 2014 Mylan deducted the legal fees to prepare the notice letters and to defend the patent infringement lawsuit. The IRS challenged those deductions. The court ruling included which of the following?
- All expenses were deductible as ordinary and necessary business expenses.
 - The expenses for the patent challenges were deductible, but the expenses for the notice letters had to be capitalized under Sec. 197 and amortized over 15 years.
 - The expenses for the patent challenges had to be capitalized under Sec. 197 and amortized over 15 years, but the expenses for the notice letters were deductible.
 - All expenses had to be capitalized under Sec. 197 and amortized over 15 years.
 - The expenses for the patent challenges had to be capitalized under Sec. 197 and amortized over 15 years, but the expenses for the notice letters were capitalized and amortized over three years.
50. In discussing the main issue, the Third Circuit noted that under Regs. Sec.1.263(a)-4 the taxpayer must capitalize amounts paid to:
- Acquire an intangible asset.
 - Create an intangible asset.
 - Facilitate the purchase or creation of an intangible asset.
 - a and b.
 - a, b and c.