

**“There are only two ways to tell the truth – anonymously and posthumously.”  
... Thomas Sowell, US Economist**

**Supplementary Study Guide/Syllabus to Accompany the  
Quarterly CPE Exam on  
Topics Addressed in the *Journal of Accountancy*  
First Quarter (Jan – Mar), 2024**

**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 1–20 Relate to the *Journal of Accountancy* – Jan., 2024:**

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

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

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

Section IV. Tax Matters (Page 32)

**Sections V-VIII and Exam Questions 21 - 40 Relate to the *Journal of Accountancy* – Feb, 2024:**

Section V. Do Names Matter? (Page 4)

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

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

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

**Sections IX-X and Exam Questions 41 - 50 Relate to the *Journal of Accountancy* – Mar, 2024:**

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

Section X. Tax (Page 32)

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

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

**Section I Assignment:**

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives* stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 1 through 5.

**Section I Learning Objectives:**

1. Learn about filing requirements included in the Corporate Transparency Act (CTA).
2. Learn about certain risks CPAs may encounter when advising clients or preparing reports.

**Section I Review Questions:**

1. Reports required under the Corporate Transparency Act (CTA) must be filed with the:
  - a. Internal Revenue Service.
  - b. Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Dept.
  - c. U.S. Justice Department.
  - d. The office of the secretary of state in the state the entity was incorporated.
  - e. Consumer Financial Protection Board.
2. BOI is the acronym for:
  - a. Board of Inquiry.
  - b. Bank Ownership Information.
  - c. Bureau of Investigation.
  - d. Beneficial Ownership Information.
  - e. Beneficial Operating Information.
3. The authors notes that even though a CPA may not offer CTA services, they could be subject to a client claim if the CPA:
  - a. Does not inform their clients of the CTA requirements.
  - b. Provides a list of entities providing CTA services.
  - c. Refers clients to an attorney that provides CTA services.
  - d. Provides CTA services to some, but not all clients.
  - e. All of the above.
4. According to the authors, CPAs providing CTA services is not considered the unauthorized practice of law.
  - a. True.
  - b. False.
5. The authors note some risks CPAs may face when providing CTA services, including:
  - a. Bank underwriters may ask CPAs to confirm compliance with a “comfort letter.”
  - b. Data security risks for information that CPAs ordinarily do not request or retain.
  - c. Claims of aiding and abetting if the client intentionally filed a false report.
  - d. a and b.
  - e. a, b and c.

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

**Section I Solutions and Suggested Responses to Review Questions:**

**Review Question 1.** (Please see page 4 of the January, 2024 *JofA*.)

- a. Incorrect. Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Dept.
- b. **Correct.** Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Dept.
- c. Incorrect. Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Dept.
- d. Incorrect. Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Dept.
- e. Incorrect. Financial Crimes Enforcement Network (FinCEN), part of the U.S. Treasury Dept.

**Review Question 2.** (Please see page 4 of the January, 2024 *JofA*.)

- a. Incorrect. Beneficial Ownership Information.
- b. Incorrect. Beneficial Ownership Information.
- c. Incorrect. Beneficial Ownership Information.
- d. **Correct.** Beneficial Ownership Information.
- e. Incorrect. Beneficial Ownership Information.

**Review Question 3:** (Please see page 4 of the January, 2024 *JofA*.)

- a. **Correct.** Does not inform their clients of the CTA requirements.
- b. Incorrect. Does not inform their clients of the CTA requirements.
- c. Incorrect. Does not inform their clients of the CTA requirements.
- d. Incorrect. Does not inform their clients of the CTA requirements.
- e. Incorrect. Does not inform their clients of the CTA requirements.

**Review Question 4.** (Please see page 5 of the January, 2024 *JofA*.)

- a. Incorrect. It is not clear whether CTA services are considered an unauthorized practice of law.
- b. **Correct.** It is not clear whether CTA services are considered an unauthorized practice of law.

**Review Question 5.** (Please see page 5 of the January, 2024 *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.

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

### 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 6 through 10.

### Section II Learning Objectives:

1. Learn some of the issues related to housing options after retirement.
2. Consider how this information may apply to your clients or family members.

### Section II Review Questions:

1. When planning for retirement living, \_\_\_\_\_ get most of the attention.
  - a. Location choices.
  - b. Facility amenities.
  - c. Account balances.
  - d. Projected life expectancy.
  - e. Long-term care insurance.
2. The author notes a source of retirement living information can be found at:
  - a. myLifeSite.net.
  - b. AARPliving.com.
  - c. mySite.com
  - d. RetireSite.net.
  - e. Retirementhomes.net.
3. One place to find information when researching retirement facilities is to check with the licensing agencies. Most assisted living facilities are licensed by:
  - a. Local health department.
  - b. The state.
  - c. The county medical examiner.
  - d. US Department of Health and Human Services.
  - e. The Association of Assisted Living Facilities.
4. Often married couples will choose a continuing care retirement community:
  - a. Because it is the most affordable option.
  - b. Because they have the convenience of residing in their own home part-time.
  - c. While they are still young and working, often under 55 years old, in order to lock in the contract.
  - d. When one spouse has more significant medical needs than the other.
  - e. Because of the lucrative refund option if they later decide to move.
5. Often clients want to stay in their homes, rather than move to a retirement facility. One financial planner claims that in most cases, that will NOT be the case.
  - a. True.
  - b. False

**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 January, 2024 *JofA*.)

- a. Incorrect. Account balances.
- b. Incorrect. Account balances.
- c. **Correct.** Account balances.
- d. Incorrect. Account balances.
- e. Incorrect. Account balances.

**Review Question 2.** (Please see page 13 of the January, 2024 *JofA*.)

- a. **Correct.** myLifeSite.net.
- b. Incorrect. myLifeSite.net.
- c. Incorrect. myLifeSite.net.
- d. Incorrect. myLifeSite.net.
- e. Incorrect. myLifeSite.net.

**Review Question 3.** (Please see page 14 of the January, 2024 *JofA*.)

- a. Incorrect. The state.
- b. **Correct.** The state.
- c. Incorrect. The state.
- d. Incorrect. The state.
- e. Incorrect. The state.

**Review Question 4.** (Please see pages 15/16 of the January, 2024 *JofA*.)

- a. Incorrect. When one spouse has more significant medical needs than the other.
- b. Incorrect. When one spouse has more significant medical needs than the other.
- c. Incorrect. When one spouse has more significant medical needs than the other.
- d. **Correct.** When one spouse has more significant medical needs than the other.
- e. Incorrect. When one spouse has more significant medical needs than the other.

**Review Question 5.** (Please see page 16 of the January, 2024 *JofA*.)

- a. **Correct.** True. Most clients will not stay in their home.
- b. Incorrect. True. Most clients will not stay in their home.

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

#### 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 11 through 15.

#### Section III Learning Objectives:

1. Learn how the use of artificial intelligence and data analytics is changing audit services.
2. Learn what technologies firms are using and learn about barriers to implementation.

#### Section III Review Questions:

1. In the recent past, the typical delivery of the audit was:
  - a. Partner driven.
  - b. Dependent on client expertise.
  - c. Technology-driven, such as AI.
  - d. Document-checklist driven.
  - e. All of the above.
2. The AICPA worked with several partners to develop DAS, a data-driven, cloud-based platform for auditors. DAS is an acronym for:
  - a. Data Analytics Systems.
  - b. Data Audit Services.
  - c. Dynamic Analytic Solutions.
  - d. Dynamic Audit Services.
  - e. Dynamic Audit Solutions.
3. When a client adopts a new technology, firms have no responsibility for understanding how the new technology affects workflow, as audit testing will reveal any errors.
  - a. True. Auditors audit data, not processes or technologies.
  - b. False. Auditors must understand technologies well enough to see how they affect client workflow.
4. One CPA uses AI to:
  - a. Generate the audit plan.
  - b. Execute audit procedures.
  - c. Analyze risk in client data to help refine the audit plan.
  - d. Write audit procedures.
  - e. Draft the financial statements.
5. In a survey of firms regarding technologies used, after various cloud-based technologies, the next most used technologies were data analytics and data visualization. Data analytics was typically used for:
  - a. Audit documentation.
  - b. Journal entry testing.
  - c. Drafting financial statements.
  - d. Risk assessment.
  - e. Revealing going concern issues.

**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 19 of the January, 2024 *JofA*.)

- a. Incorrect. Document-checklist driven.
- b. Incorrect. Document-checklist driven.
- c. Incorrect. Document-checklist driven.
- d. **Correct.** Document-checklist driven.
- e. Incorrect. Document-checklist driven.

**Review Question 2.** (Please see page 19 of the January, 2024 *JofA*.)

- a. Incorrect. Dynamic Audit Solutions.
- b. Incorrect. Dynamic Audit Solutions.
- c. Incorrect. Dynamic Audit Solutions.
- d. Incorrect. Dynamic Audit Solutions.
- e. **Correct.** Dynamic Audit Solutions.

**Review Question 3.** (Please see page 20 of the January, 2024 *JofA*.)

- a. Incorrect. False. Auditors must understand technologies well enough to see how they affect client workflow.
- b. **Correct.** False. Auditors must understand technologies well enough to see how they affect client workflow.

**Review Question 4.** (Please see page 20 of the January, 2024 *JofA*.)

- a. Incorrect. Analyze risk in client data to help refine the audit plan.
- b. Incorrect. Analyze risk in client data to help refine the audit plan.
- c. **Correct.** Analyze risk in client data to help refine the audit plan.
- d. Incorrect. Analyze risk in client data to help refine the audit plan.
- e. Incorrect. Analyze risk in client data to help refine the audit plan.

**Review Question 5.** (Please see page 22 of the January, 2024 *JofA*.)

- a. Incorrect. Journal entry testing.
- b. **Correct.** Journal entry testing.
- c. Incorrect. Journal entry testing.
- d. Incorrect. Journal entry testing.
- e. Incorrect. Journal entry testing.

=====End of Section III.

## Section IV. Tax Matters (Page 28)

### 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 16 through 20.

### Section IV Learning Objectives:

1. Learn filing requirement rules from a court case that involved foreign travel.
2. Learn about charitable deduction rules from a case involving a donation of real property by an S corporation.

### Section IV Review Questions:

1. For the tax court to have jurisdiction in a deficiency case, there must be a:
  - a. Valid notice of deficiency.
  - b. A timely filed petition from the taxpayer.
  - c. A timely file filed appeal from the IRS.
  - d. a and b.
  - e. a, b and c.
2. When determining whether a taxpayer is eligible for the extended period (150 days) to file a petition, the Tax Court considered the date on which the:
  - a. IRS mailed the notice of deficiency.
  - b. Tax court scheduled the hearing date.
  - c. Taxpayer received the notice of deficiency.
  - d. a, b and c.
  - e. a and c.
3. For the government to bring a civil suit for the collection of unpaid taxes, two events must occur:
  - a. The Treasury Secretary must authorize the suit and the attorney general must initiate the action.
  - b. The IRS must reject the installment agreement and the IRS must mail a notice of delinquency.
  - c. The IRS must mail a notice of delinquency and the taxpayer must reject it.
  - d. The taxpayer must terminate the installment agreement and the IRS must file a suit.
  - e. The attorney general must authorize the suit and the Treasury Secretary must file the suit.
4. A taxpayer must have a contemporaneous, written acknowledgment in order to deduct a charitable contribution of \_\_\_\_\_ or more.
  - a. \$0.
  - b. \$100.
  - c. \$250.
  - d. \$500.
  - e. \$1,000.
5. For written acknowledgment of a donation to be “contemporaneous” the taxpayer must have the acknowledgment:
  - a. By date of the contribution.
  - b. Within 30 days after the date of the contribution.
  - c. By the end of the tax year of the contribution.
  - d. By the earlier of the tax return filing date or its due date, including extensions.
  - e. By the later of the tax return filing date or its due date, including extensions.

**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 28 of the January, 2024 *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. **Correct.** a and b are correct.
- d. Incorrect. a and b are correct.
- e. Incorrect. a and b are correct.

**Review Question 2.** (Please see page 28 of the January, 2024 *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 3.** (Please see page 30 of the January, 2024 *JofA*.)

- a. **Correct.** The Treasury Secretary must authorize the suit and the attorney general must initiate the action.
- b. Incorrect. The Treasury Secretary must authorize the suit and the attorney general must initiate the action.
- c. Incorrect. The Treasury Secretary must authorize the suit and the attorney general must initiate the action.
- d. Incorrect. The Treasury Secretary must authorize the suit and the attorney general must initiate the action.
- e. Incorrect. The Treasury Secretary must authorize the suit and the attorney general must initiate the action.

**Review Question 4.** (Please see page 32 of the January, 2024 *JofA*.)

- a. Incorrect. \$250.
- b. Incorrect. \$250.
- c. **Correct.** \$250.
- d. Incorrect. \$250.
- e. Incorrect. \$250.

**Review Question 5.** (Please see pages 32/33 of the January, 2024 *JofA*.)

- a. Incorrect. By the earlier of the tax return filing date or its due date, including extensions.
- b. Incorrect. By the earlier of the tax return filing date or its due date, including extensions.
- c. Incorrect. By the earlier of the tax return filing date or its due date, including extensions.
- d. **Correct.** By the earlier of the tax return filing date or its due date, including extensions.
- e. Incorrect. By the earlier of the tax return filing date or its due date, including extensions.

## Section V. Do Names Matter? Risk and the Use of “Merger” or “Acquisition” (Page 4)

### 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 21 through 25.

### Section V Learning Objectives:

1. Learn some basic aspects related to firm mergers or acquisitions.
2. Learn some strategies to minimize risk resulting from those transactions.

### Section V Review Questions:

1. Whether firms “merge”, “join” or “combine”, what you call it can make a difference, especially in determining:
  - a. The purchase price.
  - b. Firm service offerings.
  - c. Successor liability.
  - d. Ownership of the client base.
  - e. Choice of entity.
2. Assume Firm A purchased the assets of Firm B. Two partners of Firm B retired as a result of the transaction while the remaining became partners in Firm A. Most clients also transferred to Firm A. Later, a client that transferred from Firm B files a lawsuit related to work performed prior to the “acquisition.” Who will likely be responsible for any damages?
  - a. Firm A, as the claim was filed after the acquisition.
  - b. The partners who are members of Firm A, but not the retired partners.
  - c. Firm A, as the client transferred to Firm A.
  - d. Firm B, as the claim relates to work performed by Firm B and Firm A acquired only assets.
  - e. Unfortunately, no one, as all the Firm B partners either left Firm B or retired.
3. The author warns against using the term \_\_\_\_\_ when referring to an asset purchase in internal or external communications.
  - a. Acquisition.
  - b. Merger.
  - c. Purchase.
  - d. Consolidation.
  - e. Spin-off.
4. Should claims related to the acquired firm be filed, the author recommends holding some of the purchase proceeds in an escrow account to help fund any legal defense.
  - a. True.
  - b. False.
5. The acquired firm should purchase extended professional liability insurance for what period of time?
  - a. One year from the date of purchase.
  - b. Three years from the date of purchase.
  - c. Five years from the date of purchase.
  - d. Equal to the length of the longest applicable statute of limitations.
  - e. Unlimited time period coverage.

**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 4 of the January, 2024 *JofA*.)

- a. Incorrect. Successor liability.
- b. Incorrect. Successor liability.
- c. **Correct.** Successor liability.
- d. Incorrect. Successor liability.
- e. Incorrect. Successor liability.

**Review Question 2.** (Please see page 4 of the January, 2024 *JofA*.)

- a. Incorrect. Firm B, as the claim relates to work performed by Firm B and Firm A acquired only assets.
- b. Incorrect. Firm B, as the claim relates to work performed by Firm B and Firm A acquired only assets.
- c. Incorrect. Firm B, as the claim relates to work performed by Firm B and Firm A acquired only assets.
- d. **Correct.** Firm B, as the claim relates to work performed by Firm B and Firm A acquired only assets.
- e. Incorrect. Firm B, as the claim relates to work performed by Firm B and Firm A acquired only assets.

**Review Question 3.** (Please see page 4 of the January, 2024 *JofA*.)

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

**Review Question 4:** (Please see page 5 of the January, 2024 *JofA*.)

- a. **Correct.** The author recommends placing some of the proceeds in escrow for potential claims.
- b. Incorrect. The author recommends placing some of the proceeds in escrow for potential claims.

**Review Question 5:** (Please see page 5 of the January, 2024 *JofA*.)

- a. Incorrect. Equal to the length of the longest applicable statute of limitations.
- b. Incorrect. Equal to the length of the longest applicable statute of limitations.
- c. Incorrect. Equal to the length of the longest applicable statute of limitations.
- d. **Correct.** Equal to the length of the longest applicable statute of limitations.
- e. Incorrect. Equal to the length of the longest applicable statute of limitations.

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

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

### 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 26 through 30.

### Section VI Learning Objectives:

1. Learn how auditors can use AI to increase efficiency and help minimize risk.
2. Learn some barriers to use of AI.

### Section VI Review Questions:

1. AI tools help enhance audit quality by:
  - a. More efficiently analyzing client information.
  - b. More easily identifying risk.
  - c. Greatly reducing the cost of the audit by limiting the cost of staff and technology.
  - d. a and b.
  - e. a, b and c.
2. One example of how AI can increase audit efficiency is:
  - a. It can minimize the risk of over-testing.
  - b. The AI tools are very inexpensive, reducing the cost of the audit.
  - c. The AI tools are very simple to learn and implement.
  - d. AI tools will greatly reduce staff requirements.
  - e. All of the above.
3. One CPA gave an example of how AI could transform \_\_\_\_\_ by using AI to perform that procedure early in the audit to help identify risk and address it early in the process.
  - a. Systems documentation.
  - b. Revenue testing.
  - c. Journal entry testing.
  - d. Subsequent events testing.
  - e. Payroll testing.
4. A survey revealed the top reason for not using AI technology was:
  - a. Cost.
  - b. Inability to access client data.
  - c. Client data privacy or security concerns.
  - d. Lack of training and infrastructure.
  - e. Lack of usefulness.
5. Key to AI applications is the ability for the technology to learn from information it has analyzed and applies it to future tasks to make judgments and solve problems. This capability is known as:
  - a. Adaptive technology.
  - b. Machine learning.
  - c. Artificial learning.
  - d. Robotic learning.
  - e. Data driven technology.

**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 13 of the February, 2024 *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 2.** (Please see page 13 of the February, 2024 *JofA*.)

- a. **Correct.** It can minimize the risk of over-testing.
- b. Incorrect. It can minimize the risk of over-testing.
- c. Incorrect. It can minimize the risk of over-testing.
- d. Incorrect. It can minimize the risk of over-testing.
- e. Incorrect. It can minimize the risk of over-testing.

**Review Question 3.** (Please see page 13 of the February, 2024 *JofA*.)

- a. Incorrect. Journal entry testing.
- b. Incorrect. Journal entry testing.
- c. **Correct.** Journal entry testing.
- d. Incorrect. Journal entry testing.
- e. Incorrect. Journal entry testing.

**Review Question 4:** (Please see page 14 of the February, 2024 *JofA*.)

- a. Incorrect. Lack of training and infrastructure.
- b. Incorrect. Lack of training and infrastructure.
- c. Incorrect. Lack of training and infrastructure.
- d. **Correct.** Lack of training and infrastructure.
- e. Incorrect. Lack of training and infrastructure.

**Review Question 5:** (Please see page 15 of the February, 2024 *JofA*.)

- a. Incorrect. Machine learning.
- b. **Correct.** Machine learning.
- c. Incorrect. Machine learning.
- d. Incorrect. Machine learning.
- e. Incorrect. Machine learning.

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

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

### 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 31 through 35.

### Section VII Learning Objectives:

1. Learn about the revisions to the AICPA tax practice standards.
2. Learn some aspects of Circular 230 and federal statutes.

### Section VII Review Questions:

1. The revised Statements on Standards for Tax Services (SSTS) effective date is:
  - a. Jan. 1, 2023.
  - b. Dec. 15, 2023.
  - c. Jan. 1, 2024.
  - d. Dec. 15, 2024.
  - e. Dec. 31, 2024.
2. The revisions to the SSTSs include:
  - a. Reiterating the requirement to exercise due diligence and professional judgment in advising on tax positions.
  - b. Reiterating the requirement to advise about potential tax return penalties and processes to avoid them.
  - c. Confirming the ability to advise clients to rely on the “audit lottery” when considering a tax position.
  - d. a and b.
  - e. a, b and c.
3. New standards were added addressing:
  - a. Data protection.
  - b. Representation services.
  - c. Reliance on tools.
  - d. a and c.
  - e. a, b and c.
4. Circular 230 grants the IRS the authority to regulate tax return preparers.
  - a. True.
  - b. False.
5. Sec. 7216 imposes financial penalties for:
  - a. Knowing or reckless disclosure or misuse of certain information.
  - b. Failure to sign a tax return.
  - c. Late filing a tax return.
  - d. Failure to provide a copy of the tax return to the client.
  - e. Using information gathered for the federal tax return to prepare the state tax return.

**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 19 of the February, 2024 *JofA*.)

- a. Incorrect. Jan. 1, 2024.
- b. Incorrect. Jan. 1, 2024.
- c. **Correct.** Jan. 1, 2024.
- d. Incorrect. Jan. 1, 2024.
- e. Incorrect. Jan. 1, 2024.

**Review Question 2.** (Please see page 20 of the February, 2024 *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 3.** (Please see page 20 of the February, 2024 *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 21 of the February, 2024 *JofA*.)

- a. Incorrect. False. The IRS cannot regulate tax return preparers.
- b. **Correct.** False. The IRS cannot regulate tax return preparers.

**Review Question 5:** (Please see page 22 of the February, 2024 *JofA*.)

- a. **Correct.** Knowing or reckless disclosure or misuse of certain information.
- b. Incorrect. Knowing or reckless disclosure or misuse of certain information.
- c. Incorrect. Knowing or reckless disclosure or misuse of certain information.
- d. Incorrect. Knowing or reckless disclosure or misuse of certain information.
- e. Incorrect. Knowing or reckless disclosure or misuse of certain information.

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

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

### **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 36 through 40.

### **Section VIII Learning Objectives:**

1. Learn about the accountant's responsibilities related to fraud in an assurance engagement.
2. Compare the accountant's responsibilities to those of management.

### **Section VIII Review Questions:**

1. The accountant's responsibilities relating to fraud depend upon:
  - a. The size of the client.
  - b. The perceived inherent risk of the client.
  - c. The type of engagement being performed.
  - d. The client's type of business.
  - e. An evaluation of the client's internal controls.
2. When performing \_\_\_\_\_ the accountant obtains an engagement letter from the client which acknowledges management's responsibility for the prevention and detection of fraud.
  - a. An audit.
  - b. A review.
  - c. A compilation.
  - d. a and b.
  - e. a, b and c.
3. If during a review engagement there are indications that fraud has or might have occurred, the accountant is required to communicate that fact as soon as practical to:
  - a. Appropriate authorities (law enforcement, IRS, state agencies, etc).
  - b. Those suspected of the fraud, to clarify whether the acts were intentional or errors.
  - c. The appropriate level of senior management.
  - d. Human resources.
  - e. The most senior officer, generally the CEO.
4. Because of the accountant's legal and ethical obligations regarding confidentiality, the accountant may consult legal counsel before discussing with:
  - a. Parties outside the entity.
  - b. Members of the audit team.
  - c. The appropriate level of senior management.
  - d. Human resources.
  - e. The most senior officer, generally the CEO.
5. The author recommends the auditor consider the fraud-risk triangle, the elements of which include opportunity, incentive and:
  - a. High level of authority of the employee.
  - b. High number of years of service.
  - c. Ability to commit fraud.
  - d. A basis to rationalize or justify fraud.
  - e. Profitability of the company.

**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 25 of the February, 2024 *JofA*.)

- a. Incorrect. The type of engagement being performed.
- b. Incorrect. The type of engagement being performed.
- c. **Correct.** The type of engagement being performed.
- d. Incorrect. The type of engagement being performed.
- e. Incorrect. The type of engagement being performed.

**Review Question 2.** (Please see page 25 of the February, 2024 *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 3.** (Please see page 25 of the February, 2024 *JofA*.)

- a. Incorrect. The appropriate level of senior management.
- b. Incorrect. The appropriate level of senior management.
- c. **Correct.** The appropriate level of senior management.
- d. Incorrect. The appropriate level of senior management.
- e. Incorrect. The appropriate level of senior management.

**Review Question 4:** (Please see page 25 of the February, 2024 *JofA*.)

- a. **Correct.** Parties outside the entity.
- b. Incorrect. Parties outside the entity.
- c. Incorrect. Parties outside the entity.
- d. Incorrect. Parties outside the entity.
- e. Incorrect. Parties outside the entity.

**Review Question 5:** (Please see page 27 of the February, 2024 *JofA*.)

- a. Incorrect. A basis to rationalize or justify fraud.
- b. Incorrect. A basis to rationalize or justify fraud.
- c. Incorrect. A basis to rationalize or justify fraud.
- d. **Correct.** A basis to rationalize or justify fraud.
- e. Incorrect. A basis to rationalize or justify fraud.

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

### 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 41 through 45.

### Section IX Learning Objectives:

1. Learn how data analytics can be used during an audit engagement.
2. Learn about some challenges or barriers to use.

### Section IX Review Questions:

1. Tools that can be used to perform data analytics can include:
  - a. Spreadsheet software, such as Excel.
  - b. Advanced machine learning models.
  - c. Advanced artificial intelligence models.
  - d. a, b and c.
  - e. b and c only.
2. Some uses of data analytics in an audit can include:
  - a. Risk assessment.
  - b. Staff performance evaluations.
  - c. Completeness testing.
  - d. a, b and c.
  - e. a and c only.
3. One CPA firm developed data visualization dashboards that provide correlations between KPIs (key performance indicators) and risk that makes it easier to:
  - a. Determine whether unusual transactions are errors or fraud.
  - b. Identify the time period when an unusual transaction has occurred.
  - c. Identify overcharging by vendors.
  - d. Evaluate the competency of the client's employees.
  - e. Evaluate going concern issues.
4. Before availability of data analytics, auditors used traditional methods that included:
  - a. Inquiries.
  - b. Observation and inspection.
  - c. Analytical reviews without much technology assistance.
  - d. a and b.
  - e. a, b and c.
5. The second most cited reason in a survey of auditors for not using technology was:
  - a. Lack of training and infrastructure.
  - b. Technology is not useful.
  - c. Inability to access data.
  - d. Technology is difficult to use.
  - e. Technology is too expensive.

**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 21 of the March, 2024 *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. a, b and c are correct.

**Review Question 2.** (Please see page 22 of the March, 2024 *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 and c only.
- e. **Correct.** a and c only.

**Review Question 3.** (Please see page 22 of the March, 2024 *JofA*.)

- a. Incorrect. Identify the time period when an unusual transaction has occurred.
- b. **Correct.** Identify the time period when an unusual transaction has occurred.
- c. Incorrect. Identify the time period when an unusual transaction has occurred.
- d. Incorrect. Identify the time period when an unusual transaction has occurred.
- e. Incorrect. Identify the time period when an unusual transaction has occurred.

**Review Question 4:** (Please see page 23 of the March, 2024 *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 24 of the March, 2024 *JofA*.)

- a. Incorrect. Technology is not useful.
- b. **Correct.** Technology is not useful.
- c. Incorrect. Technology is not useful.
- d. Incorrect. Technology is not useful.
- e. Incorrect. Technology is not useful.

## Section X. Tax Matters (Page 32)

### Section X 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 X Learning Objectives:

1. Learn from a court case about the tax treatment of hobby revenue and expenses.
2. Learn about some challenges or barriers to use.

### Section X Review Questions:

1. Carl and Leila Gregory formed a corporation, CLC Ventures, Ltd., to own and charter a yacht. The Gregory's did not dispute that CLC's activities were not engaged for a profit. How did the IRS classify the expenses?
  - a. Business expenses.
  - b. Nondeductible personal expenses.
  - c. Hobby expenses.
  - d. Corporate expenses.
  - e. Expenses related to self-employment income.
2. Sec. 183 addresses reporting of hobby expenses. Under Sec. 183(b)(2) the deduction for hobby expenses are:
  - a. Never allowed.
  - b. Allowed to the extent of gross income from the activity (after other allowable deductions).
  - c. Fully deductible.
  - d. Are deductible to the extent of the total gross income of the taxpayer.
  - e. Are deductible to the extent of the taxable income of the taxpayer.
3. The court stated that Sec. 183(b)(2) specifies the amount of the deduction, but not the “kind” or specifically where the deduction is claimed.
  - a. True.
  - b. False.
4. In the case of *Mylan, Inc.* the court held that patent infringement litigation expenses resulting from an abbreviated new drug application (ANDA):
  - a. Must be capitalized and amortized over 5 years.
  - b. Must be capitalized and amortized over 10 years.
  - c. Must be capitalized and amortized over 15 years.
  - d. Are fully deductible as ordinary and necessary business expenses.
  - e. Must be capitalized with no deduction until the drug reaches generic status.
5. The main issue before the court was:
  - a. Whether amounts paid “facilitate” the acquisition or creation of an intangible asset.
  - b. Whether amounts paid “facilitate” the manufacturing of an intangible asset.
  - c. Whether amounts paid “facilitate” the sale or distribution of an intangible asset.
  - d. a and b.
  - e. a, b and c.

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

## Section X Solutions and Suggested Responses to Review Questions:

**Review Question 1.** (Please see page 32 of the March, 2024 *JofA*.)

- a. Incorrect. Hobby expenses.
- b. Incorrect. Hobby expenses.
- c. **Correct.** Hobby expenses.
- d. Incorrect. Hobby expenses.
- e. Incorrect. Hobby expenses.

**Review Question 2.** (Please see page 32 of the March, 2024 *JofA*.)

- a. Incorrect. Allowed to the extent of gross income from the activity (after other allowable deductions).
- b. **Correct.** Allowed to the extent of gross income from the activity (after other allowable deductions).
- c. Incorrect. Allowed to the extent of gross income from the activity (after other allowable deductions).
- d. Incorrect. Allowed to the extent of gross income from the activity (after other allowable deductions).
- e. Incorrect. Allowed to the extent of gross income from the activity (after other allowable deductions).

**Review Question 3.** (Please see page 32/33 of the March, 2024 *JofA*.)

- a. **Correct.** True.
- b. Incorrect. True.

**Review Question 4:** (Please see page 33 of the March, 2024 *JofA*.)

- a. Incorrect. Are fully deductible as ordinary and necessary business expenses.
- b. Incorrect. Are fully deductible as ordinary and necessary business expenses.
- c. Incorrect. Are fully deductible as ordinary and necessary business expenses.
- d. **Correct.** Are fully deductible as ordinary and necessary business expenses.
- e. Incorrect. Are fully deductible as ordinary and necessary business expenses.

**Review Question 5:** (Please see page 34 of the March, 2024 *JofA*.)

- a. **Correct.** Whether amounts paid “facilitate” the acquisition or creation of an intangible asset.
- b. Incorrect. Whether amounts paid “facilitate” the acquisition or creation of an intangible asset.
- c. Incorrect. Whether amounts paid “facilitate” the acquisition or creation of an intangible asset.
- d. Incorrect. Whether amounts paid “facilitate” the acquisition or creation of an intangible asset.
- e. Incorrect. Whether amounts paid “facilitate” the acquisition or creation of an intangible asset.