

“Of life's two certainties, there is only one for which you can receive an automatic extension.”

... Anonymous

**Supplementary Study Guide/Syllabus to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy***

Second Quarter (Apr – Jun), 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* – Apr., 2024:

Section I. Help Reduce Risk with Formal Client Onboarding (Page 4)

Section II. GenAI for Accountants (Page 8)

Section III. Managing Change in Audit Technology Transformation (Page 27)

Sections IV-VI and Exam Questions 21 - 35 Relate to the *Journal of Accountancy* – May, 2024:

Section IV. AI and Fraud: What CPAs Should Know (Page 7)

Section V. Tracking the Top Trends in Fraud (Page 12)

Section VI. Time for a Tax Practice Tune-Up (Page 16)

Sections VII-IX and Exam Questions 35 - 50 Relate to the *Journal of Accountancy* – Jun, 2024:

Section VII. Falling Hurts; So Does Litigation (Page 4)

Section VIII. Why Sustainability Information Matters to CPAs (Page 22)

Section IX. How Auditors Can Apply a Forensic-Like Approach to Fraud (Page 36)

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

Section I. Help Reduce Risk with Formal Client Onboarding (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 onboarding strategies and how they can avoid misunderstandings and risk.
2. Consider how these strategies may improve your practice or business.

Section I Review Questions:

1. Many professional liability claims include some sort of:
 - a. Misunderstanding.
 - b. Miscommunication.
 - c. Misrepresentation.
 - d. a and b.
 - e. a, b and c.
2. Onboarding:
 - a. Communicates norms a client can expect when dealing with your firm.
 - b. Is the process of entering all the client information in the firm billing system.
 - c. Is essentially the “sales pitch” to a potential client.
 - d. Is the process of selling new services to existing clients.
 - e. Is the process of staying “in touch” with existing clients by newsletter and “courtesy calls.
3. Misunderstandings occur when:
 - a. The CPA makes use of engagement letters.
 - b. Clients are also friends or relatives.
 - c. There are expectation gaps at critical junctures of the engagement.
 - d. Firms decline an engagement.
 - e. All of the above.
4. Miscommunications tend to lead to:
 - a. Additional fees.
 - b. Additional services.
 - c. Improved client satisfaction.
 - d. Unnecessary crises.
 - e. Peer review issues.
5. Onboarding may identify a problem client before services begin.
 - a. True.
 - b. False.

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 April, 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.

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

- a. **Correct.** Communicates norms a client can expect when dealing with your firm.
- b. Incorrect. Communicates norms a client can expect when dealing with your firm.
- c. Incorrect. Communicates norms a client can expect when dealing with your firm.
- d. Incorrect. Communicates norms a client can expect when dealing with your firm.
- e. Incorrect. Communicates norms a client can expect when dealing with your firm.

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

- a. Incorrect. There are expectation gaps at critical junctures of the engagement.
- b. Incorrect. There are expectation gaps at critical junctures of the engagement.
- c. **Correct.** There are expectation gaps at critical junctures of the engagement.
- d. Incorrect. There are expectation gaps at critical junctures of the engagement.
- e. Incorrect. There are expectation gaps at critical junctures of the engagement.

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

- a. Incorrect. Unnecessary crises.
- b. Incorrect. Unnecessary crises.
- c. Incorrect. Unnecessary crises.
- d. **Correct.** Unnecessary crises.
- e. Incorrect. Unnecessary crises.

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

- a. **Correct.** Onboarding may identify a problem client before services begin.
- b. Incorrect. Onboarding may identify a problem client before services begin.

Section II. GenAI for Accountants: 10 Prompt Writing Tips (Page 8)

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 15.

Section II Learning Objectives:

1. Learn some ways prompts can be altered to achieve better results.
2. Consider how GenAI could be applied in your firm.

Section II Review Questions:

1. "GenAI" is short for:
 - a. Generated artificial intelligence.
 - b. Generative acquired intelligence.
 - c. General automated intelligence.
 - d. Generative artificial intelligence.
 - e. Generative acquired intellect.
2. Some of the uses for GenAI listed by the author include:
 - a. Drafting emails.
 - b. Analyzing spreadsheets.
 - c. Administering employee drug screenings.
 - d. a, b and c.
 - e. a and b only.
3. The skill for writing instructions for GenAI requests can sometimes be known as:
 - a. Cue structure.
 - b. Prompt crafting.
 - c. Command structure.
 - d. Prompt composing.
 - e. Job crafting.
4. One CPA states that a key to getting useful results is by:
 - a. Defining expectations.
 - b. Identifying the best searchable database.
 - c. Using short prompts.
 - d. Requesting specific, limited information.
 - e. Providing a list of possible answers to requests.
5. One simple strategy to enhance results is to request multiple responses to the prompt.
 - a. True. Multiple responses increases the variety of information.
 - b. False. Multiple responses are nearly always just duplicates.
6. Another strategy to refine responses is to _____, by asking additional instructions after the AI has returned an initial response.
 - a. Ask for documentation.
 - b. Restrict the number of revisions.
 - c. Limit the number of prompts.
 - d. Use GenAI as an editor
 - e. Try multiple revisions.

7. GenAI may be used to edit existing content. The author warns to watch for:
 - a. Duplicate results.
 - b. Omissions and oversights.
 - c. Multiple revisions.
 - d. Plagiarism.
 - e. Conflicting results.
8. One open question is whether AI generated content can be copyrighted?
 - a. True.
 - b. False.
9. The most obvious way to interact with GenAI tools is:
 - a. Voice activation.
 - b. Type into a chat box.
 - c. Upload an “instruction” document.
 - d. Responding to the “help bot.”
 - e. None of the above.
10. Some GenAI tools have strict limits, for example, a ChatGPT conversation is self-contained, meaning:
 - a. The chat thread can only access specified databases.
 - b. The chat thread cannot be saved or recalled.
 - c. A new thread will not be able to access it any of the information the user provided in a previous thread.
 - 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 9 of the April, 2024 *JofA*.)

- a. Incorrect. Generative artificial intelligence.
- b. Incorrect. Generative artificial intelligence.
- c. Incorrect. Generative artificial intelligence.
- d. **Correct.** Generative artificial intelligence.
- e. Incorrect. Generative artificial intelligence.

Review Question 2. (Please see page 9 of the April, 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, but not c.
- d. Incorrect. a and b are correct, but not c.
- e. **Correct.** a and b are correct, but not c.

Review Question 3. (Please see page 9 of the April, 2024 *JofA*.)

- a. Incorrect. Prompt crafting.
- b. **Correct.** Prompt crafting.
- c. Incorrect. Prompt crafting.
- d. Incorrect. Prompt crafting.
- e. Incorrect. Prompt crafting.

Review Question 4. (Please see page 10 of the April, 2024 *JofA*.)

- a. **Correct.** Defining expectations..
- b. Incorrect. Defining expectations.
- c. Incorrect. Defining expectations.
- d. Incorrect. Defining expectations.
- e. Incorrect. Defining expectations.

Review Question 5. (Please see page 11 of the April, 2024 *JofA*.)

- a. **Correct.** True. Multiple responses increases the variety of information.
- b. Incorrect. True. Multiple responses increases the variety of information.

Review Question 6. (Please see page 11 of the April, 2024 *JofA*.)

- a. Incorrect. Try multiple revisions.
- b. Incorrect. Try multiple revisions.
- c. Incorrect. Try multiple revisions.
- d. Incorrect. Try multiple revisions.
- e. **Correct.** Try multiple revisions.

Review Question 7. (Please see page 11 of the April, 2024 *JofA*.)

- a. Incorrect. Omissions and oversight.
- b. **Correct.** Omissions and oversight.
- c. Incorrect. Omissions and oversight.
- d. Incorrect. Omissions and oversight.
- e. Incorrect. Omissions and oversight.

Review Question 8. (Please see page 12 of the April, 2024 *JofA*.)

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

Review Question 9. (Please see pages 12 of the April, 2024 *JofA*.)

- a. Incorrect. Type into a chat box.
- b. **Correct.** Type into a chat box.
- c. Incorrect. Type into a chat box.
- d. Incorrect. Type into a chat box.
- e. Incorrect. Type into a chat box.

Review Question 10. (Please see page 12 of the April, 2024 *JofA*.)

- a. Incorrect. A new thread will not be able to access it any of the information the user provided in a previous thread.
- b. Incorrect. A new thread will not be able to access it any of the information the user provided in a previous thread.
- c. **Correct.** A new thread will not be able to access it any of the information the user provided in a previous thread.
- d. Incorrect. A new thread will not be able to access it any of the information the user provided in a previous thread.
- e. Incorrect. A new thread will not be able to access it any of the information the user provided in a previous thread.

Section III. Managing Change in Audit Technology Transformation (Page 27)

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 how some firms manage change in audit technology despite staff change fatigue.
2. Consider how these tips may apply to your audit practice or other areas.

Section III Review Questions:

1. In a 2022 survey, ____ of workers were willing to support organizational change.
 - a. 85%.
 - b. 74%.
 - c. 55%.
 - d. 38%.
 - e. 22%.
2. Critical to a successful significant audit technology transformation is:
 - a. Communicating a clear vision.
 - b. A very quick implementation.
 - c. Implementing the technologies to all clients, regardless of differences in systems or capabilities.
 - d. Minimal disclosure to the staff to reduce questions.
 - e. Using a third party to manage the transformation.
3. To test proposed audit technology before purchase, one CPA recommends performing a dry run with:
 - a. A new client's initial audit.
 - b. A small client still using manual accounting ledgers.
 - c. A client using older accounting software.
 - d. A client whose system is already in the cloud.
 - e. The firm's largest, most complicated client to determine the software is fully capable.
4. After performing a dry run, the firm should next consider:
 - a. Whether the platform under consideration will work well for other clients.
 - b. Training clients on the use of the platform.
 - c. Assessment of the platform's data security capabilities.
 - d. a, b and c.
 - e. a and c only.
5. To help identify and address “pain points” early, one CPA recommends including _____ in the planning.
 - a. Clients.
 - b. Senior leadership.
 - c. Those least likely to embrace the change.
 - d. An outside consultant.
 - e. The software vendor.

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

Section III Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 27 of the April, 2024 *JofA*.)

- a. Incorrect. 38%.
- b. Incorrect. 38%.
- c. Incorrect. 38%.
- d. **Correct.** 38%.
- e. Incorrect. 38%.

Review Question 2. (Please see page 27 of the April, 2024 *JofA*.)

- a. **Correct.** Communicating a clear vision.
- b. Incorrect. Communicating a clear vision.
- c. Incorrect. Communicating a clear vision.
- d. Incorrect. Communicating a clear vision.
- e. Incorrect. Communicating a clear vision.

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

- a. Incorrect. A client whose system is already in the cloud.
- b. Incorrect. A client whose system is already in the cloud.
- c. Incorrect. A client whose system is already in the cloud.
- d. **Correct.** A client whose system is already in the cloud.
- e. Incorrect. A client whose system is already in the cloud.

Review Question 4. (Please see page 28 of the April, 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 5. (Please see page 29 of the April, 2024 *JofA*.)

- a. Incorrect. Those least likely to embrace the change.
- b. Incorrect. Those least likely to embrace the change.
- c. **Correct.** Those least likely to embrace the change.
- d. Incorrect. Those least likely to embrace the change.
- e. Incorrect. Those least likely to embrace the change.

Section IV. AI and Fraud: What CPAs Should Know (Page 7)

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 how AI is being used by scammers to commit fraud.
2. Learn some strategies, including use of AI, to prevent or detect fraud.

Section IV Review Questions:

1. Some examples of traditional fraud schemes being updated by fraudsters using AI include:
 - a. Executive impersonation scams that can now use deepfake voicemail or video messages.
 - b. AI-created falsified documents that appear convincingly realistic.
 - c. A “phishing” attack using accurate family member information, photos or even voice mimicking.
 - d. a and b.
 - e. a, b and c.
2. The most popular method to create an AI model to help identify scams is
 - a. RAG (retrieval automated generation).
 - b. RAG (retrieval augmented generation).
 - c. RAG (regenerative artificial generation).
 - d. RAG (regimented augmented generation).
 - e. RAG (retrieval automated graphics).
3. AI technology can detect or prevent fraud through:
 - a. Pattern recognition.
 - b. Evaluating system and process security.
 - c. Evaluating certain employee bio-metrics, similar to traditional polygraph machines.
 - d. a, b and c.
 - e. a and b only.
4. Using pattern detection technology and machine learning capabilities to detect anomalous transactions and avoid fraud, _____ have lead the way in this area.
 - a. The Internal Revenue Service.
 - b. Banks and financial institutions.
 - c. State and local governments.
 - d. Tax exempt entities.
 - e. Law firms.
5. The author recommends establishing firm-specific standards for use and development of AI and refers to helpful resources, including principals developed by:
 - a. The United Nations Advisory Body.
 - b. The Center for AI and Digital Policy's *Universal Guide for AI*.
 - c. The US Commerce Department's *AI Standards Guide*.
 - d. a, b and c.
 - e. a and b.

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 7 of the May, 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.

Review Question 2. (Please see page 7 of the May, 2024 *JofA*.)

- a. Incorrect. RAG (retrieval augmented generation).
- b. **Correct.** RAG (retrieval augmented generation).
- c. Incorrect. RAG (retrieval augmented generation).
- d. Incorrect. RAG (retrieval augmented generation).
- e. Incorrect. RAG (retrieval augmented generation).

Review Question 3. (Please see page 9 of the May, 2024 *JofA*.)

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

Review Question 4. (Please see page 9 of the May, 2024 *JofA*.)

- a. Incorrect. Banks and financial institutions.
- b. **Correct.** Banks and financial institutions.
- c. Incorrect. Banks and financial institutions.
- d. Incorrect. Banks and financial institutions.
- e. Incorrect. Banks and financial institutions.

Review Question 5. (Please see pages 10 of the May, 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. Incorrect. a and b are correct.
- e. **Correct.** a and b are correct.

Section V. Tracking the Top Trends in Fraud (Page 12)

Section V Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives* stated below.
2. Answer our Review Questions that have been designed to provide an interactive learning experience.
3. Study the Solutions and Suggested Responses to the Review Questions.
4. Answer Final Exam questions 26 through 30.

Section V Learning Objectives:

1. Learn some fraud schemes businesses may encounter.
2. Learn some strategies to detect and prevent fraudulent schemes.
3. Consider how these strategies may help your clients or business.

Section V Review Questions:

1. In times of high credit card debt and individual consumer loan debt, one CPA stated:
 - a. It indicates a strong economy and fraud is less of a risk factor.
 - b. It indicates a coming economic weakening that would prompt a workforce reduction.
 - c. That some people may face financial pressures that could result in employee fraud.
 - d. Businesses should consider reducing credit card acceptance.
 - e. Businesses should offer customers in-house financing to earn interest on their sales.
2. CPAs can help accounts payable departments learn to recognize questionable transactions and use data analytics to flag scenarios where vendors have _____ or other discrepancies:
 - a. Similar names.
 - b. The same addresses.
 - c. Multiple invoices.
 - d. Invoice amounts with even numbers.
 - e. A PO box address to receive payments.
3. One CPA found that revenue recognition fraud was found more at companies that are:
 - a. Publicly traded.
 - b. Required to have an annual audit.
 - c. Declining in mature industries.
 - d. Growing and have not updated controls and processes for financial reporting.
 - e. Small, closely-held businesses.
4. Ransomware schemes rarely cause significant financial or operational disruption.
 - a. True.
 - b. False.
5. Some of the frauds associated with disaster relief can include:
 - a. Fake charities asking for donations.
 - b. Fake claim adjusters assessing damage claims.
 - c. Contractors taking payments but not completing work as promised.
 - d. a, b and c.
 - e. a and c only.

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

Section V Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 13 of the May, 2024 *JofA*.)

- a. Incorrect. That some people may face financial pressures that could result in employee fraud.
- b. Incorrect. That some people may face financial pressures that could result in employee fraud.
- c. **Correct.** That some people may face financial pressures that could result in employee fraud.
- d. Incorrect. That some people may face financial pressures that could result in employee fraud.
- e. Incorrect. That some people may face financial pressures that could result in employee fraud.

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

- a. Incorrect. The same addresses.
- b. **Correct.** The same addresses.
- c. Incorrect. The same addresses.
- d. Incorrect. The same addresses.
- e. Incorrect. The same addresses.

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

- a. Incorrect. Growing and have not updated controls and processes for financial reporting.
- b. Incorrect. Growing and have not updated controls and processes for financial reporting.
- c. Incorrect. Growing and have not updated controls and processes for financial reporting.
- d. **Correct.** Growing and have not updated controls and processes for financial reporting.
- e. Incorrect. Growing and have not updated controls and processes for financial reporting.

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

- a. Incorrect. False. “The numbers are staggering.”
- b. **Correct.** False. “The numbers are staggering.”

Review Question 5: (Please see page 14 of the May, 2024 *JofA*.)

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

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

Section VI. Time for a Tax Practice Tune-Up (Page 16)

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 35.

Section VI Learning Objectives:

1. Learn which issues the experts addressed as a result of a “postmortem” review.
2. Consider how such reviews could be useful in your practice or organization.

Section VI Review Questions:

1. According to one CPA, after every “busy season,” the _____ department is reviewed.
 - a. Tax.
 - b. Audit.
 - c. Accounting.
 - d. a, b and c.
 - e. a and b only.
2. For one firm, the biggest challenge with extended income tax returns was:
 - a. Determining the amount of tax due, if any.
 - b. Clients were late bringing in their tax information.
 - c. Getting employees re-engaged to finish the tax returns soon after the busy season.
 - d. Getting appropriate management approvals once the staff completed the work.
 - e. Staff resistance to working on tax returns so soon after the busy season.
3. After evaluating clients as to whether they were still a good fit, one firm eliminated 5 to 10% of their client base, which resulted in a drop in fee revenue of:
 - a. 0%.
 - b. 1%.
 - c. 5%.
 - d. 7.5%
 - e. 10%
4. To improve the tax season process, one firm had to “educate” clients regarding:
 - a. Rules of engagement.
 - b. Deadlines for submitting information to the firm.
 - c. Acceptable forms of fee payment.
 - d. a, b and c.
 - e. a and b only.
5. In terms of using compensation to motivate employees, one firm has struggled to figure out a discretionary bonus plans that motivates.
 - a. True.
 - b. False.

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 17 of the May, 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.
- e. Incorrect. a, b and c.

Review Question 2. (Please see page 18 of the May, 2024 *JofA*.)

- a. Incorrect. Getting employees re-engaged to finish the tax returns soon after the busy season.
- b. Incorrect. Getting employees re-engaged to finish the tax returns soon after the busy season.
- c. **Correct.** Getting employees re-engaged to finish the tax returns soon after the busy season.
- d. Incorrect. Getting employees re-engaged to finish the tax returns soon after the busy season.
- e. Incorrect. Getting employees re-engaged to finish the tax returns soon after the busy season.

Review Question 3. (Please see page 18 of the May, 2024 *JofA*.)

- a. Incorrect. 1%
- b. **Correct.** 1%
- c. Incorrect. 1%
- d. Incorrect. 1%
- e. Incorrect. 1%

Review Question 4: (Please see page 19 of the May, 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 only.
- d. Incorrect. a and b only.
- e. **Correct.** a and b only.

Review Question 5: (Please see page 20 of the May, 2024 *JofA*.)

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

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

Section VII. Falling Hurts; So Does Litigation (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 the elements of negligence that must be met in litigation.
2. Learn some basic aspects of trial procedure.
3. Consider the author's advice on how to minimize risks of negligence.

Section VII Review Questions:

1. Which of the following might a judge or jury consider when deciding if a CPA's actions met the appropriate standard of care the client should have received?
 - a. Were the actions (or lack of actions) reasonable under the circumstances?
 - b. Were the actions (or lack of actions) consistent with professional standards?
 - c. What findings were determined in prior cases that had similar facts?
 - d. a, b and c.
 - e. a and b only.
2. According to the author, violation of professional or ethical standards is always considered a breach of duty.
 - a. True.
 - b. False.
3. Which of the following can be true about damages?
 - a. They are the measurable loss of money or value.
 - b. They are a foreseeable outcome of the error or omission.
 - c. They can be speculative.
 - d. a and b.
 - e. a, b and c.
4. In litigation involving accounting services, experts on both sides can be brought in to evaluate the CPA's work and give an opinion on whether the work satisfied the duty of care. Information gathered from experts will be available to the other side during:
 - a. The complaint process.
 - b. Discovery.
 - c. Pre-trial mediation.
 - d. The trial.
 - e. The appeals process.
5. The author warns that juries in professional liability cases can be unpredictable in their decisions because:
 - a. Juries can be unforgiving, expecting CPA services to be flawless.
 - b. The trials can be complex with understanding the law, professional standards and complex testimony and evidence.
 - c. Often attorneys or CPAs, who could provide some guidance or context to the proceedings, are often not on the jury.
 - d. a, b and c.
 - e. b and c only.

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 June, 2024 *JofA*.)

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

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

- a. Incorrect. Professional and ethical standards violations are often a violation of duty, but not by law.
- b. **Correct.** Professional and ethical standards violations are often a violation of duty, but not by law.

Review Question 3. (Please see page 5 of the June, 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 4: (Please see page 5 of the June, 2024 *JofA*.)

- a. Incorrect. The work of experts is shared during discovery.
- b. **Correct.** The work of experts is shared during discovery.
- c. Incorrect. The work of experts is shared during discovery.
- d. Incorrect. The work of experts is shared during discovery.
- e. Incorrect. The work of experts is shared during discovery.

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

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

Section VIII. Why Sustainability Information Matters to CPAs (Page 22)

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 about some elements of ESG reporting and requirements.
2. Consider how ESG requirements may affect your clients or business.

Section VIII Review Questions:

1. ESG stands for:
 - a. Environmental, sustainability and governance.
 - b. Equity, social and governance.
 - c. Environmental, social and governance.
 - d. Equity, social and governance.
 - e. Equity, sustainability and governance.
2. In March, 2024, the _____ adopted a new rule that includes greenhouse gas emissions disclosure requirements, including the requirement to obtain independent assurance for the numbers reported.
 - a. Financial Accounting Standards Board (FASB).
 - b. Auditing Standards Board (ASB).
 - c. Internal Revenue Service.
 - d. Securities and Exchange Commission (SEC).
 - e. International Accounting Standards Board (IASB).
3. In the US, in addition to the SEC, _____ has issued ESG requirements.
 - a. The state of New York.
 - b. The state of California.
 - c. The New York Stock Exchange.
 - d. Nasdaq.
 - e. The Chicago Board of Trade.
4. Greenhouse gas emissions are reported in three categories:
 - a. Scope 1, Scope 2 and Scope 3.
 - b. Level 1, Level 2 and Level 3.
 - c. Category A, Category B and Category C.
 - d. Class I, Class II and Class III.
 - e. Tier 1, Tier 2 and Tier 3.
5. According to a survey from the Nasdaq Center for Board Excellence _____ of board members said a coherent ESG strategy with clear priorities helps create organizational value and stronger financial outcomes.
 - a. 20%.
 - b. 35%.
 - c. 60%.
 - d. 75%.
 - e. 90%.

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 22 of the June, 2024 *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 23 of the June, 2024 *JofA*.)

- a. Incorrect. Securities and Exchange Commission (SEC).
- b. Incorrect. Securities and Exchange Commission (SEC).
- c. Incorrect. Securities and Exchange Commission (SEC).
- d. **Correct.** Securities and Exchange Commission (SEC).
- e. Incorrect. Securities and Exchange Commission (SEC).

Review Question 3. (Please see page 24 of the June, 2024 *JofA*.)

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

Review Question 4: (Please see page 26 of the June, 2024 *JofA*.)

- a. **Correct.** Scope 1, Scope 2 and Scope 3.
- b. Incorrect. Scope 1, Scope 2 and Scope 3.
- c. Incorrect. Scope 1, Scope 2 and Scope 3.
- d. Incorrect. Scope 1, Scope 2 and Scope 3.
- e. Incorrect. Scope 1, Scope 2 and Scope 3.

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

- a. Incorrect. 75%.
- b. Incorrect. 75%.
- c. Incorrect. 75%.
- d. **Correct.** 75%.
- e. Incorrect. 75%.

Section IX. Auditors Can Apply a Forensic-Like Approach to Fraud (Page 36)

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. Learn from some professionals who provide forensic services or support audit teams in fraud-related matters.
2. Consider how this information may be useful in your practice or business.

Section IX Review Questions:

1. The article is based upon interviews conducted as part of a project for potential revisions to:
 - a. AU-C Sec. 210, *Fraud Reporting in a Financial Statement Audit*.
 - b. AU-C Sec. 220, *Quality Control for an Audit Conducted in Accordance with GAAS*.
 - c. AU-C Sec. 230, *Audit Documentation*.
 - d. AU-C Sec. 240, *Consideration of Fraud in a Financial Statement Audit*.
 - e. AU-C Sec. 250, *Consideration of Laws and Regulations in a Financial Statement Audit*.
2. Avoiding past practices, checklists and the same sources of easily available information may help the auditor to avoid _____ bias:
 - a. Familiarity.
 - b. Expectation.
 - c. Availability.
 - d. a, b and c.
 - e. a and c only.
3. Following the audit trail and building documentation-based support for a client's explanations, rather than rely upon inquiry alone is an example of _____.
 - a. Familiarity bias.
 - b. Availability bias.
 - c. The "show me" strategy.
 - d. Audit bias.
 - e. Expectation bias.
4. AU-C Sec. 240 contains several fraud specific matters that should be addressed during fraud "brainstorming" discussions, including:
 - a. How could management perpetuate and conceal fraudulent financial reporting?
 - b. How could assets be misappropriated?
 - c. Are there internal or external pressures for management to commit fraud?
 - d. a and b.
 - e. a, b and c.
5. Based upon the interviews, inquiries should be conducted with accounting personnel only, as non-accounting and operations personnel would have little of value to offer the audit team.
 - a. True.
 - b. False.

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 37 of the June, 2024 *JofA*.)

- a. Incorrect. AU-C Sec. 240, *Consideration of Fraud in a Financial Statement Audit*.
- b. Incorrect. AU-C Sec. 240, *Consideration of Fraud in a Financial Statement Audit*.
- c. Incorrect. AU-C Sec. 240, *Consideration of Fraud in a Financial Statement Audit*.
- d. **Correct.** AU-C Sec. 240, *Consideration of Fraud in a Financial Statement Audit*.
- e. Incorrect. AU-C Sec. 240, *Consideration of Fraud in a Financial Statement Audit*.

Review Question 2. (Please see page 37 of the June, 2024 *JofA*.)

- a. Incorrect. This is part of, but not the most complete answer.
- b. Incorrect. a and c only.
- 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 38 of the June, 2024 *JofA*.)

- a. Incorrect. The “show me” strategy.
- b. Incorrect. The “show me” strategy.
- c. **Correct.** The “show me” strategy.
- d. Incorrect. The “show me” strategy.
- e. Incorrect. The “show me” strategy.

Review Question 4: (Please see page 38 of the June, 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 40 of the June, 2024 *JofA*.)

- a. Incorrect. Nonaccounting personnel may offer useful insights.
- b. **Correct.** Nonaccounting personnel may offer useful insights.