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1809 Worsham Place, Greensboro, NC 27408-3113
Email Address: info@accounting-education.com
Phone: (800) CPE-Exam; Fax: (800) 645-1099

QUARTERLY CPE EXAM ON THE *Journal of Accountancy- Web edition*
Third Quarter (July - September), 2010; Course #1003
Recommended CPE Credit - 7 hours (Exceptions noted on next page)
CPE Subject Division: 4 Accounting/Auditing; 2 Tax; 1 Management

Please print all information and mark answers clearly in dark ink:

Name **(Print**) ____________________

Firm ____________________

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To which state board(s), agencies, or associations do you report CPE?

____

INSTRUCTIONS:

1. 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.
2. Mail, email or fax **only** the answer sheet for grading.
3. Please include payment by check, Visa, or MasterCard. Print our Payment voucher to accompany your exam: **http://www.accounting-education.com/paymentvoucher.pdf**
4. ***For faster response, please provide your email and fax information above.***

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____ 1. How well did the course meet its stated learning objectives?
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____ 4. How timely was the course content?
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You may scan and email your answer sheet to info@accounting-education.com

Please leave this space for our Certificate of Completion

For CPE credit, this exam must be completed by September 30, 2012
* To print a handy Payment remittance form to fax with your answer sheet, use this link: *http://www.accounting-education.com/paymentvoucher.pdf* (Checks, Visa or MC only)

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Date Completed: ____________

Our **Quarterly CPE Exams on the *Journal of Accountancy*** can help you in your continuing education. This is a series of quarterly formal self-study programs that can be completed in your home or office without the inconvenience and high costs associated with many CPE courses.

OBJECTIVE:

The objective is to enable participants to enhance their technical proficiency by gaining a better understanding of current developments in accounting. Completing the exam helps reinforce the concepts presented in leading professional accounting journals. The constant stream of new releases of accounting, auditing, and tax information has intensified the accountant's need to stay abreast of changes in the accounting profession. Our programs help the accountant remain current.

COURSE SPONSOR:

Accounting Education Associates (AEA) has offered **Quarterly CPE Exams** on the *Journal of Accountancy* since 1982. James H. Ogburn prepares the courses. In addition to working in public accounting and finance, his experience includes 18 years teaching accounting at the University of North Carolina at Greensboro, as well as serving as Assistant Director of Graduate Programs in Accounting and Business, and 26 years of experience in developing CPE courses for CPAs. AEA is not affiliated with the AICPA that holds the copyright to the *Journal of Accountancy*.

HOW TO CONTACT AEA:

Telephone:	1-800-CPE-EXAM (1-800-273-3926)
Email:	info@accounting-education.com Can be used to email scanned answer sheet
Fax:	1-800-645-1099

Address (Mail and Physical Address):
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Greensboro, NC 27408-3113

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Please notify AEA of changes to your mailing address.

ESTIMATED COMPLETION TIME:

The estimated average completion time to read three monthly journal issues and to complete our **Quarterly CPE Exam on the *Journal of Accountancy*** is 14 hours. These estimates are based on pre-tests and 50-minute hours.

RECOMMENDED CPE CREDIT:

We recommend CPE credit of seven (7) hours, one-half of the estimated completion time of 14 hours, based on pilot-tests. **Exceptions:** Certain state boards (*e.g*., **Arizona, Georgia, Kentucky,** and **Ohio)** grant CPE credit of 100% of estimated completion time for formal self-study courses (*i.e*., 14 hours for each **Exam** on the ***Journal of Accountancy***). Please check with your state board for further guidance.

PROGRAM SPONSOR AGREEMENTS:

AEA has sponsor agreements with the following state boards: **AL, HI** (#4007), **IL** (#158-000242), **IN** (#CE92-000158), **KY, OH** (#CPE.20), **PA** (#PX00005-L), and **TX** (#000211). 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.

SUBJECT DIVISIONS OF CPE CREDIT:

The following subject division for each **Quarterly CPE Exam on the *Journal of Accountancy*** is suggested for states requiring CPE credit in specific areas: Accounting & Auditing: 4 hours; Tax: 2 hours; Management: 1 hour.

COURSE NUMBER: #1003 (For those states requiring a "course number," we assign a number derived from the year and quarter YYQQ.)

PRICES:

The price of a **Quarterly CPE Exam** is $39 with lower prices when an order involves four or more courses:

Price per course for orders of 1 to 3 courses:	$39
Price per course for orders of 4 to 7 courses:	$36
Price per course for orders of 8 to 23 courses:	$33
Price per course for orders of 24 to 49 courses:	$30
Price per course for orders of 50 or more:	$27

Checks, Visa, and MasterCard are accepted as payment.

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Quarterly CPE Exam on the *Journal of Accountancy* – Third Quarter 2010

OBJECTIVES:

> To identify significant accounting changes that have been issued recently or are being considered by the FASB and are being considered by other sources.

> To assess the impact of potential accounting changes on financial statements.

> To identify significant tax developments.

> To identify recent developments in management cost accounting and systems.

> To identify other significant developments affecting the accounting profession.

DESCRIPTION:

This course is designed to cover recent and potential changes in accounting principles and practices and their effects on financial statements. This course is classified at the "Update" level.

REQUISITE KNOWLEDGE AND EXPERIENCE:

This course is designed for participants who are well versed in the general application of accounting pronouncements. They should have a genuine interest in how current thinking might effect change and should be knowledgeable of generally accepted accounting principles and tax regulations.

MAJOR TOPICAL COVERAGE:

This **Quarterly CPE Exam** examines:
> Significant recently issued accounting pronouncements.
> Significant alternative accounting principles and theories being considered or developed.
> The potential effects of any changes on financial statements and disclosures.
> The effects of recent tax developments.
> Latest information involving management cost systems.

The major topical coverage of this course will correspond to the content of the issues of the *Journal of Accountancy* for the months covered by this Exam.

QUESTIONS 1 - 18 RELATE TO THE *Journal of Accountancy* OF JULY 2010

CHARITABLE PLANNING (P. 18)

1. A charitable remainder trust provides an annuity to noncharitable beneficiaries as a ______ for a term of years and the remainder to a charitable beneficiary.

a. Fixed amount
b. Percentage of assets
c. Either a or b
d. Neither a nor b

2. Which of the following pay(s) a fixed amount each year to the noncharitable beneficiaries?

a. Charitable remainder annuity trust.
b. Charitable remainder unitrust.
c. Both a and b.
d. Neither a nor b.

3. Which of the following pay(s) annual payments based on a fixed percentage of the fair market value of the trust's assets?

a. Charitable remainder annuity trust.
b. Charitable remainder unitrust.
c. Both a and b.
d. Neither a nor b.

4. Which of the following can be a noncharitable beneficiary of a charitable remainder trust?
   a. The donor.
   b. The donor's spouse.
   c. The donor's children.
   d. A, b or c.
   e. A or b but not c.

5. Which of the following pay a fixed percentage of the fair market value of the trust's assets to charitable beneficiaries?
   a. Charitable lead unitrusts.
   b. Charitable lead annuity trusts.
   c. Both a and b.
   d. Neither a nor b.

6. Which of the following pay a fixed amount each year to charitable beneficiaries?
   a. Charitable lead unitrusts.
   b. Charitable lead annuity trusts.
   c. Both a and b.
   d. Neither a nor b.

CLOSING UP SHOP (P. 24)

7. A private foundation would avoid termination tax if it transferred its net assets to:
   a. Another private foundation.
   b. A public charity.
   c. A donor-advised fund.
   d. A, b or c.
   e. A or b but not c.

8. A foundation would be subject to a termination tax if it converted its net assets to:
   a. A public charity.
   b. A supporting organization.
   c. Either a or b.
   d. Neither a nor b.

9. Public support tests apply to Section _____ organizations.
   a. 509 (a) (1)
   b. 509 (a) (2)
   c. 509 (a) (3)
   d. A, b and c
   e. A and b but not c

VALUING ART FOR TAX PURPOSES (P. 30)

10. Tax returns selected for audit and that involve artwork for which a taxpayer has claimed an appraisal of ______ would be reviewed by the IRS Art Advisory Panel of experts.
    a. $21,000
    b. $11,000
    c. $6,000
    d. A, b and c
    e. A and b but not c

11. Items of art appraised at ________ would be eligible for the IRS statement of value process.
    a. $100,000
    b. $50,000
    c. $25,000
    d. A, b or c
    e. A or b but not c

COMMON QUESTION-EVASION TACTICS (P. 36)

12. Which of the following would be a recommended "tactic" to use when an interviewee declines to answer a question due to "lack of knowledge or expertise?"
    a. Holding the interviewee responsible for the knowledge or expertise expected of someone in that position.
    b. Gaining the interviewee's promise to work on getting an answer.
    c. Leaving the interview and simply reporting the matter to the interviewer's superior.
    d. A, b or c.
    e. A or b but not c.

TURNING BUSINESS LOSSES INTO TAX REFUNDS (P. 46)

13. The American Recovery and Reinvestment Act of 2009 expanded the NOL carryback period for certain losses for tax years beginning before January 1, 2010 to as many as the ______ previous years.
    a. Two b. Three c. Four d. Five e. Six

14. A calendar-year corporation that has paid more estimated tax for the current year than necessary may file Form 4466 for a "quick refund" of the amount overpaid:
    a. Anytime before December 31 of the taxable calendar year.
    b. Anytime from January 1 through March 15 of the year following the taxable calendar year.
    c. Anytime before the tax return is due.
    d. Anytime before the tax return is filed.

TAX PRACTICE CORNER (P. 49)

15. Taxpayers who carry out a Roth conversion in 2010:

a. May spread the resulting tax to tax years 2011 and 2012.
b. May pay the resulting tax in tax year 2010.
c. *Must* pay the resulting tax in tax year 2010.
d. A or b but not c.

16. True/False? The authors contend that all taxpayers should opt to defer the tax resulting from Roth conversions for as long as possible.

a. True.
b. False.

TAX MATTERS (P. 50)

17. In *Robinson Knife Manufacturing Co. Inc. v. Commissioner*, the Second Circuit ruled:

a. That Robinson's royalty payments were *not* allocable to inventory and could be deducted.
b. That any trademark royalty payments were deductible marketing, selling, advertising and distribution costs.
c. Both a and b.
d. Neither a nor b.

18. The health care business credit is aimed at businesses with:

a. 25 or fewer employees.
b. Average annual wages of less than $50,000.
c. Both a and b.
d. Neither a nor b.

QUESTIONS 19 – 36 RELATE TO THE *Journal of Accountancy* OF AUGUST 2010

ROTH IRA CONVERSION QUIZ (P. 24)

19. The deadline for making a 2010 Roth conversion is:

a. December 31, 2010.
b. January 15, 2011.
c. February 15, 2011.
d. March 15, 2011.
e. April 15, 2011.

20. Which of the following can be converted to a Roth IRA?

a. A spousal IRA created when the surviving spouse rolled over an inherited IRA.
b. An inherited employer plan.
c. An inherited IRA.
d. All of the above.
e. A and b but not c.

21. In 2010 and subsequent years, income limitations apply to:

a. Roth conversions.
b. Annual Roth contributions.
c. Both a and b.
d. Neither a nor b.

CONVERGENCE MILESTONE (P. 26)

22. Under the proposed revenue recognition standard, percentage-of-completion revenue recognition:

a. Would never be permitted.
b. Would always be permitted.
c. Would be allowed only if the customer were to own the work-in-progress as it was being built or developed.
d. Would be allowed only if the seller were to own the work-in-progress as it was being built or developed.
e. None of the above.

23. The proposed revenue recognition standard would:

a. Create one standard across all industries.
b. Require greater disclosure.
c. Both a and b.
d. Neither a nor b.

24. The proposal would apply to:

a. Contracts to provide most goods and services.
b. Leases.
c. Insurance contracts.
d. A, b and c.
e. None of the above.

REPLACING SAS 70 (P. 32)

25. True/False? Under SSAE no. 16, the auditor of a user entity's financial statements has the same responsibility for auditing the information from a service provider as he or she has for auditing other financial statement information.

a. True. b. False.

26. SSAE no. 16 applies to examinations of controls over:

a. Financial reporting.
b. Privacy.
c. Both a and b.
d. Neither a nor b.

27. True/False? A service organization can become certified after undergoing a type 1 or type 2 service auditor's engagement.

a. True. b. False.

28. In type _____ reports, the service auditor's report includes an opinion on whether the controls were operating effectively.

a. 1
b. 2
c. Both a and b
d. Neither a nor b

THE COMING 1099 REVOLUTION: ARE YOU AND YOUR CLIENTS READY? (P. 40)

29. The "health care reform" laws require that, beginning January 1, 2012, payments by a trade or business for _________ aggregating $600 or more during any calendar year to a vendor must be reported at the end of the calendar year to the vendor and to the IRS on Form 1099.

a. Goods
b. Services
c. Both a and b
d. Neither a nor b

30. Intentional disregard of the reporting requirements could result in a penalty of ______ or more per return.

a. $25
b. $50
c. $75
d. $100
e. $125

THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (P. 44)

31. The Foreign Account Tax Compliance Act (FATCA) applies to U.S. taxpayers who own:

a. Foreign accounts and assets.
b. Investments in foreign hedge funds.
c. Investments in private equity funds.
d. A, b and c.
e. A and b but not c.

32. True/False? Taxpayers subject to the FATCA disclosure requirements may be subject to both FATCA *and* FBAR penalties.

a. True. b. False.

THE DNA OF AN EFFECTIVE FORENSIC ACCOUNTANT (P. 54)

33. According to an AICPA-commissioned survey, CPAs ranked __________ as the most desired trait for forensic accountants.

a. Ability to testify
b. Fraud detection
c. Knowledge of relevant professional standards
d. Interviewing skills
e. Analytical abilities

DISCHARGING TAXES IN BANKRUPTCY (P. 58)

34. Which of the following tax debts may generally be discharged in bankruptcy?

a. Tax debts from returns due more than three years before the bankruptcy filing.
b. Tax debts for tax returns that were filed more than two years earlier.
c. Payroll tax withholding and related trust fund liabilities.
d. A, b and c.
e. A and b but not c.

35. Chapter _____ cases establish a payment plan of up to five years after which certain remaining tax debts can be discharged.

a. 13
b. 11
c. 7
d. A, b and c
e. A and b but not c

TECHNOLOGY Q&A (P. 72)

36. Windows Defender:

a. Is an antispyware program.
b. Provides virus protection.
c. Is only available for Windows 7 users and not for XP users.
d. A, b and c.
e. A and b but not c.

QUESTIONS 37 – 50 RELATE TO THE *Journal of Accountancy* OF SEPTEMBER 2010

ADVICE TO CLIENTS IN UNCERTAIN MARKETS (P. 18)

37. A stop-loss order:

a. Becomes a market order when a security trades at or below the order price.
b. Assures that the trade will occur at a specified or better price.
c. Both a and b.
d. Neither a nor b.

BLUE RIBBON PANEL NARROWS FIELD FOR PRIVATE COMPANY FINANCIAL REPORTING (P. 24)

38. Which of the following models is (are) still under consideration for private company financial reporting?

a. U.S. GAAP-Baseline GAAP with public company add-ons.
b. U.S. GAAP with exclusions for private companies – with enhancements.
c. IFRS-based models.
d. A, b and c.
e. A and b but not c.

39. According to Rick Anderson, chairman of the panel, **__________** should be the "overriding issue" of the panel.

a. Reliability.
b. Comparability.
c. Relevance.
d. Consistency.
e. None of the above.

40. According to AICPA President and CEO Barry Melancon, the FASB should oversee accounting standards for:

a. Public companies.
b. Private companies.
c. Both a and b.
d. Neither a nor b.

FINANCIAL REGULATORY REFORM (P. 30)

41. Which of the following are exempt from the Dodd-Frank act?

a. CPAs providing "customary and usual" accounting activities that are subject to the regulatory authority of a state board of accountancy.
b. CPAs providing services "incidental" to "usual and customary" accounting activities, to the extent that they are not offered or provided separate and apart from such customary and usual accounting activities.
c. Refund anticipation loan providers.
d. A, b and c.
e. A and b but not c.

42. True/False? The Dodd-Frank act requires that any auditors not covered by the PCAOB inspection rule must register with the PCAOB.

a. True.
b. False.

43. Under the Dodd-Frank act, investment advisors with **_______** million or more of assets under management must register with the SEC.

a. $10 b. $20 c. $25 d. $50 e. $100

2010 TAX SOFTWARE SURVEY (P. 34)

44. Which product had the highest percentage of respondents listing *accuracy* as the best-liked feature in 2009?

a. Lacerte.
b. ProSystemfx.
c. ProSeries.
d. GoSystemTaxRS.
e. UltraTaxCS.

MAXIMIZING THE SECTION 199 DEDUCTION (P. 44)

45. To qualify for the Section 199 deduction, products must be:
- a. Wholly produced in the U.S.
- b. Finished goods.
- c. Both a and b.
- d. Neither a nor b.

46. The Section 199 deduction is allowed for ______ for individuals.
- a. The regular tax
- b. The alternative minimum tax
- c. Both a and b
- d. Neither a nor b

NEW LIFE FOR CHARITABLE LIDS (P. 50)

47. In *Estate of Christiansen v. Commissioner*, the Tax Court ruled that the adjustment phase:
- a. Undid a transfer.
- b. Reallocated the value of the property between Christine Hamilton and the charitable foundation.
- c. Both a and b.
- d. Neither a nor b.

BEST PRACTICES FOR EXEMPT ORGANIZATIONS AND FORM 990 (P. 58)

48. True/False? Form 990 information must be made available for public inspection.
- a. True.
- b. False.

TAX MATTERS (P. 68)

49. In *Cathy Marie Lantz v. Commissioner*, the Seventh Circuit Court of Appeals ruled or observed that the taxpayer:
- a. Is eligible for relief as an innocent spouse.
- b. Can seek a release of levy for economic hardship.
- c. Both a and b.
- d. Neither a nor b.

50. Beginning January 1, 2011, tax return preparers who expect to file _____ or more individual or trust income tax returns must e-file them.

a. Ten b. 50 c. 100 d. 250 e. 500

For faster response, please provide your email and fax information on the Answer sheet. Please print all information and mark your answers boldly as dark as possible so that we can read it.

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