

**Supplementary Study Packet to Accompany Quarterly CPE Exam
on the
Journal of Accountancy –
First Quarter 2011**

Instructions: Before you start a section of the CPE Final Exam, complete the corresponding section of this Supplementary Study Packet. Do NOT submit answers to the Review Questions.

Purpose: To provide an interactive learning experience.

OUTLINE: (Page numbers below refer to the first page of each article in the printed version of the *JoA*.)

Sections I–V Relate to the *Journal of Accountancy* of January 2011

Section I. Checklist: Divorce Settlement Issues (Page 20)

Section II. Tax Season Brings New Twists (Page 24)

Section III. New Investment Adviser Requirements of the Dodd-Frank Act: What CPAs Should Know (Page 34)

Section IV. SEC Guidance on Disclosure Related to Climate Change (Page 42)

Section V. Taking the “Sting” Out of S Corporations’ Earnings and Profits (Page 48)

Sections VI – IX Relate to the *Journal of Accountancy* of February 2011:

Section VI. Dashboard Your Scorecard, (Page 20)

Section VII. Increase Productivity with Multiple Monitors, (Page 28)

Section VIII. Standards Overseer To Consider Proposal for Private Company Financial Reporting, (Page 34)

Section IX. Ponzi-Scheme Losses: Indirect Investor and State Tax Issues, (Page 46)

Sections X - XIII Relate to the *Journal of Accountancy* of March 2011:

Section X. Scenario Planning: Navigating through Today’s Uncertain World (Page 22)

Section XI. Act 2 for Business Tax Incentives, (Page 28)

Section XII. How To Land an SBA Loan (P. 34)

Section XIII. Tax Practice Corner: Motor Fuel Tax Refund for Off-Road Use, (Page 52)

Section I: Checklist: Divorce Settlement Issues (January 2011 JoA, Page 20)

Section I. Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our objectives.
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 2.

Section I. Objectives:

1. To describe briefly several critical tax and financial planning issues associated with divorce settlement issues.
2. To describe briefly the need to review current and prior tax filings, innocent spouse issues, and estate documents.
3. To describe briefly planning for Social Security benefits in a divorce settlement and afterwards.

Section I. Review Questions:

1. Divorce settlement planning can involve:
 - a. Social Security benefits.
 - b. Updating estate documents.
 - c. Alimony recapture.
 - d. All of the above.
 - e. None of the above.

2. True/False? There are income tax implications associated with distributions from a qualified retirement account when the payments are made under a qualified domestic relations order.
 - a. True.
 - b. False.

Section I. Solutions and Suggested Responses to Review Questions:

Section I. Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see Page 20 of January JoA.)

- a. Incorrect. Other choices are true as well.
- b. Incorrect. Other choices are true as well.
- c. Incorrect. Other choices are true as well.
- d. **Correct.** Divorce settlement planning can involve Social Security benefits, updating estate documents, alimony recapture and even other areas.
- e. Incorrect. Each of the three areas can come into play.

Review Question 2. (Please see page 20 of January JoA.)

- a. **True is correct.** This is an area with potential for advantageous tax planning.
- b. False is incorrect. Knowledge is power here.

===== **End of Section I**

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Section II. Tax Season Brings New Twists (January 2011 JoA, Page 24)

Section II. Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our objectives.
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 3 through 8.

Section II. Objectives:

1. To describe the preparer tax identification number requirements.
2. To describe the e-filing requirements and identify preparers who are affected.
3. To describe business provisions of:
 - a. Uncertain tax provisions.
 - b. Small business health care tax credit.
 - c. Hiring incentives.
 - d. Increased Section 179 and business depreciation.
 - e. Full exclusion from gain on sale of small business stock.
 - f. Higher deductibility of startup expenses.

Section II. Review Questions:

1. True/False? All tax return preparers will be subject to discipline under Section 230.
 - a. True.
 - b. False.
2. True/False? The PTIN program is voluntary.
 - a. True.
 - b. False.
3. True/False? The IRS does not require any tax preparer to e-file.
 - a. True.
 - b. False.
4. True/False? Starting with the 2010 tax year, corporations with total assets of \$100 million or more must file Schedule UTP to report their uncertain tax positions.
 - a. True.
 - b. False.
5. True/False? The Small Business Jobs Act replaced bonus depreciation with a more generous section 179 deduction..
 - a. True.
 - b. False.

Section II. Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see Pp. 24 and 25 of January JoA.)

- a. **True is correct.** All CPAs, enrolled agents as well as unenrolled agents are subject to discipline.
- b. False is incorrect. Under Circular 230, the IRS has the authority to discipline enrolled agents, unenrolled agents as well as CPAs.

Review Question 2. (Please see P. 25 of January JoA.)

- a. True is incorrect. The PTIN program is obligatory and not voluntary.
- b. **False is correct.** The PTIN program is not voluntary and carries penalties for failure to comply.

Review Question 3. (Please see P. 26 of January JoA.)

- a. True is incorrect. Although return preparers who only anticipate filing fewer than 100 federal individual or trust returns during 2011 are not required to e-file them, others are required to e-file.
- b. **False is correct.** Return preparers who anticipate filing 100 or more federal individual or trust returns during 2011 are required to e-file them.

Review Question 4. (Please see P. 26 of January JoA.)

- a. **True is correct.** Corporations with total assets of \$100 million or more must file Schedule UTP to report their uncertain tax positions, starting with 2010 tax years.
- b. False is incorrect. Although corporations must still briefly describe each position for which they have recorded a reserve on financial statements, the description need not include the position's rationale and nature of uncertainty.

Review Question 5. (Please see P. 27 of January JoA.)

- a. True is incorrect. While the Jobs Act did increase the section 179 maximum deduction, it did not end any of the benefits of the bonus depreciation program.
- b. **False is correct.** First-year 50% depreciation has been extended to apply to property acquired and placed in service in 2010 and 2011 for certain long-lived and transportation property.

===== End of Section II.

Section VIII. Standards Overseer To Consider Proposal for Private Company Financial Reporting (February 2011 JoA, Page 34)

Section VIII. Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our objectives.
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 VIII. Objectives:

1. To describe an anticipated report to the Financial Accounting Foundation that would recommend a new standard-setting board that would establish exceptions and modifications to U.S. GAAP for private companies.
2. To describe the composition of the proposed board and the funding of the program.
3. To describe the mission of the proposed program.

Section VIII. Review Questions:

1. True/False? The mission of the proposed new board would include establishing exceptions and modifications to U.S. GAAP for private companies.
a. True. b. False.
2. True/False? The proposed new board would operate independently and would not be subject to outside oversight.
a. True. b. False.
3. True/False? The panel has recommended a sunset period of ten years.
a. True. b. False.
4. True/False? None of the panel members expressed interest in having an advisory group to express constituents' views.
a. True. b. False.
5. True/False? Funding for the proposed private company standard-setting board would come from fines for violations of the Dodd-Frank Act.
a. True. b. False.

Section VIII. Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see Page 34.)

- a. **True is correct.** The central mission would be to establish exceptions and modifications to U.S. GAAP.
- b. False is correct. The focus of the new board would be on specific needs of private companies.

Review Question 2: (Please see Page 34.)

- a. True is incorrect. It would not be independent of the FAF.
- b. **False is correct.** Under the proposal, the new board would be subject to oversight of the FAF.

Review Question 3: (Please see Page 34.)

- a. True is incorrect. Although the panel recommended a sunset period, it was less than ten years.
- b. **False is correct.** The panel recommended a sunset period of five years or less.

Review Question 4: (Please see Page 34.)

- a. True is incorrect. While not in the final report, some members did express such interest.
- a. **False is correct.** Some of the panel members expressed interest in having an advisory group.

Review Question 5: (Please see Page 34.)

- a. True is incorrect. There was no mention of funding from revenues from the Dodd-Frank Act.
- b. **False is correct.** Funding remains an unanswered question.

===== End of Section VIII.

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Section XI. Act 2 for Business Tax Incentives, (March 2011, JoA Page 28)

Section XI. Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our objectives.
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 XI. Objectives:

1. To describe the primary incentive provisions of the *2010 Small Business Jobs Act* (Act1) and the *2010 Tax Relief Act* (Act 2).
2. To describe the benefits of strategically applying the acts' provisions together.
3. To describe the benefits and limitations of the acts' provisions on three typical company types.

Section XI. Review Questions:

1. True/False? The Small Business Jobs Act (i. e., Act 1) extended the federal general business credit for increasing research activities.
a. True. b. False.
2. True/False? The Small Business Jobs Act broadened the definition of what constitutes qualified leasehold improvements for purposes of bonus depreciation.
a. True. b. False.
3. True/False? The Small Business Jobs Act extended bonus depreciation to qualified restaurant equipment through 2011.
a. True. b. False.
4. True/False? The bonus depreciation accelerated by the 2010 Tax Relief Act results in a reduction of federal income tax.
a. True. b. False.
5. True/False? Loss companies with a valuation allowance typically will benefit from the two acts' provisions on both a cash flow and accounting basis.
a. True. b. False.

Review Question 1. (Please see Pages 29 and 30.)

- a. True is incorrect. The act did not extend this credit even though it had been a very effective program.
- b. **False is correct.** Without extension, the credit for research activities ended on December 31, 2009.

Review Question 2. (Please see Page 30.)

- a. True is incorrect. The act did not broaden the definition of what constitutes qualified leasehold improvements.
- b. **False is correct.** The provision was significant to many businesses.

Review Question 3. (Please see Page 30.)

- a. True is incorrect. The first act did not extend bonus depreciation to restaurant equipment.
- b. **False is correct.** Bonus depreciation was not extended to restaurant equipment.

Review Question 4. (Please see Page 30.)

- a. True is incorrect. The act did not reduce federal income taxes.
- b. **False is correct.** The act merely affecting timing of the tax, not the amount of tax.

Review Question 5. (Please see Page 29 of December JoA.)

- a. True is incorrect. Typically, loss companies with a valuation allowance will not benefit from the acts' provisions either on a cash flow or accounting basis.
- b. **False is correct.** With no earnings in the present or in the past, there is typically no value to the provisions.

=====**End of Section XI.**

