

**Accounting Education Associates**  
**(www.accounting-education.com)**

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

**QUARTERLY CPE EXAM ON THE *Journal of Accountancy* - Web Edition**  
**First Quarter (January - March), 2011 (Course # 1101)**

A Formal CPE Course using the JoA as Reference Material  
Recommended CPE Credit: 7 Hours (Exceptions noted on next page)  
Subject division: Tax 3; A/A 1; Regulatory Ethics 1; Management 2.

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

Name (Print) \_\_\_\_\_  
Firm \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_  
Telephone (Day) \_\_\_\_\_ Fax \_\_\_\_\_  
Email Address \_\_\_\_\_

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

**INSTRUCTIONS:**

1. Complete but do not submit all the Assignments in the **Supplementary Study Packet** available at our Web site: [www.accounting-education.com](http://www.accounting-education.com).
2. Answer the 60 multiple-choice questions by selecting the one **best** answer. **Blacken** the letter; do **not** circle. A score of 70 or better is required.
3. Please complete the required course evaluation below.
4. Scan/email, fax or snail mail your answer sheet to AEA for grading.
5. For CPE credit, please be sure your name and address above are legible.
6. *For faster response, please provide your email and fax information above.*

**COURSE EVALUATION:**

On a scale of A (highest) to F (lowest), please evaluate the following:

- \_\_\_ 1. The course met the objectives described in the promotional material?
- \_\_\_ 2. Any stated prerequisites were necessary or desirable?
- \_\_\_ 3. The course was timely and effective?
- \_\_\_ 4. The course met your professional education needs?
- \_\_\_ 5. The course materials were understandable and helpful?

**Please leave this space blank for your Certificate of Completion.**

1. =a= =b= =c= =d= =e=
2. =a= =b= =c= =d= =e=
3. =a= =b= =c= =d= =e=
4. =a= =b= =c= =d= =e=
5. =a= =b= =c= =d= =e=
6. =a= =b= =c= =d= =e=
7. =a= =b= =c= =d= =e=
8. =a= =b= =c= =d= =e=
9. =a= =b= =c= =d= =e=
10. =a= =b= =c= =d= =e=
11. =a= =b= =c= =d= =e=
12. =a= =b= =c= =d= =e=
13. =a= =b= =c= =d= =e=
14. =a= =b= =c= =d= =e=
15. =a= =b= =c= =d= =e=
16. =a= =b= =c= =d= =e=
17. =a= =b= =c= =d= =e=
18. =a= =b= =c= =d= =e=
19. =a= =b= =c= =d= =e=
20. =a= =b= =c= =d= =e=
21. =a= =b= =c= =d= =e=
22. =a= =b= =c= =d= =e=
23. =a= =b= =c= =d= =e=
24. =a= =b= =c= =d= =e=
25. =a= =b= =c= =d= =e=
26. =a= =b= =c= =d= =e=
27. =a= =b= =c= =d= =e=
28. =a= =b= =c= =d= =e=
29. =a= =b= =c= =d= =e=
30. =a= =b= =c= =d= =e=
31. =a= =b= =c= =d= =e=
32. =a= =b= =c= =d= =e=
33. =a= =b= =c= =d= =e=
34. =a= =b= =c= =d= =e=
35. =a= =b= =c= =d= =e=
36. =a= =b= =c= =d= =e=
37. =a= =b= =c= =d= =e=
38. =a= =b= =c= =d= =e=
39. =a= =b= =c= =d= =e=
40. =a= =b= =c= =d= =e=
41. =a= =b= =c= =d= =e=
42. =a= =b= =c= =d= =e=
43. =a= =b= =c= =d= =e=
44. =a= =b= =c= =d= =e=
45. =a= =b= =c= =d= =e=
46. =a= =b= =c= =d= =e=
47. =a= =b= =c= =d= =e=
48. =a= =b= =c= =d= =e=
49. =a= =b= =c= =d= =e=
50. =a= =b= =c= =d= =e=
51. =a= =b= =c= =d= =e=
52. =a= =b= =c= =d= =e=
53. =a= =b= =c= =d= =e=
54. =a= =b= =c= =d= =e=
55. =a= =b= =c= =d= =e=
56. =a= =b= =c= =d= =e=
57. =a= =b= =c= =d= =e=
58. =a= =b= =c= =d= =e=
59. =a= =b= =c= =d= =e=
60. =a= =b= =c= =d= =e=

We encourage you to scan and email your answer sheet to [info@accounting-education.com](mailto:info@accounting-education.com)  
**For CPE credit, this exam must be submitted by March 31, 2013.**

Copyright 2011 - AEA ([www.accounting-education.com](http://www.accounting-education.com))

Date completed:

This is a formal self-study CPE course using **the *Journal of Accountancy*** as reference material designed to keep you abreast of the latest changes affecting our profession. Our course consists of a Supplementary Study Packet (available at our Web site: [www.accounting-education.com](http://www.accounting-education.com)) and this Final Exam; it is divided into sections, each corresponding to selected articles appearing in the JoA. This series of quarterly formal self-study programs that can be completed in your home or office without the inconvenience and high costs associated with many CPE courses.

**LEARNING OBJECTIVES:**

The specific learning objectives of this course are stated in each of the 15 sections of the Supplementary Study Packet at our Web site.

**PREREQUISITES:** None.

**LEVEL:** Basic.

**COURSE NUMBER:** The course number we assign to each Quarterly CPE Exam is derived from the Year and Quarter, YYQQ; e. g., the course number for 2011's First Quarter Exam is 1101.

**COURSE SPONSOR:**

Accounting Education Associates ("AEA") has offered **Quarterly CPE Exams** on the *Journal of Accountancy* every quarter 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 29 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*

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

**HOW TO CONTACT AEA:**

**Email:** [info@accounting-education.com](mailto:info@accounting-education.com)

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

**Fax:** 1-800-645-1099

**Mail:** 1809 Worsham Place  
Greensboro, NC 27408-3113

*For faster response, please provide your email and fax information on your answer sheet. You may scan and email your answer sheet to us at: [info@accounting-education.com](mailto:info@accounting-education.com)*

**\*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 **Supplementary Study Packet** and **Quarterly CPE Exam on the *Journal of Accountancy*** is 14 hours. These estimates are based on pilot-tests and 50-minute hours, and it is possible that the numbers could vary from quarter to quarter.

**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*). Because the completion times could vary (based on pilot tests each quarter), the recommended CPE credit is subject to change from quarter to quarter. Please check with your state board for further guidance.

**PROGRAM SPONSOR AGREEMENTS:**

AEA has sponsor agreements with the following state boards: **AL, HI** (94007), **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 the seven hours of recommended CPE credit): Accounting 1; Tax 3; Regulatory Ethics 1; Management 2; (NASBA Subject areas).

This division applies to this quarter only and is likely to vary from quarter to quarter.

**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:	\$10
Price per course for orders of 50 or more:	\$27

Checks, Visa, and MasterCard are accepted as payment.

**REFERRAL INCENTIVE PROGRAM - WE'LL PAY YOU FOR REFERRING NEW QUALIFYING CUSTOMERS:**

Receive \$10 for each new customer you refer to us. For every new qualifying customer who pays for an exam and mentions your name, we'll send you a check for \$10. It's as simple as that. We welcome any questions by either phone or email.

**QUESTIONS 1 - 20 RELATE TO THE *Journal of Accountancy* OF JANUARY 2011**

**Section I. CHECKLIST: DIVORCE SETTLEMENT ISSUES (P. 20)**

1. A divorced spouse can receive benefits on an ex-spouse's Social Security record if:
  - a. The marriage lasted at least ten years.
  - b. The beneficiary spouse is at least 62 and unmarried.
  - c. Both a and b.
  - d. In neither case; a divorced spouse isn't eligible for benefits on the basis of an ex-spouse's record.
  
2. Section 402 (e) (1) (A) provides for the income tax to be assessed to the \_\_\_\_\_ when payments are made under a qualified domestic relations order.
  - a. Former spouse
  - b. Plan participant
  - c. Both a and b
  - d. Neither a nor b

**Section II. TAX SEASON BRINGS NEW TWISTS (P. 24)**

3. Which of the following is (are) required to register, obtain a new preparer tax identification or renew an existing number?
  - a. Paid unenrolled tax preparer.
  - b. Paid tax preparer who is an enrolled agent.
  - c. Paid tax preparer who is a CPA.
  - d. A, b and c.
  - e. A and b but not c.
  
4. Tax preparers must now include their \_\_\_\_\_ on each return they prepare.
  - a. Preparer tax identification number
  - b. Social Security number
  - c. Any taxpayer ID number
  - d. Any of the above
  - e. A or b but not c
  
5. The threshold for tax return preparers being required to e-file their returns is \_\_\_\_\_ or more federal individual or trust returns during 2011.
  - a. Five
  - b. Ten
  - c. 11
  - d. 100
  - e. 200
  
6. The IRS requires that certain corporations file Schedule UTP to:
  - a. Report for each uncertain position the maximum tax adjustment if the position were not sustained.
  - b. Rank their uncertain tax positions by recorded reserve amounts and designate reserves that exceed 10% of the aggregate amount of reserves for all positions reported on the schedule.
  - c. Both a and b.
  - d. Neither a nor b.
  
7. For tax years beginning in 2010, the maximum section 195 deduction for trade or business startup costs is:
  - a. \$2,500.
  - b. \$5,000.
  - c. \$7,500.
  - d. \$10,000.
  - e. \$12,500.
  
8. The phaseout threshold for deducting startup costs is now:
  - a. \$20,000.
  - b. \$40,000.
  - c. \$60,000.
  - d. \$80,000.
  - e. \$100,000.

**Section III. NEW INVESTMENT ADVISER REQUIREMENTS OF THE DODD-FRANK ACT: WHAT CPAs SHOULD KNOW (P. 34)**

9. Under Section 410 of the Reform Act, an investment adviser that was previously subject only to registration and examination by its home state would be required to register with the SEC if its assets under management grows to more than \_\_\_\_\_ million.
  - a. \$25
  - b. \$30
  - c. \$50
  - d. \$100
  - e. \$150
  
10. Investment advisers are currently subject to a \_\_\_\_\_ standard (as of January 1, 2011).
  - a. Suitability
  - b. Fiduciary
  
11. CPAs who engage in activities that are "customary and usual" such as \_\_\_\_\_ are exempt from the Reform Act.
  - a. Tax and accounting
  - b. Financial planning
  - c. Extending credit
  - d. A, b or c
  - e. A or b but not c

12. Many advisers to \_\_\_\_\_ need to register with the SEC.
- a. Hedge funds
  - b. Private equity funds
  - c. Venture capital funds
  - d. A, b and c
  - e. A and b but not c

**Section IV. SEC GUIDANCE ON DISCLOSURE RELATED TO CLIMATE CHANGE (P. 42)**

13. The SEC's *Commission Guidance Regarding Disclosure Related to Climate Change*:
- a. Provides guidance concerning disclosures relating to the impact of climate change and related legislative and regulatory developments.
  - b. Amends existing rules.
  - c. Establishes new disclosure obligations.
  - d. A, b and c.
  - e. A and b but not c.
14. The SEC's *Guidance* may have an impact on \_\_\_\_\_ within the disclosure requirements under Regulation S-K.
- a. Item 101: Description of business
  - b. Item 103: Legal proceedings
  - c. Item 303: Management discussion and analysis
  - d. A, b and c
  - e. A and b but not c
15. Which of the following was not cited in the SEC *Guidance* among four areas that registrants should consider and assess for additional disclosure?
- a. The impact of legislation and regulation.
  - b. Effects of international accord.
  - c. Indirect consequences of regulation or business trends.
  - d. Direct consequences of management ineptness.
  - e. Physical impacts of climate change.

**Section V. TAKING THE "STING" OUT OF S CORPORATIONS' EARNINGS AND PROFITS (P. 48)**

16. An S corporation may:
- a. Have accumulated earnings and profits from an earlier period in which it was a C corporation.
  - b. Inherit earnings and profits.
  - c. Either a or b.
  - d. Neither a nor b.
17. An S corporation may be subject to the passive investment income tax (sometimes called the "sting tax") if its gross passive investment income exceeds \_\_\_\_\_ % of gross receipts.
- a. 20%
  - b. 25%
  - c. 30%
  - d. 40%
  - e. 50%
18. True/False? Some of an S corporation's excess net passive investment income may be subject to tax at the highest corporate income tax rate even if it has no earnings and profits.
- a. True.
  - b. False.
19. Which of the following methods is (are) acceptable for distributing AAA and E&P?
- a. Paying cash dividends to shareholders.
  - b. Issuing notes to shareholders.
  - c. Distributing E&P prior to the AAA.
  - d. A, b and c.
  - e. A and b but not c.
20. Which election(s) can an S corporation make by attaching a statement to a timely filed original or amended Form 1120S for that tax year?
- a. An election to distribute E&P before AAA.
  - b. An election to make a deemed dividend.
  - c. Either a or b.
  - d. Neither a nor b.

**REFERRAL INCENTIVE PROGRAM - WE'LL PAY YOU FOR REFERRING NEW QUALIFYING CUSTOMERS:**

Receive \$10 for each new customer you refer to us. For every new qualifying customer who pays for an exam and mentions your name, we'll send you a check for \$10. It's as simple as that. We welcome any questions by either phone or email.

**QUESTIONS 21 – 40 RELATE TO THE *Journal of Accountancy* OF FEBRUARY 2011**

**Section VI. Dashboard Your Scorecard (P. 20)**

21. How many charts can be created from a PivotTable?
- a. One.                      b. Two.                      c. Three.                      d. Four.                      e. Five.
22. The \_\_\_\_\_ function(s) can retrieve data from more than one field of a data table.
- a. VLOOKUP                      c. Both a and b  
b. GETPIVOTDATA                      d. Neither a nor b
23. In the sample dashboard presented in the article, the quantities of each brick style sold by each representative by customer category are first shown in the \_\_\_\_\_ worksheet.
- a. PivotOne                      b. Preparation                      c. Dashboard
24. In the sample dashboard, the data series for the pie chart is shown in the \_\_\_\_\_ worksheet.
- a. PivotOne                      b. Preparation                      c. Dashboard
25. In the sample dashboard, the INDEX function is shown in the \_\_\_\_\_ worksheet.
- a. PivotOne                      b. Preparation                      c. Dashboard

**Section VII. Increase Productivity with Multiple Monitors (P. 28)**

26. In the author's poll of more than 400 CPAs attending certain technology CPE courses, \_\_\_\_\_ of attendees used at least two monitors.
- a. 28%                      b. 38%                      c. 48%                      d. 58%                      e. 68%
27. Adding multiple monitors can place additional demands on a computer's:
- a. RAM.                      c. Both a and b.  
b. Power supply.                      d. Neither a nor b.
28. A second monitor can usually be connected to a laptop or netbook through its \_\_\_\_\_ port.
- a. Video graphics array (VGA)                      c. Either a or b  
b. Digital video interactive (DVI)                      d. Neither a nor b
29. Which of the following ports can be used to connect two monitors to a desktop computer?
- a. Digital video interactive (DVI) port.                      c. Both a and b.  
b. Video graphics array (VGA) port.                      d. Neither a nor b.
30. Which of the following two ways of connecting a third or fourth monitor to your desktop is usually less expensive?
- a. Adding a second dual monitor graphics card.  
b. Upgrading to a quad graphics card.

**Section VIII. Private Company Financial Reporting (P. 34)**

31. Which of the following is not part of the joint effort to examine private company financial reporting?
- a. AICPA.                      b. FAF.                      c. NASBA.                      d. SEC.
32. True/False? The mission of the proposed new board would be to issue new standards.
- a. True.                      b. False.
33. True/False? Under the proposal, the new board would have the authority to modify existing and future GAAP for private entities.
- a. True.                      b. False.
34. Which of the following constitute the largest user group of private company financial reports?
- a. Venture capital investors.                      c. Lenders.  
b. Private equity investors.                      d. Government agencies.
35. According to Rick Anderson, chairman of the panel examining private company financial reporting, one of the desired outcomes of the panel's recommendations is that more companies would choose:
- a. GAAP-based statements.                      b. Qualified opinions.                      c. OCBOA statements.

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

**36.** *Revenue Ruling 2009-9* and *Revenue Procedure 2009-20* allow favorable tax treatment for \_\_\_\_\_ investors.

- a. Direct
- b. Indirect
- c. Both a and b
- d. Neither a nor b

**37.** *Revenue Ruling 2009-9* held that investments by direct investors are subject to:

- a. AGI limits under section 165(h) applicable to personal casualty or theft losses.
- b. Section 67 itemized deduction thresholds or limitations.
- c. Both a and b.
- d. Neither a nor b.

**38.** Assume that Ted and Alice are qualified investors with an original investment of \$500,000 in a nonretirement account with reinvested income over the last six years of \$300,000. Assuming they will not pursue any third-party recovery for a Ponzi-scheme loss, their allowed deduction would be \_\_\_\_\_.

- a. \$500,000
- b. \$760,000
- c. \$775,000
- d. \$785,000
- e. \$800,000

**39.** True/False? The benefits of *Revenue Procedure 2009-20* apply to investments in a Ponzi scheme made through a qualified retirement plan.

- a. True.
- b. False.

**40.** True/False? Theft losses incurred by pass-through entities can be ratably deducted by owners who are indirect investors.

- a. True.
- b. False.

**REFERRAL INCENTIVE PROGRAM - WE'LL PAY YOU FOR REFERRING NEW QUALIFYING CUSTOMERS:**

Receive \$10 for each new customer you refer to us. For every new qualifying customer who pays for an exam and mentions your name, we'll send you a check for \$10. It's as simple as that. We welcome any questions by either phone or email.

**QUESTIONS 40 – 60 RELATE TO THE *Journal of Accountancy* OF MARCH 2011**

**Section X. Scenario Planning: Navigating through Today's Uncertain World (P. 22)**

**41.** Scenario planning involves an examination of how \_\_\_\_\_ will affect an entity's future operations.

- a. Demographics
- b. Globalization
- c. Technological change
- d. Environmental sustainability
- e. All of the above

**42.** Many organizations are using scenario planning techniques for:

- a. Strategic planning.
- b. Operational planning.
- c. Budgeting.
- d. Forecasting.
- e. All of the above.

**43.** The first step in scenario planning is:

- a. Collecting data.
- b. Developing scenarios.
- c. Defining objectives (including issues) and setting the scope of the study.
- d. Analyzing data.
- e. Defining key drivers.

44. Which of the following is not one of the four broad types of scenarios?

- a. Climate and environmental.
- b. Political.
- c. Technological.
- d. Economic.
- e. Social.

45. Which of the following questions is / are involved with scenario planning?

- a. What could happen?
- b. What would be the impact on our strategies, plans and budgets?
- c. How should we respond?
- d. A, b and c.
- e. A and b but not c.

**Section XI. Act 2 for Business Tax Incentives (P. 28)**

46. Businesses that have average annual gross receipts for the three-tax-year period preceding the tax year of no more than \$50 million and that were organized as \_\_\_\_\_ are eligible for the Small Business Jobs Act.

- a. Sole proprietorships or partnerships
- b. Corporations whose stock isn't publicly traded.
- c. Corporations whose stock is publicly traded.
- d. A, b and c.
- e. A and b but not c.

47. The 2010 Tax Relief Act extended the federal research credit retroactively through:

- a. 2009.
- b. 2010.
- c. 2011.
- d. 2012.
- e. None of the above.

48. The 2010 Tax Relief Act extended bonus depreciation for leasehold improvements through:

- a. 2010.
- b. 2011.
- c. 2012.
- d. 2013.
- e. None of the above.

49. The 2010 Tax Relief Act set the bonus depreciation rate at \_\_\_\_\_ for qualified property purchased and placed in service between September 8, 2010 and December 31, 2011.

- a. 25%
- b. 50%
- c. 75%
- d. 100%

50. Section 179 expenses and phaseout threshold of qualified property purchased and placed in service in 2011 are \_\_\_\_\_ and \_\_\_\_\_, respectively.

- a. \$1,000,000 ... \$2,000,000
- b. \$500,000 ... \$2,000,000
- c. \$500,000 ... \$1,000,000
- d. \$100,000 ... \$500,000
- e. \$25,000 ... \$200,000

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

51. One of the requirements to qualify for an SBA loan is that a business must have tangible net worth of less than \_\_\_\_\_ million.

- a. \$60
- b. \$45
- c. \$30
- d. \$15
- e. \$5

52. Another requirement to qualify for an SBA loan is that a business have two years' net income after taxes of less than \_\_\_\_\_ million.

- a. \$10
- b. \$5
- c. \$3
- d. \$2
- e. \$1

53. Which SBA program provides only long-term, fixed rate financing for expansion or modernization of fixed assets?

- a. 7(a) loan program.
- b. 504 loan program.
- c. Microloan program.

54. Which SBA program provides only small, short-term loans for working capital or for purchase of inventory, supplies, furniture, fixtures, machinery and/or equipment?

- a. 7(a) loan program.
- b. 504 loan program.
- c. Microloan program.

