

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

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QUARTERLY CPE EXAM ON THE *Journal of Accountancy*
Second Quarter (April - June), 2011 (Course # 1102)

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 2; Regulatory Ethics 1; Management 1.

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.
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.

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We encourage you to scan and email your answer sheet to info@accounting-education.com

For CPE credit, this printed exam must be completed within one year.

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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) 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 are stated in the individual 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 Second Quarter Exam is 1102.

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

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

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/Auditing 2; Tax 3; Regulatory Ethics 1; Management 1; (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: \$30

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

Checks, Visa, and MasterCard are accepted as payment.

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

Section I. CHECKLIST: HOW TO MANAGE FLUCTUATIONS IN FOREIGN CURRENCY RATES

1. An organization's foreign currency policies and procedures should address:
 - a. The company's goals related to foreign exchange management.
 - b. Types of derivatives that may be used.
 - c. Personnel authorized to execute transactions.
 - d. A, b and c.
 - e. A and b but not c.
2. The process of identifying foreign currency exposures should include:
 - a. Identifying currencies in which each subsidiary collects accounts receivable and makes payments.
 - b. Determining the anticipated annual foreign currency cash flows of each subsidiary, including total receipts and payments made in each currency.
 - c. Netting consolidated balance sheet positions by currency.
 - d. A, b and c.
 - e. A and b but not c.
3. To manage consolidated foreign currency risks, the author recommends considering:
 - a. Forward contracts.
 - b. Currency swaps.
 - c. Both a and b.
 - d. Neither a nor b.
4. Changes in the fair market value of _____ flow through to the income statement in the period of change.
 - a. Derivatives that are designated as hedges
 - b. Derivatives that are *not* designated as hedges
 - c. Either a or b
 - d. Neither a nor b

Section II. WHAT DOES IT TAKE TO LEAD?

5. Which of the following was *not* cited as a trait associated with effective leadership?
 - a. Technical skills.
 - b. Passion.
 - c. Emotional intelligence.
 - d. Confidence.
6. Which of the following was *not* cited by Stephanie Bryant as a main component of "emotional intelligence"?
 - a. Self-management.
 - b. Empathy.
 - c. Motivational skills.
 - d. Self-awareness.
 - e. Social skills.

Section III. RENEWED FOCUS ON LOSS CONTINGENCY DISCLOSURES

7. Under "the treaty" that has existed for around 35 years between the accounting and the legal professions, lawyers can offer predictions about the outcome of litigation to auditors when the odds of being wrong are:
 - a. Slight.
 - b. Not slight.
 - c. Either a or b.
8. *Current* GAAP, as of April, 2011, asks for:
 - a. An estimate of the possible loss or range of loss if an estimate can be made.
 - b. A disclosure of the situation and a statement that no estimate of possible loss can be made.
 - c. Either a or b.
 - d. Neither a nor b.
9. True/False? *Current* GAAP requires disclosure of all accounting entries (debits and credits) made in the loss contingency account.
 - a. True.
 - b. False.
10. True/False? The pending exposure draft calls for companies to disclose any amount accrued relating to a litigation contingency.
 - a. True.
 - b. False.
11. The pending exposure draft applies to _____ companies.
 - a. Public
 - b. Private
 - c. Both a and b
 - d. Neither a nor b

Section VII. Business Basics in China

23. Which of the following are limited liability companies?
- Wholly owned foreign enterprises.
 - Equity joint ventures.
 - Representative offices.
 - A, b and c.
 - A and b but not c.
24. Which of the following are legal entities that require a Chinese partner?
- Wholly owned foreign enterprises.
 - Equity joint ventures.
 - Representative offices.
 - A, b and c.
 - A and b but not c.
25. Which of the following are legal entities that allow 100% foreign ownership and control?
- Wholly owned foreign enterprises.
 - Equity joint ventures.
 - Representative offices.
 - A, b and c.
 - A and b but not c.
26. True/False? China has created laws designed to protect and enforce general intellectual property standards.
- True.
 - False.
27. In China, the costs of social security, health and unemployment taxes total approximately _____ % of basic payroll costs.
- 0
 - 10
 - 20
 - 30
 - 40

Section VIII. In-Plan Roth Conversions: Planning and Administrative Considerations

28. In 2009, participants in _____ plans were allowed to make in-plan Roth conversions to Roth accounts.
- 401(k)
 - 403(b)
 - 457(b)
 - Any of the above
 - None of the above
29. In 2011, participants in _____ plans may make in-plan Roth conversions to Roth accounts.
- 401(k)
 - 403(b)
 - 457(b)
 - Any of the above
 - None of the above
30. In 2011, participants in _____ plans may receive a distribution of funds from their account and then roll over the funds into their designated Roth account in the plan within 60 days.
- 401(k)
 - 403(b)
 - 457(b)
 - Any of the above
 - None of the above
31. An IPRC election can be made by:
- A plan participant.
 - A surviving spouse beneficiary.
 - An alternate payee who is a spouse or former spouse.
 - Any of the above.
 - A or b but not c.

32. True/False? The section 3405 (c) 20% mandatory withholding requirement applies to an IPRC.
a. True. b. False.
33. Which of the following will increase a taxpayer's income for the year?
a. An IPRC.
b. Rollover to a Roth IRA.
c. Either a or b.
d. Neither a nor b.
34. Which of the following offers significantly more asset protection from creditors?
a. ERISA plans such as 401(k)s, 403(b)s, and 457(b)s.
b. Roth IRAs.
35. Which of the following is/are subject to required minimum distributions?
a. IPRC.
b. Roth IRA.
c. Both a and b.
d. Neither a nor b.
36. Which of the following can be recharacterized back into a qualified plan?
a. IPRC.
b. Roth IRA.
c. Both a and b.
d. Neither a nor b.

Section IX. Tax Practice Corner: Scholarships and Support

37. College scholarships for _____ are included in the income of a student enrolled in an eligible educational institution
a. Required equipment and supplies
b. Course-related fees
c. Tuition
d. A and b but not c
e. None of the above
38. Portions of scholarships received for _____ are taxable to the recipient.
a. Room
b. Board
c. Books
d. A and b but not c
e. None of the above
39. Scholarships are factors in the support tests for nonchild dependents if they _____ as taxable income.
a. Are recognized
b. Are not recognized
c. In either case (*i.e.*, a or b)
d. In neither case (*i.e.*, neither a nor b)
40. For purposes of support tests, a “child of a taxpayer” includes:
a. A son or daughter.
b. A stepson or stepdaughter.
c. Descendents of a qualifying child of a taxpayer.
d. A, b or c.
e. A or b but not c.

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

Section X. Clarified Auditing Standards: The Quiet Revolution

41. The goal of the Clarity Project is to converge U.S. GAAS and international standards on auditing (ISAs) by:
a. December 2011. d. June 2013.
b. June 2012. e. December 2013.
c. December 2012.

42. The new codified SAS is expected to be numbered _____.
a. 1 b. 6 c. 117 d. 122 e. 2011-1

43. The codified SAS is scheduled to be effective for periods ending on or after _____.
a. December 15, 2011. d. June 15, 2013.
b. June 15, 2012. e. December 15, 2013.
c. December 15, 2012.

44. True/False? Under proposed changes to auditing standards, auditors would be required to inspect correspondence, if any, with licensing or regulatory agencies.
a. True. b. False.

45. True/False? Under the proposed changes to auditing standards, auditors would be required to add a statement that the work of any service auditor does not diminish the primary auditor's responsibility for the opinion.
a. True. b. False.

46. Proposed changes to auditing standards require auditors to evaluate audit evidence produced by _____ management experts as they would evaluate any other audit evidence.
a. Internal c. Either a or b
b. External d. Neither a nor b

47. True/False? Proposed changes to auditing standards would require auditors to send letters of inquiry to all attorneys consulted by an audit client.
a. True. b. False.

48. Under the clarified auditing standards, the auditor's report would contain the _____ section(s).
a. Opinion d. A, b and c
b. Auditor's Responsibility e. A and b but not c
c. Scope

49. As a result of the Clarity Project, the auditor's report will contain which of the following new sections?
a. Auditor's Responsibility.
b. Management's Responsibility for the Financial Statements.
c. Both a and b.
d. Neither a nor b.

Section XI. Improving the Code of Professional Conduct

50. To achieve its goal of improving the *Code of Professional Conduct*, the PEEC will:
a. Restructure the *Code* into topical areas.
b. Edit the *Code* using consistent drafting and style conventions.
c. Revise certain *Code* provisions (primarily independence) to reflect the conceptual framework approach.
d. A, b and c.
e. A and b but not c.

51. The preliminary structure includes:
a. A new numbering system. c. Both a and b.
b. A two-part organization. d. Neither a nor b.

52. Part(s) _____ of the new *Code* apply / applies to members in public practice.
a. 1 c. Both a and b
b. 2 d. Neither a nor b

53. Part(s) _____ of the new *Code* apply / applies to members in areas other than public practice.
- a. 1
 - b. 2
 - c. Both a and b
 - d. Neither a nor b
54. Part(s) of the new *Code* will include broad topics, subtopics and interpretive sections.
- a. 1
 - b. 2
 - c. Both a and b
 - d. Neither a nor b
55. Recasting is intended to:
- a. Enhance understanding of the *Code* by providing additional context for the rules of conduct and guidance on the application of the framework.
 - b. Change the substance of existing rules.
 - c. Both a and b.
 - d. Neither a nor b.

Section XII. Seven Good Reasons Credit Shelter Trusts Remain Relevant

56. The Tax Relief Act's estate tax provisions apply to estates of decedents dying and gifts made after:
- a. December 31, 2009.
 - b. June 30, 2010.
 - c. December 31, 2010.
 - d. June 30, 2011.
 - e. December 31, 2011.
57. True/False? The Tax Reform Act allows a spouse to pass along any unused portion of a \$5 million estate and gift tax exclusion to the surviving spouse.
- a. True.
 - b. False.
58. Which of the following is / are indexed for inflation?
- a. The basic exclusion amount.
 - b. A decreased spousal unused exclusion.
 - c. Both a and b.
 - d. Neither a nor b.
59. The requirements for portability include:
- a. The timely filing of a federal estate tax return by the deceased spouse's executor.
 - b. The timely election for portability.
 - c. Both a and b.
 - d. Neither a nor b.
60. Which of the following is / are portable?
- a. The estate tax basic exclusion.
 - b. The generation-skipping transfer tax.
 - c. Both a and b.
 - d. Neither a nor b.

If you provide your email address or fax number on your answer sheet, we will email or fax your graded exam to you (instead of mailing it.) Thank you.

You may email, fax or mail your answer sheet to AEA. Our email address: info@accounting-education.com

Please complete the course evaluation on the first page. Your comments and referrals are appreciated.

As an alternative to ordering our courses, you may also read and download our Quarterly CPE Exams at our Web site: www.accounting-education.com

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