

**Supplementary Study Packet  
to Accompany  
Quarterly CPE Exam  
on the  
*Journal of Accountancy* –  
Third 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 July 2011:**

- Section I.** A Sea Change for Gift and Estate Planning (Page 24)
- Section II.** Estate Tax or Carryover Basis (Page 28)
- Section III.** PCAOB Set to Expand Under New Mandates (Page 36)
- Section IV.** Expanding Service Organization Controls Reporting (Page 46)

**Sections V – IX Relate to the *Journal of Accountancy* of August 2011:**

- Section V.** News Digest (Page 13)
- Section VI.** Client Tax Fraud And The CPA (Page 24)
- Section VII.** What's Your Fraud IQ? (Page 32)
- Section VIII.** Asset-Based Financing Basics (Page 40)
- Section IX.** (Three tax columns grouped as one Section)
  - Tax Practice Corner: Managing an IRS Correspondence Audit (Page 52),
  - Tax Matters (P. 54), and
  - From *The Tax Adviser*: Carrying Back Net Operating Losses (Page 60)

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

- Section X.** New IASB Leader Embraces Challenges (Page 30)
- Section XI.** Highlights of Corporate Governance Research (Page 34)
- Section XII.** Pivotal Advance Boosts Excel's Power (Page 40)
- Section XIII.** Advising Financially Stressed Clients (Page 50)









**Section IV. Solutions and Suggested Responses to Review Questions:**

**Review Question 1.** (Please see Page 46.)

- a. True is incorrect. SAS no. 70 was not intended to address controls relevant to these risks.
- b. **False is correct.** In response to the demand, the AICPA developed the Service Organization Control (SOC) reporting framework.

**Review Question 2.** (Please see Page 49.)

- a. **True is correct.** The three types of SOC engagements are SOC 1, SOC 2, and SOC 3.
- b. False is incorrect. Each has its own user groups, concerns, unique concern and level of detailed required.

**Review Question 3.** (Please see Page 49.)

- a. True is incorrect. There are only types of SOC 2 reports.
- b. **False is correct.** Each type of SOC 2 report has own components depending on the objectives and scope of the engagement.

**Review Question 4.** (Please see Page 47.)

- a. True is incorrect. Even if a company outsources certain tasks, it remains responsible.
- b. **False is correct.** The outsourcing company still retains its responsibilities for the outsourced tasks and the manner in which they are performed and is held accountable by the company's stakeholders.

**Review Question 5 .** (Please see Page 48.)

- a. True is incorrect. Service organizations are not limited as to whom they can distribute the SOC 2 report.
- b. **False is correct.** Service organizations may engage a CPA to report on controls at the service organization and then distribute copies of that report to regulators, business partners or to others.

**Review Question 6.** (Please see Page 50.)

- a. **True is correct.** The knowledge required to perform SAS no. 70 examinations can be transferred to adding value to SOC 1 engagements.
- b. False is incorrect. Applying knowledge gained from SAS no. 70 examinations can be applied to SOC 1 engagements to meet their clients' needs.

===== End of Section IV.

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**Section XII. Pivotal Advance Boosts Excel's Power (Page 40)**

**Section XII. Assignment:**

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our course 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 44 through 45.

**Section XII. Course Objectives:**

1. To describe a new Excel tool called PowerPivot, emphasizing its usefulness and exactly what it can do.
2. To describe how PowerPivot can collect data from varied data sources in a way that's easier than previous options.
3. To describe how to install PowerPivot.

**Section XII. Review Questions:**

1. True/False? PowerPivot can only use data in Excel files.  
a. True. b. False.
2. True/False? PowerPivot users must use the VLOOKUP function to collect and combine data.  
a. True. b. False.

**Section XII. Solutions and Suggested Responses to Review Questions:**

**Review Question 1.** (Please see Page 42.)

- a. True is incorrect. One of the benefits of PowerPivot is the ability to aggregate information directly from so many data sources.
- b. **False is correct.** PowerPivot is not limited to Excel files. It can collect data from a wide variety of other software programs.

**Review Question 2.** (Please see Page 43.)

- a. True is incorrect. The VLOOKUP function operates within Excel and similar spreadsheet software packages. PowerPivot is high level software that is easier to use.
- b. **False is correct.** In PowerPivot, the foreign key table is called "Table," which is the source table.

===== End of Section XII.

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**Section XIII. Solutions and Suggested Responses to Review Questions.**

**Review Question 1:** (Please see Page 51 and 55.)

- a. **True is correct.** These could be determined to be preference items and could be challenged by the bankruptcy court and other creditors.
- b. False is incorrect. The debtor should wait at least 90 days before filing bankruptcy on the remaining debts to avoid preference challenges.

**Review Question 2:** (Please see Page 52.)

- a. **True is correct.** IRC Section 108 (a) provides for specific exceptions to income recognition from debt forgiveness.
- b. False is incorrect. This is an example of such a specific exception.

**Review Question 3:** (Please see Page 52.)

- a. **True is correct.** IRC Section 108 (a) provides for specific exceptions to income recognition from debt forgiveness.
- b. False is incorrect. This is another example of such a specific exception.

**Review Question 4:** (Please see Page 52.)

- a. **True is correct.** The defaulter can reclaim the subject property during the period of time specified by the state by paying the full amount owed. This is extremely rare in recent years.
- b. False is incorrect. While such actions are extremely rare in recent years, buyers must be prepared to relinquish ownership of such property. Most states, however, require the defaulter to pay the buyer for the cost of documented repairs and improvements.

**Review Question 5:** (Please see Page 52.)

- a. **True is correct.** The full amount of the debt canceled is included in the amount realized on the sale of the property without regard to the property's fair market value.
- b. False is incorrect. The foreclosure would be treated as a sale for income tax purposes.

===== End of Section XIII.

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