

Accounting Education Associates
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QUARTERLY CPE EXAM ON THE *Journal of Accountancy*
Fourth Quarter (October - December), 2011 (Course # 1104)

A Formal CPE Course using the JoA as Reference Material
Recommended CPE Credit: 7 Hours (Exceptions noted on next page)
Subject division: Tax 2; A/A 2; Management 2; Computer Science 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 50 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 submit your exam with our Payment form from our Web site.
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 by 12/31/13.

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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 Fourth Quarter Exam is 1104.

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 2; Management 2; Computer Science 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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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 - 18 RELATE TO THE *Journal of Accountancy* OF OCTOBER 2011

Section I. THE iPad DECISION (P. 26)

1. The iPad and other tablets are good for:
 - a. Reading PDFs and financial statements.
 - b. Synchronizing Microsoft Outlook through services such as Microsoft Exchange.
 - c. Entering data for tax or accounting work.
 - d. A, b and c.
 - e. A and b but not c.
2. Which of the following require(s) a password?
 - a. Air Display.
 - b. MaxiVista.
 - c. DisplayLink
 - d. A, b and c.
 - e. A and b but not c.
3. Which of the following accessories can currently be used with an iPad?
 - a. Wireless keyboard.
 - b. Wireless mouse.
 - c. Both a and b.
 - d. Neither a nor b.
4. iPads can be connected to the Internet through:
 - a. Wi-Fi.
 - b. 3G wireless.
 - c. Either a or b.
 - d. Neither a nor b.

Section II. PLANNING FOR UNCERTAINTY (P. 32)

5. According to Steve Player, an organization's performance should be measured against:
 - a. Its budget.
 - b. Peers who are experiencing the same market conditions.
 - c. Ratios published by Standard & Poors.
 - d. All of the above.
 - e. None of the above.
6. Goals of Beyond Budgeting advocates include:
 - a. Eliminating budgets entirely.
 - b. Enhancing performance.
 - c. Both a and b.
 - d. Neither a nor b.
7. As an example of a Beyond Budgeting practice, Southwest Airlines updates its revenue forecast _____.
 - a. Daily
 - b. Weekly
 - c. Monthly
 - d. Quarterly
8. According to proponents of Beyond Budgeting, the purpose of forecasting is to show:
 - a. The "picture you want to see."
 - b. The "most realistic picture of how your organization is tracking toward its objectives."
 - c. The picture that would exist under "ideal conditions."

Section III. ACT PUBLIC BEFORE GOING PUBLIC (P. 38)

9. Auditors of _____ companies are subject to PCAOB/SEC independence requirements.
 - a. Private
 - b. Public
 - c. Both a and b
 - d. Neither a nor b
10. To comply with Sarbanes-Oxley, the authors recommend that private companies develop and refine tax internal controls _____ any IPO.
 - a. Within nine months after
 - b. Within three months after
 - c. By the date of
 - d. At last six months prior to
 - e. More than 12 months prior to

11. True/False? Tax departments of public companies typically have 40 – 45 days to complete the final tax analysis after receiving the final quarterly financial data.
 a. True. b. False.
12. _____ companies are required to provide footnote disclosure of their effective tax rate reconciliation.
 a. Public c. Both a and b
 b. Private d. Neither a nor b

Section IV. EIGHT WAYS TO EXPAND YOUR MENTORING NETWORK (P. 44)

13. True/False? The authors suggest that mentoring programs focus only on serving younger employees.
 a. True. b. False.
14. True/False? Having more than one mentor is sometimes better than having only one.
 a. True. b. False.
15. True/False? A CPA professional should only develop mentoring relationships within his or her office.
 a. True. b. False.
16. True/False? Employees should be encouraged to self-initiate mentoring relationships.
 a. True. b. False.

Section V. TAX PRACTICE CORNER (P. 64)

17. True/False? A person who writes only one book and is not obligated to revise it in the future or to write any more books is probably subject to self-employment tax.
 a. True. b. False.
18. True/False? A taxpayer who receives \$1,500 for making speeches on the first Friday of each month is probably subject to self-employment tax.
 a. True. b. False.

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QUESTIONS 19 – 36 RELATE TO THE *Journal of Accountancy* OF NOVEMBER 2011

Section VI. VALUING CONTINGENT CONSIDERATION: CHALLENGES AND SOLUTIONS (P. 28)

19. True/False? The IASB and FASB adopted a recommendation that a liability can be measured based on the exit price of the asset holder.
 a. True. b. False.
20. There is usually a _____ relationship between the amount of the earnout and business performance.
 a. Linear b. Nonlinear
21. Which of the following payoffs would be less risky than the weighted average cost of capital?
 a. A highly-likely extra fixed dollar amount.
 b. An option-like payout that pays a percentage of revenues or earnings above some given threshold.
 c. Both a and b.
 d. Neither a nor b.
22. The Black-Scholes model may be used in:
 a. Scenario-based modeling.
 b. Option-pricing methods.
 c. Either a and b.
 d. Neither a nor b.

Section VII. BUSINESS BASICS IN BRAZIL (P. 34)

23. The simplest, least expensive and most popular form of business organization in Brazil is the:
 a. Corporation. d. Limited liability company.
 b. Sole proprietorship. e. None of the above.
 c. Partnership.

24. Brazil's legal system is:
- a. Effective.
 - b. Fair.
 - c. Fast.
 - d. A, b and c.
 - e. A and b but not c.
25. Which of the following is / are generally taxed at a rate of 30% in Brazil?
- a. Exports.
 - b. Income earned in Brazil by nonresidents.
 - c. Capital gains earned in Brazil by nonresidents.
 - d. Estates.
 - e. Corporate income.
26. Dividends paid out of profits in Brazil are subject to a(n):
- a. Withholding tax.
 - b. Income tax.
 - c. Both a and b.
 - d. Neither a nor b.

Section VIII. WHAT'S YOUR FRAUD IQ? (P. 42)

27. As a result of the Fair and Accurate Credit Transaction Act (FACTA):
- a. Consumers are entitled to a free annual credit report from each of the three major credit reporting agencies.
 - b. Electronic receipts may include no more than the last five digits of a credit card or debit card number and may not contain card expiration dates.
 - c. Both a and b.
 - d. Neither a nor b.
28. True/False? It is safe for a CPA to use her laptop computer (containing confidential client information) outside her office to connect to an unknown public wireless network..
- a. True.
 - b. False.
29. Which of the following involves redirecting a legitimate Web site's traffic to a spoofed site controlled by hackers?
- a. Pharming.
 - b. Vishing.
 - c. Encrypting.
 - d. A, b and c.
 - e. A and b but not c.
30. Which of the following involves physiological or behavioral characteristics?
- a. Logical security lock.
 - b. Key lock.
 - c. Biometric lock.
 - d. Combination lock.
 - e. Access code.

Section IX. CHARITABLE CONTRIBUTIONS OF CONSERVATION EASEMENTS (P. 58)

31. For purposes of charitable contributions of conservation easements, which of the following can be a qualified real property interest?
- a. The taxpayer's entire interest in a property.
 - b. The taxpayer's remainder interest.
 - c. The taxpayer's easement that restricts the use of the property for up to five years.
 - d. A, b and c.
 - e. A and b but not c.
32. For purposes of charitable contributions, conservation purposes include all of the following except:
- a. Preserving open space for scenic enjoyment of the general public.
 - b. Preserving land for outdoor recreational use by the general public.
 - c. Preserving historically important land area.
 - d. Preserving hunting lands for members of the National Wildlife Association.
 - e. Protecting relatively natural habitats of fish, wildlife or plants.
33. True/False? If any mortgage is attached to property subject to a charitable easement, the lender must subordinate its interest to the qualified organization.
- a. True.
 - b. False.

Section X. (Two columns grouped as one Section:)

TAX PRACTICE CORNER: SHORT-TERM RENTALS PRECLUDE USE OF LOSSES (P. 64)

TAX MATTERS (P. 66)

34. Rentals shorter than eight days are treated as _____ activities.
a. Rental
b. Nonrental
35. In *Todd and Pamela Bailey v. Commissioner*, the tax court ruled that Bailey's rental activities satisfied which of the following requirements to be treated as nonpassive activities?
a. More than one-half of the personal services performed in trades or businesses by the taxpayer during such taxable year are performed in real property trades or businesses in which the taxpayer materially participates.
b. Such taxpayer performs more than 750 hours of service during the taxable year in real property trades or businesses in which the taxpayer materially participates.
c. Both a and b.
d. Neither a nor b.
36. In *Recovery Group Inc. v. Commissioner*, the tax court held that 15-year amortization of noncompete agreements applies to _____ of the shares of a corporation's stock acquired through redemption.
a. Only 76% or more
b. Only 51% or more
c. Only 26% or more
d. Only 21% or more
e. Any

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QUESTIONS 37 – 50 RELATE TO THE *Journal of Accountancy* OF DECEMBER 2011

Section XI. BUILDING BLOCKS OF A SUCCESSFUL CLOSE PROCESS (P. 18)

37. The financial close calendar should be communicated to:
a. All of the organization's "financial types."
b. Vendors and other third-party service providers.
c. Both a and b.
d. Neither a nor b.
38. Requiring a month-end journal-entry checklist is an example of a _____ control.
a. Preventive
b. Detective
c. Corrective
d. Multifaceted
39. Implementing journal-entry templates is an example of a _____ control.
a. Preventive
b. Detective
c. Corrective
d. Multifaceted
40. Verifying report attributes is an example of a _____ control.
a. Preventive
b. Detective
c. Corrective
d. Multifaceted

Section XII. A QUICK GUIDE TO QUICKBOOKS (P. 24)

41. In Quickbooks, the Memorize Transaction feature will _____ electronic payments or paper checks.
a. Generate
b. Automatically send
c. Both a and b
d. Neither a nor b
42. The Quickbooks template screen allows users to access which of the following options:
a. Editing templates.
b. Downloading additional templates from the Web.
c. Adding colorful themes for enhancing templates.
d. A, b and c.
e. A and b but not c.

43. At the option of the user, the Quickbooks Fixed Asset Manager can:
- a. Track fixed assets and calculate gains or losses on dispositions.
 - b. Be integrated with Quickbooks.
 - c. Be used as a stand-alone product.
 - d. A, b and c.
 - e. None of the above.

Section XIII. TECHNOLOGY 2012 PREVIEW: PART 2 (P. 30)

44. Which of the following software products was recommended for tailoring workflow?
- a. Zix-Corp.
 - b. TrueCrypt.
 - c. Plaxo.
 - d. Xero.
 - e. Concur.
45. Which of the following software products is probably the “most popular” software product for improving email security?
- a. Zix-Corp.
 - b. TrueCrypt.
 - c. Plaxo.
 - d. Xero.
 - e. Concur.
46. Which of the following is an expense reporting cloud-based mobilized app that runs on an iPad, an Android system or an iPhone?
- a. Zix-Corp.
 - b. TrueCrypt.
 - c. Plaxo.
 - d. Xero.
 - e. Concur.

Section XIV. (Three columns grouped as one Section:)

TAX PRACTICE CORNER: OFFERS IN COMPROMISE AND DISSIPATED ASSETS (P. 54)

TAX MATTERS (P. 56)

FROM *The Tax Adviser*: SCHEDULE M-3 REQUIRES NEW DISCLOSURES (P. 63)

47. There is a(n) _____ relationship between the taxpayer's reasonable collection potential and the taxpayer's chances of qualifying for an offer in compromise.
- a. Inverse
 - b. Direct
48. In the _____ case(s), the Tax Court ruled in favor of the taxpayer.
- a. *Tucker*
 - b. *Layton*
 - c. Both a and b
 - d. Neither a nor b
49. In the *Schramm* case, the Tax Court found that:
- a. Schramm was a common-law employee.
 - b. Schramm's investment in tools or necessary items was not substantial.
 - c. Schramm's risk of loss or opportunity for profit beyond his salary was negligible.
 - d. A, b and c.
 - e. A and b but not c.
50. Schedule M-3 requires that entities taxed as partnerships:
- a. Disclose R & D costs.
 - b. Report Section 118 exclusions.
 - 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.)

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.

Thank you for using our Quarterly CPE Exams!