

"To achieve satisfactory investment results is easier than most people realize; to achieve superior results is harder than it looks." - Benjamin Graham

**Supplementary Study Guide to Accompany the
Quarterly CPE Exam on
Topics Addressed in the *Journal of Accountancy*
Third Quarter (July – September), 2016**

Instructions:

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

Purpose:

To provide an interactive learning experience by listing Learning Objectives and Review Questions with Suggested Answers and Explanations.

OUTLINE: The section numbers of the Study Guide correspond to section numbers of the Final Exam. The page numbers below refer to the first page of each article in the printed version of the *JoA*.

Sections I – III Relate to the *Journal of Accountancy* of July 2016:

Section I. How CPAs Can Make the Most of Their Tech Resources (Page 42)

Section II. When Clients Should Open or Convert to a Roth IRA (Page 50)

Section III. Three Tax Columns:

From *The Tax Adviser*: Rules Change for ITINs and Tax Credits (P. 64)

Tax Practice Corner: Schoolteachers' Deduction No Longer Tardy (Page 66), and
Tax Matters (Page 70)

Sections IV – VII Relate to the *Journal of Accountancy* of August 2016:

Section IV. Two Articles Dealing with Identify Theft:

CPAs Contend with Tax ID Theft (Page 26); and

Breaking Bad News to Victims of Identity Theft (Page 30)

Section V. Tax Software Survey (Page 36)

Section VI. Getting Familiar with OPEB (Page 52)

Section VII. The Next Frontier in Data Analytics (Page 58)

Sections VIII – X Relate to the *Journal of Accountancy* of September 2016

Section VIII. Two Articles on Fraud Prevention:

What's Your Fraud IQ (Page 38) and

Money Laundering: Combating a Global Threat (Page 44)

Section IX. Special Depreciation: Three Choices Present New Options (Page 56)

Section X. In-Home Caregivers: Answers to Tax and Nontax Questions (Page 64)

The Learning Objectives are stated in each of the following sections.

Section I. How CPAs Can Make the Most of Their Tech Resources (Page 42 of July JoA)

Section I Assignment:

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below*. Please consider watching youtube videos about phishing such as: <https://www.youtube.com/watch?v=wZwxxdXmazs>
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 5.

Section I Learning Objectives:

1. To learn about certain major impediments to cybersecurity.
2. To learn how to reduce risks of using technology.

Section I Review Questions:

1. The backup process should:
 - a. Have all systems backed up automatically – with no human involvement necessary.
 - b. Be tested regularly to ensure that everything is being backed up.
 - c. Both a and b.
 - d. Neither a nor b.
2. Phishing scams may involve:
 - a. Emails.
 - b. Website drive-bys.
 - c. Either a or b.
 - d. Neither a nor b.
3. Examples of new helpful technologies include:
 - a. Accounts payable automation.
 - b. Electronic expense reports.
 - c. E-signing contracts.
 - d. A, b and c.
 - e. A and b but not c.
4. J. Carlton Collins recommends that all technology systems be backed up:
 - a. By experienced employees.
 - b. By experienced outside technicians.
 - c. Automatically without human interaction.
 - d. By a combination of human and machine interaction.
5. David Cieslak recommends that computers be backed up:
 - a. Only on servers and other hardware in the organization's own physical premises.
 - b. In the cloud.

Section I Solutions and Suggested Responses to Review Questions appear on the next page.

Section I Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 44 of July *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. **Correct.** Backups should involve all systems and should be performed automatically on a regular schedule and not require human involvement.
- d. Incorrect. Backups should not require actions of humans to be initiated. Backups should involve all systems and be performed automatically.

Review Question 2. (Please see page 45 of July *JoA*.)

- a. Incorrect. This is part of but not the most complete answer. Even emails that *appear* to be from trusted friends and family can bring infections. Think twice before you click on *any* link.
- b. Incorrect. This is part of but not the most complete answer.
- c. **Correct.** Phishing attempts may come in emails. It is unwise to open emails from unknown parties. And nobody should open attachments in such emails. Likewise, it is dangerous to click on links on untrusted websites.
- d. Incorrect. Phishing attempts occur every minute of every hour and users of technology should constantly be on guard when opening emails and visiting websites.

Review Question 3: (Please see page 43 of July *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. This is part of but not the most complete answer.
- d. **Correct.** Each of these three is an example of a new helpful technology.
- e. Incorrect. Each of these three is an example of a new helpful technology.

Review Question 4. (Please see page 44 of July *JoA*.)

- a. Incorrect. Collins does not recommend relying on employees to do this.
- b. Incorrect. Collins does not recommend relying on outside technicians to do this.
- c. **Correct.** Collins recommends that backups be automatically backed up by machines or other technology without relying on humans to remember to start the backup process.
- d. Incorrect. Collins recommends that backups be automatically backed up by machines or other technology without relying on humans to remember to start the backup process.

Review Question 5. (Please see page 46 of July *JoA*.)

- a. Incorrect. Cieslak recommends that computers and other devices be backed up, not to servers and other hardware in the organization's physical location, but in the cloud hosted by competent businesses.
- b. **Correct.** Cieslak recommends that backups be stored in the cloud instead of in a building where it might be destroyed or damaged by fire or other natural disaster.

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

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Section II. When Clients Should Open or Convert to a Roth IRA (Page 50)

Section II Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below*. Please consider watching a youtube video on converting to a Roth IRA, such as this: <https://www.youtube.com/watch?v=lehwykuqqsQ>
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 6 through 10.

Section II Learning Objectives:

1. To learn about the factors to consider in choosing between a Roth IRA and a traditional IRA.
2. To learn about about the factors to consider before rolling over a traditional IRA to a Roth IRA.
3. To learn about the re characterization of rollovers into Roth IRAs as well as reconversions of recharacterized accounts.

Section II Review Questions:

1. Assuming that a hypothetical taxpayer's income tax rate remains unchanged throughout the years of contributing to as well as receiving distributions from an IRA, the after-tax returns for all years of owning the IRA (including all contributions as well as all distributions would be:
 - a. Higher if the taxpayer used a Roth IRA as the retirement vehicle.
 - b. Higher if the taxpayer used a traditional IRA as the retirement vehicle.
 - c. The same regardless of whether the taxpayer chose a Roth IRA or a traditional IRA.
2. Jeri is a commission salesperson whose taxable income fluctuated from \$150,000 in year 1 to \$20,000 in year 2 and is expected to return permanently to around \$150,000 in year 3. Jeri is 35 years old and has accumulated \$100,000 in a traditional IRA. In year 2, should Jeri convert her traditional IRA to a Roth IRA?
 - a. Yes.
 - b. No.
3. Taxpayers _____ entitled to a tax deduction for Roth contributions.
 - a. Are
 - b. Are not
4. When all requirements have been met, withdrawals from Roth IRAs _____ taxable.
 - a. Are
 - b. Are not
5. Conversions of traditional IRAs to Roth IRAs are usually:
 - a. Tax-free.
 - b. Subject to income tax in the year of the conversion.

Section II Solutions and Suggested Responses to Review Questions appear on the next page.

Section III. Three Tax Columns:

From *The Tax Adviser: Rules Change for ITINs and Tax Credits* (P. 64)

Tax Practice Corner: Schoolteachers' Deduction No Longer Tardy (Page 66), and
Tax Matters (Page 70)

Section III Assignment:

1. Study the articles (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives* stated below.
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 11 through 15.

Section III Learning Objectives:

1. To learn how provisions of the PATH Act of 2015 changed tax filings involving claims for the earned income tax credit and the American opportunity tax credit.
2. To learn about the extension and expansion of the schoolteachers' deduction for qualified classroom expenses.
3. To learn about the factors considered by the tax court in *Ryther*.

Section III Review Questions:

1. Other than where exceptions apply, retroactive filing of returns to claim the American opportunity tax credit will be allowed for _____ prior-year returns that were due before the issuance of the individual taxpayer identification number (ITIN).
 - a. Amended
 - b. Original prior-year
 - c. Either a or b
 - d. Neither a nor b
2. An eligible schoolteacher may be eligible for an above-the-line deduction for qualified business expenses paid or incurred of up to _____ in 2016.
 - a. \$100
 - b. \$250
 - c. \$500
 - d. \$750
 - e. \$1,000
3. As a general rule, a taxpayer filing with an ITIN has been able to claim the same _____ as a taxpayer filing with an SSN.
 - a. Exemptions
 - b. Deductions and credits
 - c. Earned income tax credit
 - d. A, b and c
 - e. A and b but not c
4. Section(s) _____ of the PATH Act added limitations on claiming the child tax credit.
 - a. 205
 - b. 206
 - c. Both a and b
 - d. Neither a nor b
5. To be eligible for the “schoolteachers' deduction,” a taxpayer must be an eligible educator for at least _____ hours during a school year.
 - a. 700
 - b. 800
 - c. 900
 - d. 1,000

Section III Solutions and Suggested Responses to Review Questions appear on the next page.

Section III Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 64 of July JoA.)

- a. Incorrect. Retroactive filing of returns to claim the child tax credit or the American opportunity tax credit will not be allowed for either amended or original prior-year returns that were due before the issuance of the individual taxpayer identification number (ITIN).
- b. Incorrect. Retroactive filing of returns to claim the child tax credit or the American opportunity tax credit will not be allowed for either amended or original prior-year returns that were due before the issuance of the individual taxpayer identification number (ITIN).
- c. Incorrect. Retroactive filing of returns to claim the child tax credit or the American opportunity tax credit will not be allowed for either amended or original prior-year returns that were due before the issuance of the individual taxpayer identification number (ITIN).
- d. **Correct.** Retroactive filing of returns to claim the child tax credit or the American opportunity tax credit will not be allowed for either amended or original prior-year returns that were due before the issuance of the individual taxpayer identification number (ITIN).

Review Question 2. (Please see page 66 of July JoA.)

- a. Incorrect. The maximum deduction is more than \$100.
- b. **Correct.** The maximum schoolteachers' deduction is \$250 per person, indexed for inflation.
- c. Incorrect. The maximum deduction is less than \$500.
- d. Incorrect. The maximum deduction is less than \$750.
- e. Incorrect. The maximum deduction is less than \$1,000.

Review Question 3: (Please see page 64 of July JoA.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. A taxpayer filing with an ITIN cannot claim the same earned income tax credit as a taxpayer filing with an SSN.
- d. Incorrect. Taxpayers filing with an ITIN are generally able to claim the same exemptions and deductions and credits but not earned income tax credits as a taxpayer filing with an SSN.
- e. **Correct.** Taxpayers filing with an ITIN are generally able to claim the same exemptions and deductions and credits but not earned income tax credits as a taxpayer filing with an SSN.

Review Question 4. (Please see page 64 of July JoA.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. **Correct.** Section 205 as well as Section 206 of the PATH Act added limitations on claiming the child tax credit.
- d. Incorrect. Section 205 as well as Section 206 of the PATH Act added limitations on claiming the child tax credit.

Review Question 5. (Please see page 66 of July JoA.)

- a. Incorrect. The minimum annual required number of hours is greater than 700 hours.
- b. Incorrect. The minimum annual required number of hours is greater than 800 hours.
- c. **Correct.** The minimum annual required number of hours is 900 hours.
- d. Incorrect. The minimum annual required number of hours is less than 1,000 hours.

-----End of Section III.

Section IV. Two Articles Dealing with Identify Theft:

CPAs Contend with Tax ID Theft (Page 26 of August 2016 JoA); and
Breaking Bad News to Victims of Identity Theft (Page 30 of August 2016 JoA)

Section IV Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below*. Please consider watching a youtube video on tax identity theft: <https://www.youtube.com/watch?v=1EvfqG-6L5w>
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 16 through 20.

Section IV Learning Objectives:

1. To learn basic skills for counseling victims of tax-related identity theft using tools developed for the medical profession that can be adapted to the accounting profession.
2. To learn about the scale of identity theft.
3. To learn what steps to take after identity theft has occurred.

Section IV Review Questions:

1. In the 2016 Tax Software Survey, what percentage of respondents reported that fewer than 5% of their clients had been victims of tax ID thefts?
a. 95%. b. 85%. c. 65%. d. 45%. e. 25%.
2. When the IRS reported that it was shutting down its Get Transcript service, it reported that approximately _____ thousand taxpayers accounts had been hacked.
a. 103 b. 206 c. 309 d. 621 e. 724
3. Based on the reported surveys, _____ of clients were victims of tax ID theft in the reporting period.
a. Less than 5%
b. 5-10%
c. 11-15%
d. More than 15%
4. According to the reported survey, the number of clients that the majority of survey CPAs had who were victims of tax ID theft was:
a. 1.
b. 2 to 5.
c. 11-15.
d. 11-20.
e. 21-50.
5. To help victims of tax identity theft deal with the resulting trauma, CPAs must learn new _____ skills.
a. Soft
b. Hard

Section IV Solutions and Suggested Responses to Review Questions follow on the next page.

Section IV Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 27 of August *JoA*.)

- a. **Correct.** 95% of the respondents reported that fewer than 5% of their clients had been victims of tax ID thefts.
- b. Incorrect. More than 85% reported that fewer than 5% of their clients had been victims of tax ID thefts.
- c. Incorrect. More than 65% reported that fewer than 5% of their clients had been victims of tax ID thefts.
- d. Incorrect. More than 45% reported that fewer than 5% of their clients had been victims of tax ID thefts.
- e. Incorrect. More than 25% reported that fewer than 5% of their clients had been victims of tax ID thefts.

Review Question 2. (Please see page 29 of August *JoA*.)

- a. **Correct.** Initially, the IRS initially reported that only approximately 103,000 taxpayers had been hacked.
- b. Incorrect. The number of taxpayers initially reported was less than 206,000.
- c. Incorrect. The number of taxpayers initially reported was less than 309,000.
- d. Incorrect. This is the amount of the understatement.
- e. Incorrect. The IRS ultimately admitted that approximately 724,000 taxpayers had potentially been hacked, 621,000 more than first reported.

Review Question 3. (Please see page 27 of August *JoA*.)

- a. **Correct.** Less than 5% of the clients of the surveyed CPAs experienced tax ID theft in the reporting period.
- b. Incorrect. Less than 5% to 10% of the clients of the surveyed CPAs experienced tax ID theft in the reporting period.
- c. Incorrect. Less than 11% to 15% of the clients of the surveyed CPAs experienced tax ID theft in the reporting period.
- d. Incorrect. Less than 15%+ of the clients of the surveyed CPAs experienced tax ID theft in the reporting period.

Review Question 4. (Please see page 27 of August *JoA*.)

- a. Incorrect. The number of clients that the majority of CPAs had who were victims of tax ID theft was greater than 1.
- b. **Correct.** The number of clients that the majority of CPAs had who were victims of tax ID theft was 2 to 5.
- c. The number of clients that the majority of CPAs had who were victims of tax ID theft was fewer than 6 – 10.
- d. The number of clients that the majority of CPAs had who were victims of tax ID theft was fewer than 11 – 20.
- e. The number of clients that the majority of CPAs had who were victims of tax ID theft was fewer than 21-50.

Review Question 5. (Please see page 32 of August *JoA*.)

- a. **Correct.** The skills required to soften the blow of the trauma associated with a tax ID identity theft are soft skills such as expressing empathy and concern for the client's loss.
- b. Incorrect. Presumably, the CPA has the technical skills required to help the client deal with tax reporting issues; it's the softer skills such as dealing with feelings that many CPAs will have to acquire for the first time.

===== End of Section IV.

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Section V. Tax Software Survey (Page 36 of August JoA)

Section V Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below*.
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 21 through 25.

Section V Learning Objectives:

1. To learn the results of the latest annual survey of tax software.
2. To learn which tax software packages received the highest and lowest scores from tax practitioners.

Section V Review Questions:

1. Which of the following is not one of the four companies that dominate the CPA tax software market?
 - a. ProSystem fx.
 - b. Drake.
 - c. UltraTax CS.
 - d. Lacerte.
 - e. ProSeries.
2. What did survey respondents, collectively, like least about tax preparation software?
 - a. Price.
 - b. Accuracy.
 - c. Support.
 - d. Ease of use.
 - e. Ease of importing data.
3. What was the most important reason given by respondents for switching from one tax software product to another?
 - a. Price.
 - b. Accuracy.
 - c. Support.
 - d. Ease of use.
 - e. Ease of importing data.
4. Which tax software package was rated lowest for handling Affordable Care Act calculations?
 - a. ATX.
 - b. Lacerte.
 - c. ProSeries.
 - d. GoSystem Tax RS.
 - e. UltraTax CS.
5. Which tax software package was rated highest for handling multistate business returns?
 - a. ATX.
 - b. Lacerte.
 - c. ProSeries.
 - d. GoSystem Tax RS.
 - e. UltraTax CS.

Section V Solutions and Suggested Responses to Review Questions appear on the next page.

Section V Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 37 of August *JoA*.)

- a. Incorrect. ProSystem fx is one of the four companies that dominate the tax software business.
- b. **Correct.** Drake came in fifth in usage among participants, just outside the top four.
- c. Incorrect. UltraTax CS is one of the four companies that dominate the tax software business.
- d. Incorrect. Lacerte is one of the four companies that dominate the tax software business.
- e. Incorrect. ProSeries is one of the four companies that dominate the tax software business.

Review Question 2. (Please see page 40 of August *JoA*.)

- a. **Correct.** Price was the factor that respondents liked least about their tax software.
- b. Incorrect. Accuracy generally received higher ratings than price.
- c. Incorrect. Support generally received higher ratings than price.
- d. Incorrect. Ease of use generally received higher ratings than price.
- e. Incorrect. Ease of importing data generally received higher ratings than price.

Review Question 3. (Please see page 42 of August *JoA*.)

- a. **Correct.** Price was the reason most often given for switching from one software to another.
- b. Incorrect. Accuracy was not as important as price in the decision to switch to another software.
- c. Incorrect. Support was not as important as price in the decision to switch to another software.
- d. Incorrect. Ease of use was not as important as price in the decision to switch to another software.
- e. Incorrect. Ease of importing data was not as important as price in the decision to switch to another software.

Review Question 4: (Please see page 45 of August *JoA*.)

- a. Incorrect. ATX did not receive the lowest rating for handling ACA calculations.
- b. Incorrect. Lacerte did not receive the lowest rating for handling ACA calculations.
- c. Incorrect. ProSeries did not receive the lowest rating for handling ACA calculations.
- d. **Correct.** GoSystem Tax RS received the lowest rating for handling ACA calculations.
- e. Incorrect. UltraTaxCS did not receive the lowest rating for handling ACA calculations.

Review Question 5: (Please see page 45 of August *JoA*.)

- a. Incorrect. ATX did not receive the highest rating for handling multistate business returns.
- b. Incorrect. Lacerte did not receive the highest rating for handling multistate business returns.
- c. Incorrect. ProSeries did not receive the highest rating for handling multistate business returns.
- d. Incorrect. GoSystem Tax RS did not receive the highest rating for handling multistate business returns.
- e. **Correct.** UltraTaxCS received the highest rating for handling multistate business

===== End of Section V.

Section VI. Getting Familiar with OPEB (Page 52 of August JoA)

Section VI Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below*. Also, please consider watching a youtube video on GASB's standards for pensions and OPEB: <https://www.youtube.com/watch?v=hUMg0fHi9to>
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 26 through 30.

Section VI Learning Objectives:

1. To learn about about GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the changes that it will bring.
2. To learn the differences between existing standards and those of GASB Statement No. 75.

Section VI Review Questions:

1. Compared to existing standards, GASB Statement No. 75 will bring changes in:
 - a. How the net OPEB liability is recorded.
 - b. How the net OPEB liability is measured.
 - c. How the periodic OPEB expense is measured.
 - d. How OPEB plan assets are measured.
 - e. All of the above.
2. Under GASB Statement No. 75, a government entity should expect _____ total OPEB liability compared to its liability as measured under existing standards.
 - a. A larger
 - b. A smaller
 - c. No change in
3. The most important change of GASB Statement No. 75 will be recognition of net OPEB liability for governments participating in _____ OPEB plans.
 - a. Single-employer
 - b. Agent multiple-employer
 - c. Multiple-employer
4. Under _____, total OPEB liability is measured using a single actuarial cost-attribution method based on entry age.
 - a. Existing standards
 - b. Statement No. 75
 - c. Both a and b
 - d. Neither a nor b
5. Under _____, the determination of the discount rate could possibly involve consideration of the yield on 20-year tax-exempt general obligations.
 - a. Existing standards
 - b. Statement No. 75
 - c. Both a and b
 - d. Neither a nor b

Section VI Solutions and Suggested Responses to Review Questions appear on the next page.

Section VI Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see page 54-55 of August *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. This is part of but not the most complete answer.
- d. Incorrect. This is part of but not the most complete answer.
- e. **Correct.** GASB Statement No. 75 will change how the periodic OPEB expense is measured, how the net OPEB liability is measured and recorded as well as how OPEB plan assets are measured.

Review Question 2. (Please see page 55 of August *JoA*.)

- a. **Correct.** Most governments will see an increase in total OPEB liability because previous standards did not require recognizing a liability for unfunded OPEB expenses.
- b. Incorrect. The total OPEB liability will rise because of recognition requirements.
- c. Incorrect. The total OPEB liability will rise because of recognition requirements.

Review Question 3. (Please see page 54 of August *JoA*.)

- a. Incorrect. The change for single-employer plans will not be as significant as for another type.
- b. Incorrect. The change for agent multiple-employer plans will not be as significant as for another type.
- c. **Correct.** GASB 75 will have the greatest effect on multiple-employer plans because they are not presently required to disclose (prior to GASB 75).

Review Question 4. (Please see page 54 of August *JoA*.)

- a. Incorrect. A single actuarial cost-attribution method based on entry age is not used under existing standards.
- b. **Correct.** A single actuarial cost-attribution method based on entry age is used under Statement No. 75.
- c. Incorrect. A single actuarial cost-attribution method based on entry age is used under Statement No. 75 but not under existing standards.
- d. Incorrect. A single actuarial cost-attribution method based on entry age is used under Statement No. 75 but not under existing standards.

Review Question 5. (Please see page 55 of August *JoA*.)

- a. Incorrect. The yield on 20-year tax-exempt general obligations does not enter into the determination of the discount rate under existing standards.
- b. **Correct.** The yield on 20-year tax-exempt general obligations will enter into the determination of the discount rate under Statement No. 75.
- c. Incorrect. The yield on 20-year tax-exempt general obligations does not enter into the determination of the discount rate under existing standards but it will under Statement No. 75.
- d. Incorrect yield on 20-year tax-exempt general obligations does not enter into the determination of the discount rate under existing standards but it will under Statement No. 75.

===== End of Section VI

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Section VII. The Next Frontier in Data Analytics (Page 58)

Section VII Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below*. Also, please consider viewing this youtube video on big data: <https://www.youtube.com/watch?v=ceeiUAmbfZk>
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 VII Learning Objectives:

1. To learn about about using data analytics in the audit process as reported in the AICPA Assurance Services Executive Committee/Auditing Standards Board Task Force's *Audit Data Analytics Guide*.
2. To learn about four types of data analytics.

Section VII Review Questions:

1. Data analytics skills are used in:
 - a. External auditing.
 - b. Internal auditing.
 - c. Financial planning and analysis.
 - d. Financial management.
 - e. All of the above.
2. Using insights gained from analytics in decision-making is part of:
 - a. Analytics production.
 - b. Analytics consumption.
3. Which of the following types of analytics assists in identifying the best option to choose to achieve the desired outcome through optimization techniques and machine learning?
 - a. Descriptive analytics.
 - b. Diagnostic analytics.
 - c. Predictive analytics.
 - d. Prescriptive analytics.
4. Which of the following types of analytics assists in understanding the future and provides foresight by identifying patterns in historical data?
 - a. Descriptive analytics.
 - b. Diagnostic analytics.
 - c. Predictive analytics.
 - d. Prescriptive analytics.
5. Which of the following types of analytics examines the cause of past results?
 - a. Descriptive analytics.
 - b. Diagnostic analytics.
 - c. Predictive analytics.
 - d. Prescriptive analytics.

Section VII Solutions and Suggested Responses to Review Questions appear on the next page.

Section VII Solutions and Suggested Responses to Review Questions.

Review Question 1: (Please see page 59 of August *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. This is part of but not the most complete answer.
- d. Incorrect. This is part of but not the most complete answer.
- e. **Correct.** Data analytics skills are used in each of the areas listed.

Review Question 2: (Please page 61 of August *JoA*.)

- a. Incorrect. The production of analytics involves sourcing relevant data and performing basic analysis and can usually be done by junior-level accountants.
- b. **Correct.** Analytics consumption involves higher-level thinking and using the insights gained from analytics in decision-making and therefore generally calls for accountants in senior-levels.

Review Question 3: (Please see page 60 of August *JoA*.)

- a. Incorrect. This is more of a prescriptive analytics issue than descriptive analytics.
- b. Incorrect. This is more of a prescriptive analytics issue than diagnostic analytics.
- c. Incorrect. This is more of a prescriptive analytics issue than predictive analytics.
- d. **Correct.** Prescriptive analytics assists in identifying the best option to choose to achieve the desired outcome through optimization techniques and machine learning.

Review Question 4: (Please see page 60 of August *JoA*.)

- a. Incorrect. This is more of a predictive analytics issue than descriptive analytics.
- b. Incorrect. This is more of a predictive analytics issue than diagnostic analytics.
- c. **Correct.** Predictive analytics assists in understanding the future and provides foresight by identifying patterns in historical data.
- d. Incorrect. This is more of a predictive analytics issue than prescriptive analytics.

Review Question 5: (Please page 60 of August *JoA*.)

- a. Incorrect. This is more of a diagnostic analytics issue than descriptive analytics.
- b. **Correct.** Diagnostic analytics examines the cause of past results.
- c. Incorrect. This is more of a diagnostic analytics issue than predictive analytics.
- d. Incorrect. This is more of a diagnostic analytics issue than prescriptive analytics.

===== End of Section VII.

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Section VIII Solutions and Suggested Responses to Review Questions.

Review Question 1: (Please see pages 39-40 of September *JoA*.)

- a. Incorrect. This is too soft a term for an act of defalcation.
- b. Incorrect. This is too soft a term for an act of defalcation.
- c. Incorrect. This is too soft a term for an act of defalcation.
- d. Incorrect. This is too soft a term for an act of defalcation.
- e. **Correct.** The employee manual must be clearly worded and not mince words or use ambiguous language.

Review Question 2: (Please see page 40 of September *JoA*.)

- a. Incorrect. Tips are responsible for uncovering more than this small percentage of frauds.
- b. Incorrect. Tips are responsible for uncovering more than this small percentage of frauds.
- c. Incorrect. Tips are responsible for uncovering more than this small percentage of frauds.
- d. Tips uncover approximately 39% of frauds, and this is why tips are so important to identifying and reducing the level of fraudulent activity in an organization.
- e. Incorrect. Tips are not yet responsible for uncovering this high a percentage of frauds.

Review Question 3: (Please see page 45 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. This is part of but not the most complete answer.
- d. **Correct.** All of these techniques are common methods of money laundering.

Review Question 4: (Please see page 45 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. **Correct.** It is important to communicate the message to both employees as well as outside parties that management takes a strong anti-fraud position and places high priority on ethics.
- d. Incorrect. It is important to communicate the message to both employees as well as outside parties that management takes a strong anti-fraud position and places high priority on ethics.

Review Question 5: (Please see page 45 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. **Correct.** Both conventional banks as well as nonbank financial institutions have much higher anti-money laundering risk than other types of businesses.
- d. Incorrect. Both conventional banks as well as nonbank financial institutions have much higher anti-money laundering risk than other types of businesses.

===== End of Section VIII.

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Section IX. Special Depreciation: Three Choices Present New Options (Page 56)

Section IX Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below* and consider watching this youtube video on the PATH Act: <https://www.youtube.com/watch?v=Q95uXrIccmg>
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 41 through 45.

Section IX Learning Objectives:

1. To learn about three provisions that allow taxpayers to accelerate deductions for the costs of capital assets and other property and avoid depreciation.
2. To learn about the benefits and requirements for using each of these three provisions.

Section IX Review Questions:

1. Which of the three following depreciation provisions can be used in the same tax year?
 - a. Bonus depreciation.
 - b. Expanded Sec. 179 expensing.
 - c. The *de minimis* exception to the tangible property, or “repair” regulation.
 - d. A, b and c.
 - e. A and b but not c.
2. To elect the *de minimis* safe harbor, the taxpayer must:
 - a. Attach a statement to that year's timely filed federal income tax return.
 - b. File Form 3115, *Application for Change in Accounting Method*.
 - c. Both a and b.
 - d. Neither a nor b.
3. Bonus depreciation is taken after:
 - a. Any Sec. 179 depreciation.
 - b. Regular depreciation.
 - c. Both a and b.
 - d. Neither a nor b.
4. Which of the following provisions was (were) made permanent?
 - a. Section 179 expensing limit up to \$500,000.
 - b. Special first-year 50% depreciation.
 - c. Both a and b.
 - d. Neither a nor b.
5. For eligible automobiles placed in service in 2016, the limit on first-year depreciation is:
 - a. \$3,160.
 - b. \$8,000.
 - c. \$11,160.
 - d. \$14,320.

Section IX Solutions and Suggested Responses to Review Questions appear on the next page.

Section IX Solutions and Suggested Responses to Review Questions:

Review Question 1: (Please see page 57 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. This is part of but not the most complete answer.
- d. **Correct.** All of these provisions may be used simultaneously in the same tax year.
- e. Incorrect. All of these provisions – including the *de minimis* exception - may be used simultaneously in the same tax year.

Review Question 2: (Please see page 57 of September *JoA*.)

- a. **Correct.** The only requirement is to attach a statement to that year's timely filed federal income tax return titled "Section 1.263(a)-1(f) *de minimis* safe harbor election."
- b. Incorrect. Because making the safe-harbor election does not count as a change in accounting method, the Form 3115 is not required.
- c. Incorrect. A statement must be attached to that year's federal income tax return but the Form 3115 is not required.
- d. Incorrect. A statement must be attached to that year's federal income tax return but the Form 3115 is not required.

Review Question 3: (Please see page 60 of September *JoA*.)

- a. **Correct.** Bonus depreciation is taken after any Section 179 depreciation.
- b. Incorrect. Bonus depreciation is taken *before* regular depreciation.
- c. Incorrect. Bonus depreciation is taken after any Section 179 depreciation but before regular depreciation.
- d. Incorrect. Bonus depreciation is taken after any Section 179 depreciation but before regular depreciation.

Review Question 4: (Please see page 58 of September *JoA*.)

- a. **Correct.** The Section 179 expensing limit of up to \$500,000 option was made permanent.
- b. Incorrect. Special first-year 50% depreciation (also known as "bonus depreciation") was extended by the PATH act but was not made permanent and its value will decline in the years before it expires.
- c. Incorrect. The Section 179 expensing limit of \$500,000 was made permanent but the special first-year 50% depreciation was not.
- d. Incorrect. The Section 179 expensing limit of \$500,000 was made permanent but the special first-year 50% depreciation was not.

Review Question 5: (Please see page 62 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. **Correct.** For passenger automobiles that are qualified property and place in service before January 1, 2020, the limit on first-year depreciation is increased by \$8,000. The normal first-year depreciation limit is \$3,160 (for automobiles placed in service in 2016). So for eligible automobiles, that limit is increased to \$11,160.
- d. Incorrect. For passenger automobiles that are qualified property and place in service before January 1, 2020, the limit on first-year depreciation is increased by \$8,000. The normal first-year depreciation limit is \$3,160 (for automobiles placed in service in 2016). So for eligible automobiles, that limit is increased to \$11,160.

End of section IX

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Section X. In-Home Caregivers: Answers to Tax and Nontax Questions (Page 64 of Sept. JoA)

Section X Assignment:

1. Study the article (reference text) in the *Journal of Accountancy*, paying particular attention to our *Learning Objectives stated below* and consider watching this youtube video on taxes on household workers: https://www.youtube.com/watch?v=G3_jrwhaQr8
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 X Learning Objectives:

1. To learn how to comply with applicable laws for families who hire in-home caregivers.
2. To learn to about determining whether the caregiver is an employee or independent contractor as well as the implications of that determination.
3. To learn about the state and federal tax payments, filing and withholding requirements.

Section X Review Questions:

1. Which of the following must be examined in determining whether a caregiver is an employee or an independent contractor?
 - a. Financial control.
 - b. Behavior control.
 - c. The relationship between the parties.
 - d. A, b and c.
 - e. A and b but not c.
2. Families contracting with caregivers must consider:
 - a. Whether the caregiver is eligible to work in the U.S.
 - b. Whether the caregiver is an employee or independent contractor.
 - c. What taxes families are required to pay.
 - d. What kind of insurance the family needs.
 - e. All of the above.
3. Most families use _____ to report their caregiver's federal taxes:
 - a. Form 941, *Employer's Quarterly Federal Tax Return*.
 - b. Form 1040, Schedule H, *Household Employment Taxes*.
 - c. Both a and b.
 - d. Neither a nor b.
4. The decision of whether a caregiver is an employee or independent contractor:
 - a. Is up to the family for whom the worker works.
 - b. Is up to the worker.
 - c. Depends on a multifactor examination of the work relationship and is not simply up to either the family or the worker.
5. Is it ever necessary for families to purchase insurance or bonding on caregivers?
 - a. Yes.
 - b. No.

Section X Solutions and Suggested Responses to Review Questions appear on the next page.

Section X Solutions and Suggested Responses to Review Questions:

Review Question 1. (Please see page 65 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- c. Incorrect. This is part of but not the most complete answer.
- d. **Correct.** All of these factors must be considered in determining worker classification.
- e. Incorrect. All of these provisions – including the relationships – must be considered.

Review Question 2. (Please see pages 66-67 of September *JoA*.)

- a. Incorrect. This is part of but not the most complete answer.
- b. Incorrect. This is part of but not the most complete answer.
- d. Incorrect. This is part of but not the most complete answer.
- e. **Correct.** All of these factors must be considered in determining worker classification.

Review Question 3. (Please see page 67 of September *JoA*.)

- a. Incorrect. Only if the family runs a business as a sole proprietorship and files Form 941, *Employer's Quarterly Federal Tax Return* would the family choose to include taxes for household employees on that form.
- b. **Correct.** As a general rule, most families should report all of the federal taxes on the individual family member's Form 1040, Schedule H.
- c. Incorrect. Most families should use only Form 1040, Schedule H and not Form 941.
- d. Incorrect. Most families should use only Form 1040, Schedule H and not Form 941

Review Question 4: (Please see page 65 of September *JoA*.)

- a. Incorrect. The family cannot arbitrarily make this decision without considering the facts and circumstances of the work relationship.
- b. Incorrect. The worker cannot arbitrarily make this decision without considering the facts and circumstances of the work relationship.
- c. **Correct.** The IRS has published a checklist of factors to consider before making the decision of whether a worker is an employee or independent contractor. Some of the more important factors to consider are how much freedom the worker has to come and go as he or she chooses, how closely the worker is monitored, how many other people the worker works for, whether the worker provides his or her tools or uniform, etc. Google the “IRS independent contractor / employee checklist” to learn more.

Review Question 5: (Please see page 68 of September *JoA*.)

- a. **Correct.** Families should always consider whether insurance or bonding is necessary by considering the risk of loss from countless possibilities including theft by the worker, on-the-job injury to the worker, etc. The family would be well advised to consult an insurance professional for advice.
- b. Incorrect. Families should always consider whether insurance or bonding is necessary by considering the risk of loss from countless possibilities including theft by the worker, on-the-job injury to the worker, etc. The family would be well advised to consult an insurance professional for advice.

===== **End of Section X.**