

**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***  
**First Quarter (January - March), 2017 (Course # 1701)**  
A Formal CPE Course using the *JoA* as Reference Material  
**Recommended CPE Credit: 10 Hours (Category: Interactive Self Study)**  
Subject division: Accounting 1; Auditing 1; Tax 8. (All Technical)

**INSTRUCTIONS:**

1. Complete but do not submit all the assignments in the **Supplementary Study Guide** with **Course objectives** available at our Web site: [www.accounting-education.com](http://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. Unless prepaid, please submit a Payment Voucher with your completed Exam.
4. **Scan/email**, fax or snail mail your answer sheet to AEA for grading.
5. For CPE credit, please be sure your name and email address are legible.
6. **For faster response, please provide your email address below.**

**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?

On my honor as a CPA or CMA, I have neither given nor received assistance on this Exam.

(Signed) \_\_\_\_\_ (Dated) \_\_\_\_\_

Please print your full name: \_\_\_\_\_

Please print your email address: \_\_\_\_\_

To which state boards or agencies do you report CPE? \_\_\_\_\_

Sponsor Agreements with State Boards of Accountancy:

**Hawaii** (#94007), **Illinois** (#158-000242), **Nebraska** (#16-666), **Pennsylvania** (#PX00005-L) and **Texas** (#000211). Most state boards do not require sponsor registration. Check with your Board.

**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=

Date completed: \_\_\_\_\_

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 completed by 3/31/2019.**

[www.accounting-education.com](http://www.accounting-education.com) Copyright 2017 - AEA #1701-

“Life can only be understood backwards; but it must be lived forwards.”

---Soren Kierkegaard

This is a formal Interactive 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. New courses normally appear at our Web site around the beginning of each quarter.

#### LEARNING OBJECTIVES:

The specific learning objectives are stated in the individual sections of the **Supplementary Study Guide** associated with this Quarterly CPE Exam available at [www.accounting-education.com](http://www.accounting-education.com)

**PREREQUISITES:** None.

**LEVEL:** Basic.

**COURSE NUMBER:** The course number we assign to each Quarterly CPE Exam is derived from the Year and Quarter, YYQQ.

#### COURSE SPONSOR:

Accounting Education Associates (“AEA”) has offered **Quarterly CPE Exams** on the *Journal of Accountancy* every quarter for 35 years (since 1982). James H. Ogburn prepares the courses. In addition to working in public accounting and finance, his experience includes 18 years teaching accounting and serving as Assistant Director of Graduate Programs in Accounting and Business at the University of North Carolina at Greensboro, and 34 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

**\*Please notify AEA of changes to your email address.\***

***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)***

#### RECOMMENDED CPE CREDIT:

We recommend CPE credit of ten (10) hours in accordance with the standards of NASBA, CPE credits have been granted based on a 50-minute hour for Interactive Self-Study CPE courses. The estimated completion time of 10 hours is based on pilot tests of our Study Packet, reference material readings and final exam and are likely to vary from quarter to quarter. A few state boards still use the old standard of awarding CPE credit of only 50% of the estimated completion time.. For further guidance, please check with your own state board or agency.

#### SUBJECT DIVISIONS OF CPE CREDIT:

The recommended subject division is shown on the Final Exam answer sheet, applies to this quarter only and is likely to vary from quarter to quarter.

#### PROGRAM SPONSOR AGREEMENTS:

AEA has sponsor agreements with the following state boards: **Hawaii** (#94007), **Illinois** (#158-000242), **Nebraska** (#16-666), **Pennsylvania** (#PX00005-L), and **Texas** (#000211). Most state boards do not require or provide for sponsor registration. 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.

#### PRICES:

The price of a **Quarterly CPE Exam** is \$49, with lower prices when an order involves four or more courses:

Price per course for orders of 1 to 3 courses:	\$49
Price per course for orders of 4 to 7 courses:	\$46
Price per course for orders of 8 to 23 courses:	\$43
Price per course for orders of 24 or more:	\$40

#### PAYMENT OPTIONS:

You may pay by check or credit card. If you pay by check, you may take a dollar off for each Exam you submit. Or use your favorite credit card with the secure PayPal feature on our Web site. Please do not email, fax, mail or phone your credit card information to AEA as AEA no longer processes credit cards. Exams will be graded when received regardless of payment method.

#### 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.



**Sections I–III and Exam Questions 1 – 20 Relate to the *Journal of Accountancy* of January 2017.**

**Section I. Student Loans: What You Need to Know before You Sign (Page 40)**

1. Which of the following types of federal student loans accrue(s) interest while the student is in school?
  - a. Subsidized federal student loans.
  - b. Unsubsidized federal student loans.
  - c. Both a and b.
  - d. Neither a nor b.
2. With the exception of the parent PLUS loan, federal student loan decisions are based on:
  - a. The student's financial need.
  - b. The borrower's credit rating.
  - c. Both a and b.
  - d. Neither a nor b.
3. Which of the following income-driven repayment plans generally set(s) monthly payments at 10% of discretionary income?
  - a. Revised pay as your earn (REPAYE) plans.
  - b. Pay as you earn (PAYE) plans.
  - c. Income-contingent repayment (ICR) plans.
  - d. A, b and c.
  - e. A and b but not c.
4. Income-driven plans:
  - a. Can help borrowers who are struggling to pay their student loan debt.
  - b. Always result in paying less interest over a longer period.
  - c. Both a and b.
  - d. Neither a nor b.
5. Which of the following income-driven repayment plans offer loan forgiveness of any remaining undergraduate student loan debt not paid after 20 years?
  - a. Pay as you earn plans.
  - b. “New” income-based repayment plans.
  - c. Income-contingent repayment plans.
  - d. A, b and c.
  - e. A and b but not c.

**Section II. Getting in Shape for Tax Season (Page 58)**

6. Sec. 6695(g), as amended, of the PATH Act requires tax return preparers to comply with due diligence requirements for determining eligibility for, as well as the amounts of:
  - a. The American opportunity tax credit.
  - b. The child tax credit.
  - c. The additional child tax credit.
  - d. The earned income tax credit (EITC) claimed on a return or a claim for a refund.
  - e. All of the above.
7. A new rule instituted by the PATH Act requires that the TIN(s) of \_\_\_\_\_ must have been issued on or before the due date for filing a tax return for the child tax credit to be allowed.
  - a. The taxpayer claiming the credit
  - b. A qualifying child
  - c. Both a and b
  - d. Neither a nor b.
8. The PATH Act requires renewal of individual tax identification numbers (ITINs) issued after December 31, 2012 that have not been used on a federal return for at least \_\_\_\_\_ consecutive years.
  - a. Two
  - b. Three
  - c. Four
  - d. Five
  - e. Six
9. The PATH Act extended the work opportunity tax credit:
  - a. Retroactively to 2015.
  - b. Forward through the end of 2019.
  - c. Eliminated the credit for certain targeted groups.
  - d. A, b and c.
  - e. A and b but not c.

10. For 2016, a single taxpayer's federal income tax (using the Tax Rate Table in the JoA article) on taxable income of \$41,650 is:  
 a. \$4,183.75.    b. \$5,183.75.    c. \$6,183.75.    d. \$6,683.75.    e. \$7,183.75.
11. For 2016, the federal income tax rate on long-term capital gain is zero for individual taxpayers in the \_\_\_\_\_ tax bracket(s).  
 a. 10%    d. A, b and c  
 b. 15%    e. A and b but not c  
 c. 25%
12. For 2016, how much of a 15-year old child's unearned income of \$2,700 is subject to the parent's highest federal income tax rate?  
 a. \$0.    b. \$600.    c. \$1,350.    d. \$2,100.    e. \$2,700.
13. A single taxpayer with 2016 modified AGI of \$55,000 may be eligible for a lifetime learning credit of up to:  
 a. \$400.    b. \$800.    c. \$1,200.    d. \$1,600.    e. \$2,000.
14. For 2016, a single 52-year-old taxpayer with taxable income of \$150,000 (including W-2 income of \$150,000) can contribute up to \_\_\_\_\_ to a Roth IRA.  
 a. \$0    b. \$5,500    c. \$6,500    d. \$18,000    e. \$24,000
15. For 2016, a single 52-year-old taxpayer with taxable income of \$150,000 (including W-2 income of \$150,000) can make an elective deferral of up to \_\_\_\_\_ to a 401(k) plan  
 a. \$0    b. \$5,500    c. \$6,500    d. \$18,000    e. \$24,000

**Section III. From *The Tax Adviser: Dealing with Tax Carryovers When a Spouse Dies* (Page 65) and *Tax Practice Corner: Abating IRS Penalties* (Page 66)**

16. When a surviving spouse files a joint return with the decedent for the year of the decedent's death, the full amount of any carryovers can be used in the year of death if they are used to offset the surviving spouse's income that was generated \_\_\_\_\_ the death.  
 a. Before    c. Either a or b  
 b. After    d. Neither a nor b
17. After the year of the death of a spouse, any loss carryovers that are attributable to the \_\_\_\_\_ can be used by the surviving spouse.  
 a. Surviving spouse  
 b. Decedent  
 c. Both a and b.  
 d. Neither a nor b.
18. The reasonable-cause (facts and circumstances) defense can be successful in abating:  
 a. Failure-to-file and/or failure-to-pay penalties.  
 b. Accuracy-related penalties.  
 c. Estimated tax penalties.  
 d. A, b and c.  
 e. A and b but not c.
19. The accuracy-related penalty cannot be imposed if the return position being questioned:  
 a. Meets certain tax authority standards.  
 b. if a taxpayer proves that he or she has reasonable cause for failure to file.  
 c. Either a or b.  
 d. Neither a nor b.
20. Under the safe harbor, an individual with adjusted gross income of \$250,000 will avoid the estimated tax penalty by:  
 a. Paying 90% of the tax shown on the current year's return.  
 b. Paying 110% of the tax shown on the prior year's return.  
 c. Paying 100% of the tax shown on the prior year's return.  
 d. A or b.  
 e. A or c.

**Sections IV–V and Exam Questions 21- 35 Relate to the *Journal of Accountancy* of February 2017.**

**Section IV. Trusts and Estates: Uses and Tax Considerations (Page 52)**

21. For the 2017 tax year, the highest marginal tax rate of 39.6% for trusts and estates starts at \_\_\_\_\_.
- a. \$4,000      b. \$12,500      c. \$125,000      d. \$235,350      e. \$470,700
22. A trust that \_\_\_\_\_ would not qualify as a simple trust.
- a. Accumulates income  
b. Makes distributions to charities  
c. Distributes amounts allocated to the trust corpus  
d. A, b or c  
e. A or b but not c
23. Sec. 661 rules apply to \_\_\_\_\_ trusts.
- a. Simple  
b. Complex  
c. Both a and b  
d. Neither a nor b
24. In the case of grantor trusts:
- a. All trust income is reported on the grantor's tax return.  
b. The trusts are generally included in the grantor's gross estate.  
c. Both a and b.  
d. Neither a nor b.
25. Donations to pooled income funds are:
- a. Tax deductible.  
b. Revocable.  
c. Both a and b.  
d. Neither a nor b.
26. A QSST is:
- a. Treated as a grantor trust.  
b. Considered an eligible S corporation shareholder.  
c. Both a and b.  
d. Neither a nor b.
27. Which of the following is (are) required of qualified subchapter S trusts?
- a. All of the income must be distributed at least once annually.  
b. There must be at least two or more beneficiaries of the trust.  
c. Both a and b.  
d. Neither a nor b.
28. If a QSST sells its S corporation shares:
- a. The QSST election terminates.  
b. The trust recognizes all of the gain or loss on the sale.  
c. Both a and b.  
d. Neither a nor b.
29. With respect to electing small business trusts (ESBTs):
- a. The trustee must make the election.  
b. The trust must distribute all income.  
c. Both a and b.  
d. Neither a nor b.
30. All of the following must be included in the taxable income of bankruptcy estates except:
- a. Income generated from property of the estate that must be included in the bankruptcy estate.  
b. Gains from the sale of bankruptcy property.  
c. Self-employment income and wages earned from services performed in Chapter 7 cases.  
d. Self-employment income and wages earned from services performed in Chapter 11 cases.

**Section V. Three Tax Columns:**

**From *The Tax Adviser*: Sec. 457(f) Plans Get Helpful Guidance (Page 58),  
Tax Practice Corner: Whether to Amend a Return (Page 60), and Tax Matters (Page 62)**

31. A Sec. \_\_\_\_\_ plan is not a qualified retirement plan?  
a. 401(k)                      b. 403(b)                      c. 457(b)                      d. 457(f)
32. Sec. 457(f) benefits are subject to income tax upon:  
a. Vesting.  
b. Payment.  
c. The taxpayer's reaching age 59 ½ years old.  
d. The taxpayer's reaching age 70 ½ years old.
33. Treasury Circular 230 requires any tax practitioner who knows or discovers that a client has not complied with the federal tax law or has made an error or omission on any tax return or related filing:  
a. To advise the client promptly of the noncompliance, error or omission and its consequences.  
b. To file an amended return to correct the errors or omissions.  
c. Both a and b.  
d. Neither a nor b.
34. In *Hunsaker*, the District Court of Oregon ruled that:  
a. The Hunsakers were entitled to emotional distress damages related to automatic stays under federal bankruptcy laws.  
b. Sovereign immunity barred the taxpayers' claim.  
c. Both a and b.  
d. Neither a nor b.
35. In *Coates*, the Tax Court:  
a. Held that the Coateses were entitled to a casualty loss deduction for the 2010 tax year on Property A of \$39,731.  
b. Did not uphold the Sec. 6662(a) penalty.  
c. Held that the Coateses were entitled to a casualty loss deduction for the 2010 tax year on Property B of \$149,700.  
d. A, b and c.  
e. A and b but not c.

**Sections VI - VIII and Questions 36 - 50 Relate to the *Journal of Accountancy* of March 2017**

**Section VI. A Framework for Continuous Auditing: Why Companies Don't Need to Spend Big Money (Page 38)**

36. The \_\_\_\_\_ associated with continuous auditing are different from those employed in traditional auditing models.  
a. Skill sets and resources  
b. Methodologies  
c. Both a and b  
d. Neither a nor b
37. With which of the seven steps suggested for maintaining continuous auditing is enterprise risk assessment most closely associated?  
a. Configuring parameters and execution.  
b. Assessing emerging risks.  
c. Establishing priority areas.  
d. Identifying audit rules.  
e. Managing results and following up.
38. Which of the following seven steps for maintaining continuous auditing requires the greatest use of oversight resources?  
a. Configuring parameters and execution.  
b. Assessing emerging risks.  
c. Establishing priority areas.  
d. Identifying audit rules.  
e. Managing results and following up.

39. With which of the seven steps suggested for maintaining continuous auditing is employing different types of analytic tests most closely associated?
- Configuring parameters and execution.
  - Assessing emerging risks.
  - Establishing priority areas.
  - Identifying audit rules.
  - Managing results and following up.
40. With which of the seven steps suggested for maintaining continuous auditing is the review of business processes most closely associated?
- Configuring parameters and execution.
  - Assessing emerging risks.
  - Establishing priority areas.
  - Identifying audit rules.
  - Managing results and following up.

## Section VII. Get Revenue Recognition Right at Not-for-Profits (Page 44)

41. Which of the following would be a contribution transaction for a not-for-profit?
- Soliciting an asset as a contribution.
  - Soliciting an asset in exchange for specified benefits.
  - Both a and b.
  - Neither a nor b.
42. As a general rule, which of the following can a not-for-profit recognize as a contribution?
- Donations received when the donor specifies a third-party beneficiary.
  - Donations received when the donor does not mention any particular beneficiary.
  - Both a and b.
  - Neither a nor b.
43. For a not-for-profit that has issued securities listed on a national exchange, the new revenue recognition standards takes effect in annual reporting periods beginning after:
- |                       |                       |
|-----------------------|-----------------------|
| a. December 15, 2016. | d. June 15, 2018.     |
| b. June 15, 2017.     | e. December 15, 2018. |
| c. December 15, 2017. |                       |
44. A donation to a not-for-profit should be recorded as an exchange transaction when the method of delivery is:
- |   |                     |
|---|---------------------|
| a. At the discretion of the not-for-profit. | c. Either a or b.   |
| b. Specified by the resource provider.      | d. Neither a nor b. |
45. A donation to a not-for-profit should be recorded as an exchange when the not-for-profit \_\_\_\_\_ penalized for nonperformance.
- |       |           |                  |                    |
|-------|-----------|------------------|--------------------|
| a. Is | b. Is not | c. Either a or b | d. Neither a nor b |
|-------|-----------|------------------|--------------------|

## Section VIII. Tax Columns:

**From *The Tax Adviser*: State Issues with the New Federal Partnership Audits (Page 56)**

**Tax Practice Corner: New PATH for Depreciation (Page 58)**

46. For audits of tax years beginning after January 1, 2018, new partnership audit rules in the Bipartisan Budget Act of 2015 will allow the IRS to \_\_\_\_\_ tax from the partnership itself and not just from the partners.
- |            |                    |
|------------|--------------------|
| a. Assess  | c. Both a and b    |
| b. Collect | d. Neither a nor b |
47. Property is not qualified leasehold improvement property if the improvement is:
- Sec. 1250 property.
  - Made pursuant to a lease.
  - Placed into service more than three years after the building was first placed into service.
  - The result of a lease between related properties.
  - For the interior of the building or a portion of it occupied exclusively by the lessee or sublessee.



48. Qualified leasehold improvements include:
- a. Elevators and escalators.
  - b. The enlargement of a building.
  - c. Structural components that benefit a common area.
  - d. A, b and c.
  - e. None of the above.
49. Qualified \_\_\_\_\_ property can consist of an entire building.
- a. Restaurant
  - b. Improvement
  - c. Either a or b
  - d. Neither a nor b
50. Qualified improvement property requires:
- a. That the improvement be subject to a lease.
  - b. A three-year waiting period.
  - c. A common area restriction.
  - d. A, b and c.
  - e. None of the above.

*Please email, fax or mail your answer sheet to AEA. Our email address: [info@accounting-education.com](mailto:info@accounting-education.com)*

*Thank you for your business and referrals.*

**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 encourage you to use social media to introduce your CPA contacts to our services. We welcome any questions by either phone or email.