

# Professional Education Services, LP



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## **Ethics and Professional Conduct for New York CPAs – Tax Ethics**

Course #4550J

**Exam Packet**



**Professional Education Services, LP**

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# ETHICS AND PROFESSIONAL CONDUCT FOR NEW YORK CPAs – TAX ETHICS (COURSE #4550J)

## COURSE DESCRIPTION

This course covers the IRS Circular 230 and Statements on Standards for Tax Services and discusses various frivolous tax arguments and the court's decisions regarding them. In addition, this course discusses the AICPA ethics rules and the New York Rules of the Board of Regents to be followed by New York CPAs. Uses the materials entitled *Ethics and Professional Conduct for New York CPAs – Tax Ethics*. No prerequisites. Course level: Basic. Course #4550J - 4 CPE hours.

## LEARNING ASSIGNMENTS and OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment*

### ASSIGNMENT

### SUBJECT

1

**Chapter 1: Ethical Guidance in Tax Practice**  
**Chapter 2: Frivolous Tax Arguments and Penalties**

Study the course materials from pages 1-1 to 2-32  
Complete the review questions at the end of each chapter  
Answer the final exam questions 1 to 12

#### **Objectives:**

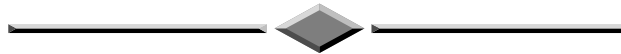
- To recognize the Internal Revenue Service requirements as outlined in Circular 230
- To identify the types of conduct that may result in discipline under Circular 230
- To explain what the IRS is doing to identify and combat common tax scams and abusive tax shelters
- To discuss the various types of frivolous tax arguments

**ASSIGNMENT****SUBJECT****2****Chapter 3: Rules of the Board of Regents  
Chapter 4: AICPA Ethics Rules**

Study the course materials from pages 3-1 to 4-19  
Complete the review questions at the end of chapter  
Answer the final exam questions 13 to 20

**Objectives:**

- To discuss the general provisions of the Board of Regents rules on unprofessional conduct
- To list the six guiding principles in the AICPA Code of Professional Conduct and the Rules of Conduct

**ASSIGNMENT****3****Complete the Answer Sheet and Course Evaluation and mail to PES for credit****NOTICE**

This course and test have been adapted from materials and information contained in materials entitled *Ethics and Professional Conduct for New York CPAs – Tax Ethics* and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

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## ETHICS AND PROFESSIONAL CONDUCT FOR NEW YORK CPAS – TAX ETHICS (COURSE #4550J) – EXAM OUTLINE

**COURSE EXPIRATION DATE:** Per AICPA and NASBA standards, this course must be completed within one year from the date of purchase.

**TEST FORMAT:** The following final exam, consisting of 20 true/false and/or multiple choice questions, is based specifically on the material included in this course. The answer sheet must be completed and returned to PES for CPE certification. You will find the answer sheet at the back of this exam packet so that you may easily remove it and use it while taking your test.

**LICENSE RENEWAL INFORMATION:** The Ethics and Professional Conduct for New York CPAs – Tax Ethics course (#4550J) qualifies for 4 CPE hours.

**PROCESSING:** Your exam will be graded promptly. You must score 70% or better to pass. When you pass, your certificate of completion will be mailed. If you do not pass, we will give you a courtesy call to inform you of this and then another answer sheet will be sent to you free of charge.

**GRADING OPTIONS:** Please choose only one of the following. There is no additional charge for any of these grading options. Make sure to fill out your answer sheet completely prior to submitting it.

- **ONLINE GRADING** –Visit our website at <http://www.mypescpe.com>. Login to your account (if you are a first-time user you must set up a new user account). Go to the “MY CPE” tab and click the “My CPE Exams in Progress” folder. If your exam is not already located in this folder, click “Add Exam Previously Purchased” and follow the instructions.
- **MAIL** – Your exam will be graded and your certificate of completion mailed to you the same day we receive it. Your certificate will be dated according to the **postmark date**; therefore, you do not need to overnight your exam. Please mail your answer sheet to:

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- **FAX** – Your exam will be graded and you will be contacted either via phone or fax with your results within 4 business hours of receipt. A copy of your graded exam and certificate of completion will be mailed to you the same day we receive it. Your certificate will be dated according to the fax date. If you choose to fax your exam, please do not mail it. Your fax will serve as the original. Please refer to the attached answer sheet for further instructions on fax grading. Fax number (916) 791-4099.



***Thank you for using  
Professional Education Services.  
We appreciate your business!!***

# ETHICS AND PROFESSIONAL CONDUCT FOR NEW YORK CPAS – TAX ETHICS (COURSE #4550J) – FINAL EXAM

The following questions are either true or false and/or multiple choice. Please indicate your choice on the enclosed Answer Sheet.

1. Circular 230 prescribes regulations governing the practice before the Internal Revenue Service. Which of the following is considered "practicing before the IRS:"
  - a) a general partner representing the partnership
  - b) participating in rulemaking by submitting comments on the fairness of proposed regulations
  - c) representing a member of your immediate family
  - d) none of the above
2. Which of the following is true regarding the fees charged for preparing a tax return:
  - a) a practitioner may base his fee for preparing a tax return as a percentage of the refund
  - b) a practitioner may charge different rates depending on the complexity of the return
  - c) no practitioner may charge more than \$200 per hour
  - d) no practitioner may charge less than \$25 per hour
3. In the case of direct mail communications, the practitioner shall retain a copy of the actual mailing for:
  - a) 36 months
  - b) 12 months
  - c) 6 months
  - d) 6 weeks
4. Under which of the following circumstances may a practitioner endorse or otherwise negotiate a client's federal income tax refund check:
  - a) when the client owes the practitioner fees for preparing the return and the client was notified that the practitioner intended to negotiate the refund check
  - b) with the client's oral permission
  - c) when the client owes the practitioner fees for preparing the return
  - d) none of the above – a practitioner may not endorse client refund checks
5. In preparing the tax return for Nash Plumbing, Inc., you notice a large deduction for "consulting services." You ask your client to explain this deduction, and he explains it represents tuition paid for his son to attend college. You know that no 1099 or W-2 was issued for these "services" nor is any of this income reflected on your client's personal tax return or his son's. Your client states that "everyone" in this industry does this. This deduction is equivalent to 20% of the net income. Which of the following is correct regarding your ability to sign the tax return for Nash Plumbing, Inc. per Circular 230 (Section 10.34):
  - a) the client's assertion that the deduction is industry practice is frivolous. Accordingly, the position does not meet Section 10.34. and you may not sign the return
  - b) you may sign the return only if the deduction is clearly identified on the return as "consulting expense paid to son" or some similar disclosure
  - c) you may sign the return since everything is the representation of the client
  - d) you may sign the return since the return meets the "not frivolous standard"

6. Assume the same facts as Question 5 above. What action should you take according to SSTS-1:
  - a) sign the return and recommend that the client file an amended return after tax season
  - b) not sign the return unless the client agrees not to claim the frivolous deduction
  - c) sign the return since SSTS-1 states your primary duty is to your client
  - d) notify the IRS immediately
7. Assume the same facts as Question 5 above, except that the questionable deduction was in a prior year return prepared by the prior CPA. What responsibilities do you have under SSTS-6:
  - a) you should notify the client of the error and recommend that an amended return be filed
  - b) you should simply notify the client of the error
  - c) you have no responsibility since the deduction in question was insignificant
  - d) you have no responsibility to do anything since you did not prepare the return in question
8. Which of the following is true regarding the voluntary nature of our federal tax system:
  - a) both the filing of a tax return and the payment of tax is voluntary
  - b) the filing of tax returns is required but the payment of tax is voluntary
  - c) the filing of a tax return is voluntary
  - d) none of the above
9. Which of the following is true regarding the IRS preparing tax returns for a person who fails to file:
  - a) no tax is due unless the IRS files a return for a taxpayer
  - b) Section 6020(b) obligates the IRS to prepare a federal tax return for a person who does not file a return
  - c) Section 6020(b) merely provides the IRS with a mechanism for determining the liability of a taxpayer who does not file a return
  - d) none of the above
10. Which of the following is true regarding the tax treatment of wages received by a taxpayer for personal services:
  - a) wages less than \$20,000 per year are not taxable
  - b) wages are not taxable if they are used for personal expenses and not accumulated
  - c) all wages are taxable unless specifically exempted
  - d) since a taxpayer has no basis in their labor, there is no taxable income
11. Which of the following is true regarding taxable income:
  - a) for federal income tax purposes, "gross income" means all income from whatever source derived and includes compensation for services
  - b) there is no federal statute imposing a tax on income derived from sources within the United States by citizens or residents of the United States
  - c) federal income taxes are excise taxes imposed only on nonresident aliens and foreign corporations for the privilege of receiving income from sources within the United States
  - d) all of the above
12. Which of the following is true regarding the meaning of certain terms used in the Internal Revenue Code:
  - a) a taxpayer is not a "person" as defined by the Internal Revenue Code, thus is not subject to the federal income tax laws
  - b) a taxpayer is not a "citizen" of the United States, thus not subject to the federal income tax laws
  - c) the "United States" consists only of the District of Columbia, federal territories, and federal enclaves
  - d) none of the above

13. Under New York law, which of the following would be considered unprofessional conduct:
- a) willfully making or filing a false report
  - b) performing professional services which have not been duly authorized by the client or his legal representatives
  - c) revealing personally identifiable facts, data or information obtained in a professional capacity without the prior consent of the client, except as authorized or required by law
  - d) all of the above
14. Unprofessional conduct includes permitting an unlicensed person to share in the profits of an accounting firm. An exception applies to the payment of salaries to unlicensed employees that does not exceed \_\_\_\_\_ of the annual net income of the firm:
- a) 51%
  - b) 49%
  - c) 35%
  - d) 10%
15. Which of the following is not one of the Principles of the AICPA Code of Professional Conduct:
- a) honesty
  - b) integrity
  - c) responsibilities
  - d) due care
16. Which of the following is not one of the bodies designated by the AICPA Council to promulgate accounting principles:
- a) FASB
  - b) IASB
  - c) IRS
  - d) GASB
17. Rule 302 prohibits certain contingent fees. Which of the following is not considered a contingent fee:
- a) performing a review where the CPA receives a fee based on 1% of gross sales
  - b) performing an audit under a five-year contract where the CPA receives an audit fee of 10% of net income
  - c) charging \$5,000 for a review of a new client's financial statements when existing clients are charged only \$3,000 for a similar review, since a first time review is generally more time consuming than a review in subsequent years
  - d) preparing an original income tax return for 20% of the refund, if any
18. Which of the following AICPA members can accept a commission from a client during the period the services identified are performed:
- a) if the member did not personally participate in the audit of the client associated with the member's firm
  - b) if the member performed a review of the financial statements of the client, but disclosed the lack of independence
  - c) if the member performed a compilation of the financial statements of the client, but disclosed the lack of independence
  - d) if the member performed an examination of prospective financial information, but disclosed the lack of independence
19. Nash, Smith and Jones is a CPA firm. What percentage of the CPA owners of Nash, Smith and Jones must be members of the AICPA in order for the firm to designate itself "Members of the American Institute of Certified Public Accountants" (Rule 505-Form of Organization and Name):
- a) 100%
  - b) 51%
  - c) 50%
  - d) 25%

20. The AICPA allows a CPA firm to be owned by a non-CPA if several guidelines are met; including which of the following (Rule 505):
- a) 51% of the ownership must be held by CPAs
  - b) a non-CPA owner must be actively engaged in providing services to the firm's clients
  - c) a non-CPA owner may not hold him or herself out as a CPA
  - d) all of the above

***Congratulations –  
you've completed the exam!***



**ETHICS AND PROFESSIONAL CONDUCT FOR NEW YORK CPAS – TAX ETHICS #4550J**  
**(4 CPE hours) – ANSWER SHEET (7/11)**

**Important Note: For certification, this answer sheet must be completed and submitted to PES for grading within one year from the date of purchase. Please use black ink and print for quicker processing – thank you.**

Name (as it appears on your license) \_\_\_\_\_  
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- **Mail** – Mail your exam to: PES, 4208 Douglas Blvd., Ste 50, Granite Bay, CA 95746
- **Fax** – Fax your exam to (916) 791-4099 and choose one of the following options:  
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**PLEASE INDICATE YOUR ANSWER BY FILLING IN THE APPROPRIATE CIRCLE**

	A	B	C	D		A	B	C	D
1.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	11.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	12.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	13.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	14.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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**Please complete the attached course evaluation – your opinion is extremely valuable.**

**Ethics and Professional Conduct for New York CPAs – Tax Ethics #4550J - Course Evaluation**

**Rate on a scale of 1-10 with 1 being poor and 10 being excellent.**

1. The course met the course objectives described in the promotional material. \_\_\_\_\_
2. The course was up to date, held my interest, was timely, and effective. \_\_\_\_\_
3. The course materials were understandable, valuable, and suitable for a correspondence course. \_\_\_\_\_
4. The amount of advance knowledge and stated prerequisites were appropriate. \_\_\_\_\_
5. The completion time was appropriate for the number of credits allowed. \_\_\_\_\_
6. The course met my professional education needs. \_\_\_\_\_

**Please answer the following questions – mark/rate any and all that may apply**

1. How would you rate PES's ☐ order desk \_\_\_\_\_  
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