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Ethics and Professional Conduct for Washington CPAs

Course #4300S

Exam Packet



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ETHICS AND PROFESSIONAL CONDUCT FOR WASHINGTON CPAS (COURSE #4300S)

COURSE DESCRIPTION

This course is designed to meet the specific ethics requirements for the state of Washington. It covers the Code of Professional Conduct, the AICPA rules and interpretations, and the Washington Board of Accountancy rules. Uses the materials entitled *Ethics and Professional Conduct for Washington CPAs*. No prerequisites. Course level: Basic. Course #4300S – 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
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1	Chapter 1: The Code of Professional Conduct
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Study the course materials from pages 1-1 to 1-16
Complete the review questions at the end of the chapter
Answer the final exam questions 1 to 7

Objectives:

- To differentiate between the six guiding principles in the AICPA Code of Professional Conduct and the rules

ASSIGNMENT SUBJECT

2 Chapter 2: Ethics and Prohibited Practices

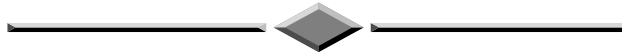
Study the course materials from pages 2-1 to 2-70
Complete the review questions at the end of the chapter
Answer the final exam questions 8 to 20

Objectives:

- To discuss the Washington regulations and policies, and how they differ from the AICPA Code of Professional 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 Washington CPAs* 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 WASHINGTON CPAS (COURSE #4300S) – 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 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 Washington CPAs course (#4300S) 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:

**Professional Education Services, LP
4208 Douglas Blvd., Ste 50
Granite Bay, CA 95746**

- **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 WASHINGTON CPAS (COURSE #4300S) – FINAL EXAM

The following questions are multiple choice. Please indicate your choice on the enclosed Answer Sheet.

1. Rule 101 is applicable to professional services provided by a CPA that require independence. Which of the following engagements does not require the CPA to be independent:
 - a) review engagements
 - b) audits of not-for-profit clients
 - c) compilations of financial statements when the lack of independence is disclosed
 - d) examinations, compilations or applications of agreed upon procedures to financial forecasts
2. Rule 302 prohibits contingent fees. Which of the following is not considered a contingent fee:
 - a) performing an audit under a five-year contract where the CPA receives an audit fee of 10% of net income
 - b) performing a review where the CPA receives a fee based on 1% of gross sales
 - c) preparing an income tax return for 20% of the refund, if any
 - d) 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
3. Which of the following ethical violations will lead to AICPA membership suspension or termination without the need for a disciplinary hearing (Rule 501-Acts Discreditable):
 - a) the member commits a crime punishable by imprisonment for more than one year
 - b) a member willfully fails to file his or her individual tax return
 - c) the member willfully aids in the preparation of a fraudulent tax return for a client
 - d) all of the above
4. Nash, CPA performs an annual review of the financial statements of XYZ Corporation. Nash is a licensed insurance agent and receives commissions for policies sold. The officers of XYZ Corporation ask Nash to recommend appropriate whole life insurance policies for the XYZ Corporation executive group. Nash causes the policies to be issued after disclosing to the purchasers that Nash would be receiving a commission. Which of the following is true regarding the receipt of the commission (Rule 503):
 - a) the receipt of the commission is proper since Nash did not solicit the company or the individuals for the business
 - b) the receipt of the commission is proper since XYZ Corporation was a client prior to selling the insurance policies
 - c) the receipt of the commission is proper since Nash disclosed that he would be receiving a commission
 - d) the receipt of the commission would be a violation of Rule 503
5. According to the AICPA, a CPA or CPA firm in public practice may use which of the following forms of practice (Rule 505):
 - a) only a sole proprietorship or general partnership
 - b) only a sole proprietorship, general partnership or professional corporation
 - c) only a sole proprietorship, general partnership, or limited liability partnership
 - d) any form of organization permitted by state law or regulation whose characteristics conform to resolutions of the AICPA council
6. 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):
 - a) 100%
 - b) 51%
 - c) 50%
 - d) 25%

7. 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):
- 51% of the ownership must be held by CPAs
 - a non-CPA owner must be actively engaged in providing services to the firm's clients
 - a non-CPA may not hold him or herself out as a CPA
 - all of the above
8. The Governor approved a bill revising the Public Accountancy Act on March 14, 2008. What was the purpose of this bill:
- to set a sunset date for the Board of Accountancy
 - to increase the ease of CPA mobility among the states
 - to make the CPA exam more difficult
 - to set in place a statutory fee structure to place limits on certain CPA fees
9. On October 29, 2010, several changes to Board Rules WAC 4-25 were approved. What was the effective date of the rule changes:
- October 29, 2010
 - December 19, 2010
 - January 1, 2011
 - July 1, 2011
10. Which of the following is not an effect of the October 29, 2010 rule changes:
- the rule on client records was significantly changed and clarified with new guidance on when and how requested client records must be returned to the client
 - all changed Board rules were re-codified as WAC 4-30 (changed from WAC 4-25)
 - Board rules have been grouped into similar categories
 - the rules now promote a more logical consistency
11. Which of the following is correct regarding the October 2010 rule changes:
- five rules were repealed in their entirety
 - eleven completely new rules were approved
 - two rules were not renumbered pending further evaluation
 - the rule changes were so substantial that for most of 2011, licensees can choose whether to comply with either the old rules or the newly revised rules
12. Which of the following is true regarding the amended rule to allow the use of the designation "CPA retired":
- an active CPA in good standing who has reached 60 years of age can apply for the designation
 - any licensee licensed for more than 10 years is eligible to use the "CPA retired" designation
 - the rule requires both a minimum age of 60 and 10 years of being a Washington state licensee in good standing
 - the minimum age for CPAs in industry to be able to use the title "CPA retired" is 65 years old
13. In order to keep costs low, the Board is requesting that licensees provide their e-mail addresses to the Board. Which of the following is one of the things the Board will do with the e-mail addresses:
- the Board will sell the e-mail addresses to marketing firms
 - the Board will send CPE deadline reminders
 - the Board will send license renewal packets via e-mail only beginning in 2010 and will discontinue sending paper renewal packets
 - the Board has no current plans to use the e-mail addresses but may use them in the future
14. Regarding integrity and objectivity (WAC 4-30-040), when offering or performing services, CPAs, CPA firms, and firm owners must:
- remain honest and objective
 - misrepresent facts
 - subordinate their judgment to others
 - all of the above

15. Which of the following is true regarding commissions and referral fees: (WAC 4-30-044):

- a) a CPA who is not in public practice but is using the title CPA may accept commissions under certain conditions
- b) a CPA who is not in public practice but is using the title CPA may accept referral fees under certain conditions
- c) a CPA accepting a commission or referral fees must disclose in writing to the client the arrangement and amount of the commission or referral fee
- d) all of the above

16. Both the AICPA and Washington allow CPAs to accept commissions under certain circumstances. Which of the following is true regarding the differences between the AICPA rules and the Washington rules:

- a) the AICPA rules are somewhat more restrictive
- b) the AICPA requires that the CPA obtain the client's consent (signature required) in writing, whereas Washington merely requires the disclosure to be in writing (no signature required)
- c) Washington places a cap of \$50,000 on the amount of commissions that a licensee may receive in a calendar year
- d) Washington requires the licensee to disclose the method of calculating the fee

17. Which of the following is considered prohibited advertising according to the Washington Board but not by the AICPA:

- a) advertising that fails to make full disclosure of the relevant facts
- b) advertising that is false
- c) advertising that is misleading
- d) advertising that is deceptive

18. All licensees must notify the Board in writing within _____ days of any address change.

- a) ten
- b) twenty
- c) thirty
- d) sixty

19. Which of the following is true regarding Washington CPE requirements:

- a) a licensee must complete a total of 120 CPE credit hours during the three calendar year period prior to renewal
- b) a licensee must complete 4 CPE credit hours in ethics in addition to the 120 CPE credit hours included in (a) above
- c) CPE credit hours from non-technical subject areas is limited to 40 during the three calendar year period prior to renewal
- d) all of the above

20. Steve is a Washington CPA whose license expires June 30, 2013. Steve applies for an extension of time to complete his CPE. When is Steve's deadline for submitting a CPE extension request:

- a) December 31, 2012
- b) June 20, 2013
- c) July 1, 2013
- d) December 31, 2013

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

ETHICS AND PROFESSIONAL CONDUCT FOR WASHINGTON CPAS #4300S
(4 CPE hours) – ANSWER SHEET (10/12)

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) _____
Address _____
City _____ State _____ Zip _____ Home Work
Daytime Phone (____) _____ E-mail address (for online grading) _____
License Number _____ State _____ Expiration Date _____ CPA, CFP, EA (circle one)
PTIN Number (if applicable) _____
If course was ordered by another party, please indicate name here: _____

GRADING OPTIONS – Please choose only ONE of the following:

- **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** – 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:
Please: mail my results only or fax phone my results to: (____) _____

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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6.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	16.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	17.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	18.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	19.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	20.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please complete the attached course evaluation – your opinion is extremely valuable.

Ethics and Professional Conduct for Washington CPAs #4300S - 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 _____
 customer service _____

2. What can PES do to keep you as a valued customer?

3. Any other comments regarding this course or our company would be appreciated.

4. What other courses/subjects would you like to see PES offer in the future?

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