

Question 1 of 36

Which of the following parties are **not** affected by Treasury Circular 230?

- A. Attorneys.
 - B. IRS agents.
 - C. CPAs.
 - D. Enrolled agents.
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Question 2 of 36

All of the following parties must register for a Preparer Tax Identification Number (PTIN) **except**

- A. A person who prepares tax returns at a heavily discounted rate for members of a church.
 - B. A person who, at no charge, prepares tax returns for an auto mechanic friend, who in turn provides free automotive service.
 - C. A person who prepares tax returns for family members at no charge.
 - D. A person who prepares tax returns for farmers in exchange for produce.
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Question 3 of 36

According to Treasury Circular 230, which of the following rules related to the prompt disposition of pending matters before the IRS applies to CPAs?

- A. Practitioners may request an extension of time of **not** more than five years related to the disposition of matters pending before the IRS to avoid any preparer penalties.
 - B. Practitioners will be held responsible for any of the client's interest and penalties related to the unreasonable delay of matters pending before the IRS.
 - C. Practitioners may **not** unreasonably delay the prompt disposition of matters pending before the IRS.
 - D. Practitioners must ensure that matters are concluded within three years of the date of formal notification concerning any matters pending before the IRS.
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Question 4 of 36

Under Treasury Circular 230, which of the following correctly represents the requirements related to the communication of fee information from a tax practitioner to a taxpayer?

- A. It may be communicated only through the confidential engagement letter between the tax practitioner and the taxpayer.
 - B. It may be communicated in a number of ways, including in professional lists, telephone directories, mailings, and electronic mail.
 - C. It must be communicated as an estimate before the engagement begins, with the understanding that the actual amount of the fee will **not** be determined until the engagement ends.
 - D. It may **not** be communicated by television, radio, or hand-delivered flyers.
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Question 5 of 36

Baner, a CPA, is preparing a tax return for Affleck, a new client. During the course of the interview, Baner asks to inspect Affleck's source documents. Affleck responds that the supporting information is not readily available but assures Baner that the summary information is reliable. Which of the following statements best describes how Baner should proceed?

- A. Baner **cannot** accept Affleck's representations. The representations must be verifiable.
 - B. Baner can accept the representations and explain to Affleck that the IRS's audit coverage is very low.
 - C. Baner can automatically accept the representations, because a CPA is under no obligation to verify all client information.
 - D. Baner can accept the representations but should make reasonable inquiries to determine if the information appears to be incorrect, incomplete, or inconsistent.
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Question 6 of 36

Which of the following situations would most likely be a violation of the Treasury Circular 230 solicitation guidelines by a CPA, assuming that there are **no** violations of federal or state laws or other rules?

- A. The CPA sends unsolicited e-mails to potential clients guaranteeing tax refunds from the Internal Revenue Service.
 - B. The CPA mails solicitation letters, clearly identified as such, to randomly selected business firms from a local directory, disclosing how the firms were selected to be contacted.
 - C. The CPA records a radio advertising broadcast that fails to disclose the fee charged for an initial consultation.
 - D. The CPA advertises in a local newspaper as providing accounting and tax services without disclosing fee information.
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Question 7 of 36

Under Treasury Circular 230, in which of the following situations is a CPA prohibited from giving written advice concerning one or more federal tax issues?

- A. The CPA takes into account the possibility that a tax return will **not** be audited.
 - B. The CPA reasonably relies upon representations of the client.
 - C. The CPA considers all relevant facts that are known.
 - D. The CPA considers assumptions about future events related to relevant facts.
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Question 8 of 36

According to Treasury Department Circular 230, under which of the following circumstances may a tax practitioner charge a contingent fee for services?

- A. Preparing previous years' income tax returns that the taxpayer had failed to file on time.
 - B. Obtaining a refund for the taxpayer by amending a previous year's income tax return.
 - C. Reviewing previous returns filed by a different tax practitioner to find an error on which to base a refund claim.
 - D. Assisting the taxpayer to obtain a refund in connection with statutory penalties and interest charged by the IRS.
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Question 9 of 36

Which of the following would be required to register for a Preparer Tax Identification Number (PTIN)?

- A. A CPA preparing returns in exchange for services but receiving no monetary compensation.
 - B. A CPA preparing returns for family and friends for no charge.
 - C. A CPA preparing a return for an entity as an employee of that entity.
 - D. A CPA's assistant who enters taxpayer data into an electronic tax return preparation system.
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Question 10 of 36

Which of the following activities requires the CPA to file a written declaration with the IRS indicating the CPA is currently qualified as a CPA and authorized to represent the party?

	<u>Practice before the IRS</u>	<u>Provide written tax advice</u>
A.	Yes	Yes
B.	Yes	No
C.	No	Yes
D.	No	No

Question 11 of 36

Under Treasury Circular 230, the IRS requires that certain records be returned to a client by the tax practitioner even though no payment for services has been received. Records of the client for this purpose do **not** include

- A. Materials prepared by a client's actuary and provided to the practitioner with respect to tax preparation.
- B. A schedule prepared by the practitioner that provides mathematical details of a particular amount included in a client's tax return.
- C. Electronic materials provided to the practitioner that existed before the client retained the practitioner.
- D. Written records given to the practitioner at the beginning of the engagement.

Question 12 of 36

When preparing a client's Form 1040, U.S. Individual Income Tax Return, a CPA determined that there was documentation supporting only \$12,000 of the \$20,000 travel expenses claimed by the client. Which of the following courses of action taken by the CPA would be in compliance with Treasury Circular 230?

- A.** The CPA makes reasonable inquiries to obtain the needed documentation if the information as furnished appears to be incorrect or incomplete.
 - B.** The CPA deducts the \$20,000 of expenses since there is a small likelihood that the IRS will audit the tax return.
 - C.** The CPA relies in good faith, without verification, upon information furnished by the client in deducting the expenses.
 - D.** The CPA deducts the \$20,000 of expenses as long as the client agrees to disclose on the return that \$8,000 of the expenses are undocumented.
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Question 13 of 36

The IRS requested client records from a CPA who does not have possession or control of the records. According to Treasury Circular 230, the CPA must

- A.** Notify the IRS of the identity of any person who, according to the CPA's belief, could have the records.
 - B.** Require the client to submit the records to the IRS or withdraw from the engagement.
 - C.** Obtain the records from the client and submit them to the IRS.
 - D.** Contact all third parties associated with the records, such as banks and employers, to obtain the requested records for submission to the IRS.
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Question 14 of 36

Under Treasury Circular 230, which of the following actions of a CPA tax adviser is characteristic of a best practice in rendering tax advice?

- A. Requesting a review of a tax memorandum by an attorney who is familiar with the particular tax issues discussed in the memorandum.
 - B. Requesting a review of a tax memorandum by an IRS advisory committee.
 - C. Establishing relevant facts, evaluating the reasonableness of assumptions and representations, and arriving at a conclusion supported by the law and facts in a tax memorandum.
 - D. Requiring a client to supply a written representation, signed under penalties of perjury, concerning the facts and statements provided to the CPA for preparing a tax memorandum.
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Question 15 of 36

While preparing a client's current year individual income tax return, a tax practitioner discovers an error in a prior year return. Under the rules of practice prescribed in Treasury Department Circular No. 230, the tax practitioner

- A. Must reimburse the client for any tax penalties if the error is the tax practitioner's fault.
 - B. Must advise the client of the error and its potential consequences.
 - C. Is **not** required to notify the IRS of the error if the tax return was filed more than 3 years earlier.
 - D. Is required to file an amended return to correct the error if the tax return was filed within the past 3 years.
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Question 16 of 36

While preparing a tax return for a new client and reviewing the client's prior-year return, a CPA noticed an error made by the client's former tax preparer. According to Treasury Department Circular 230, which of the following is the CPA specifically required to do in this case?

- A. Contact the tax preparer who made the error and suggest that an amended return be prepared for the client.
 - B. Inform the client of the error and insist that the return be amended.
 - C. Inform the client of the error and advise of the consequences.
 - D. Advise the client to contact the tax preparer of the prior-year return.
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Question 17 of 36

A CPA prepares income tax returns for a client. After the client signs and mails the returns, the CPA discovers an error. According to Treasury Circular 230, the CPA is required to

- A. Resign from the engagement if the client refuses to authorize filing an amended return.
 - B. Prepare an amended return within 30 days of the discovery of the error.
 - C. Promptly advise the client of the error.
 - D. Reimburse the client if the error was the CPA's fault and resulted in a penalty over \$500.
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Question 18 of 36

Under Treasury Department Circular 230, a practitioner may

- A. Endorse and deposit the taxpayer's refund check in payment for services as long as the refund amount is less than the practitioner's outstanding bill.
 - B. Charge a contingent fee for obtaining a refund of penalties and interest paid by the taxpayer in a previous year.
 - C. Sign a tax return that contains a frivolous tax position as long as the taxpayer has waived liability in writing.
 - D. Represent clients despite a conflict of interest as long as the IRS consents in writing.
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Question 19 of 36

Pursuant to Treasury Department Circular No. 230, which of the following statements about the return of a client's records is correct?

- A. Copies of the client's records must be destroyed 3 years after the tax return was filed.
 - B. The practitioner may retain copies of the client's records.
 - C. The existence of a dispute over fees generally relieves the practitioner of responsibility to return the client's records.
 - D. The practitioner does **not** need to return any client records that may be necessary to document a tax position that was disclosed on the tax return.
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Question 20 of 36

According to Circular 230, each of the following is considered practice before the Internal Revenue Service **except**

- A. Preparing and filing documents with the IRS.
 - B. Corresponding and communicating with the IRS on behalf of a taxpayer.
 - C. Representing a taxpayer at conferences, hearings, or meetings with the IRS.
 - D. Testifying as an expert in a tax-related court case involving the IRS.
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Question 21 of 36

For regulations regarding practice as an accountant before the Internal Revenue Service, a CPA should look to

- A. *AICPA Code of Professional Conduct.*
 - B. *AICPA Statements of Responsibilities in Tax Practice.*
 - C. Treasury Department *Circular 230.*
 - D. The *Internal Revenue Code.*
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Question 22 of 36

A client claims to have driven 50,000 miles for business purposes during the preceding year and wishes to deduct all of the mileage. The CPA suspects that the client is overstating the amount of mileage actually driven for business purposes. According to Treasury Department Circular 230, the CPA should do which of the following?

- A. Deduct only the amount of mileage for business purposes that the CPA believes is reasonable.
 - B. Make reasonable inquiries about the information supplied.
 - C. Prepare the tax return without asking any questions.
 - D. Put a note in the client's file indicating that the client made an oral declaration about mileage driven for business purposes.
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Question 23 of 36

Which of the following situations would most likely be a violation of Treasury Circular 230?

- A. The CPA communicates fee information containing hourly rates via hand-delivered flyers.
 - B. The CPA charges a contingent fee for preparing and filing an original tax return.
 - C. The CPA uses the phrase "designated as a registered tax return preparer by the Internal Revenue Service" in solicitation mailers.
 - D. The CPA charges a contingent fee for preparing a refund claim for penalties assessed by the Internal Revenue Service.
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Question 24 of 36

In preparing a client's current year individual income tax return, a tax practitioner discovers an error in the prior year's return. Under the rules of practice prescribed in Treasury Circular 230, the tax practitioner

- A. Is barred from preparing the current year's return until the prior year error is rectified.
 - B. Must advise the client of the error.
 - C. Is required to notify the IRS of the error.
 - D. Must file an amended return to correct the error.
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Question 25 of 36

According to Treasury Circular 230, in which of the following circumstances is a practitioner allowed to withhold information requested by a duly authorized Internal Revenue Service employee?

- A. The practitioner believes that the information is privileged.
 - B. The practitioner believes that the information is irrelevant to the audit.
 - C. The practitioner believes that the information is stored at the client's offsite facility.
 - D. The practitioner believes that the information relates to an alleged violation of the regulations.
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Question 26 of 36

While reviewing a new client's prior-year tax returns, a CPA became aware that the client did not properly file all required federal income tax returns. Under Treasury Circular 230, what should the CPA do in this situation?

- A. Notify the AICPA of the situation and request a ruling of continuance.
 - B. Notify the Internal Revenue Service of the client's noncompliance.
 - C. Resign from the engagement.
 - D. Advise the client of the consequences of the noncompliance.
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Question 27 of 36

According to Treasury Circular 230, practitioners must **not** sign a tax return if the return takes a position that does **not**, at a minimum, have

- A. A more-likely-than-not probability of being sustained.
 - B. Substantial authority.
 - C. A realistic possibility of being sustained.
 - D. A reasonable basis.
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Question 28 of 36

According to Treasury Circular 230, which of the following actions is permitted for a tax practitioner?

- A. Charging a contingent fee for preparing a client's original tax return.
 - B. Imposing fees that are unreasonably high due to the complexity of the tax matter.
 - C. Withholding client records until all outstanding fees are fully paid.
 - D. Charging a contingent fee for representing a client in a judicial proceeding involving tax law.
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Question 29 of 36

In order to practice before the Internal Revenue Service, a certified public accountant

- A. Must **not** currently be under suspension or disbarment from practice before the Internal Revenue Service.
 - B. Must have at least 5 years' experience in the preparation of federal tax returns.
 - C. Must file proof of a current CPA license with the Internal Revenue Service.
 - D. Must **not** be a federal or state government employee.
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Question 30 of 36

Accountants should be familiar with Treasury Department **Circular 230** because:

- A. It provides regulations regarding practice before the Internal Revenue Service.
 - B. It provides additional regulations regarding the determination of personal income.
 - C. It provides additional resources that may be useful in preparing tax returns.
 - D. It provides guidance on appropriate advertising by accountants.
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Question 31 of 36

According to Treasury Department **Circular 230**, a tax practitioner must promptly submit records or information in any matter before the IRS unless:

- A. The practitioner believes in good faith and on reasonable grounds that the records or information are privileged.
 - B. The practitioner believes that the records or information would be incriminating to the client.
 - C. The practitioner believes the client would not want the records or information provided.
 - D. The practitioner believes the records and information may not be relevant.
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Question 32 of 36

Which of the following statements is correct regarding a tax preparer's responsibilities under Treasury Circular 230?

- A. If the tax preparer learns of a material error in a tax return that they have filed for a client, they must quickly inform the IRS.
 - B. If the IRS's agents properly ask the tax preparer to see records regarding one of their client's tax returns, it is their professional obligation to protect the client by delaying compliance as long as is reasonably possible.
 - C. The tax preparer should qualify as a notary public so that they can notarize any applicable records and more efficiently prepare clients' tax returns.
 - D. If the tax preparer's former partner has been disbarred by the IRS from tax practice, the tax preparer should **not** help the partner by paying them to prepare tax returns for the tax preparer's clients.
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Question 33 of 36

Under Treasury Circular 230, each of the following individuals is eligible to obtain a preparer tax identification number (PTIN) with the IRS, **except**

- A. An attorney.
 - B. A revenue agent.
 - C. An enrolled agent.
 - D. A registered tax return preparer.
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Question 34 of 36

According to Treasury Circular 230, a practitioner may **not**

- A. Inform a client of how to avoid penalties by making disclosures to the IRS.
 - B. Rely in good faith on information furnished by the client without verification.
 - C. Negotiate a federal tax refund check issued to a client by the government.
 - D. Inform a client of any penalties that are likely to apply to a position taken on a return.
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Question 35 of 36

In order to avoid a practitioner penalty when determining earned income credit eligibility, a practitioner must do each of the following, except

- A. Dispose of earned income tax credit documentation after return preparation.
 - B. Complete and submit a Paid Preparer's Due Diligence Checklist.
 - C. Make reasonable inquiries if the information furnished to the preparer appears incorrect.
 - D. Document the earned income credit calculation, including the method and information used to make the computation.
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Question 36 of 36

An IRS agent requests records from a tax practitioner that are **not** in the practitioner's possession or control. The practitioner's client informs the practitioner that the records are held by a third-party data storage company. The practitioner does not have reason to believe the records are privileged. What action is required of the practitioner under Treasury Circular 230?

- A. Refuse to provide any information until the IRS agent obtains a court order.
 - B. Independently verify the location of the records with the data storage company.
 - C. Notify the IRS agent of the situation and provide the name of the data storage company.
 - D. Obtain the records from the data storage company and provide them to the IRS agent.
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