YAEGER CPA REVIEW

2012

Business Environment and Concepts Handout

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2012 - Yaeger CPA Review
Business Environment and Concepts

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Total Hours: _26.5_

2012 Wiley BEC, Module 41, Information Technology

Please read Module 41, Pages 63--91, and solve all 139 MCQs and the one written communication.

If you wish, you may use this table to organize the MCQs. Starting on Page 63, please read to the END of the indicated page number and then solve the assigned MCQs. You may have to read more than one page before doing more MCQs. By the time you reach the end of Page 91, you will have solved all 139 MCQs and the written communication.

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Module 42, Economics, Strategy, and Globalization Formula Sheet

A. Microeconomics

1. Price Elasticity of Demand

$$E_D = \frac{\%\ \Delta \text{ in Quantity Demanded}}{\%\ \Delta \text{ in Price}}$$

2. Price Elasticity of Demand -- ARC Method

$$E_D = \frac{\Delta \text{ in Quantity Demanded}}{\text{Avg Quantity}} \div \frac{\Delta \text{ in Price}}{\text{Avg Price}}$$

3. Interpretation of E_D, Demand Elasticity Coefficient

If $E_D > 1$, then elastic
If $E_D = 1$, then unitary
If $E_D < 1$, then inelastic

4. Relationship between Price Elasticity and Total Revenue

Δ in Price	$E_D > 1$	$E_D = 1$	$E_D < 1$
Price Increases, P ↑	Revenue Decreases ↓	No Δ	Revenue Increases ↑
Price Decreases, P ↓	Revenue Increases ↑	No Δ	Revenue Decreases ↓

5. Income Elasticity of Demand

$$E_I = \frac{\%\ \Delta \text{ in Quantity Demanded}}{\%\ \Delta \text{ in Income}}$$

Where $E_I > 0$ for normal goods
$E_I < 0$ for inferior goods

6. Cross Elasticity of Demand
(The Δ in Quantity demanded for ***X*** versus the Δ in Price for ***Y***)

$$E_{XY} = \frac{\%\ \Delta \text{ in Quantity Demanded of } X}{\%\ \Delta \text{ in Price of } Y}$$

Where $E_{XY} > 0$ for substitutes
$E_{XY} = 0$ for unrelated goods
$E_{XY} < 0$ for complements

7. Consumption Function

$$C = c_0 + c_1 Y_D$$

Where C = Consumption for the period
Y_D = Disposable income for the period
c_0 = The constant
c_1 = The slope of the consumption function
And c_1 = MPC, the marginal propensity to consume

8. Relationship between Marginal Propensity to Save (MPS) and Marginal Propensity to Consume (MPC)

$$MPS + MPC = 1$$

9. Elasticity of Supply

$$E_S = \frac{\%\ \Delta \text{ in Quantity Supplied}}{\%\ \Delta \text{ in Price}}$$

9A. Interpretation of E_S, Supply Elasticity Coefficient

If $E_S > 1$, then elastic
If $E_S = 1$, then unitary
If $E_S < 1$, then inelastic

B. Macroeconomics

10. GDP Gap

GDP Gap = Potential GDP — Real GDP

A Positive [+] Gap means that there are unemployed resources; may lead to unemployment.
A Negative [–] Gap means that the economy is running above normal capacity; may lead to rising prices.

11. Income Approach (Output Approach) Calculation of GDP

	Compensation to Employees
+	Corporate Profits
+	Net Interest
+	Proprietor's Income
+	Rental Income of Persons
=	National Income
+	Indirect Taxes
–	Other, Including Statutory Discrepancy
=	Net National Product
+	Consumption of Fixed Capital
=	Gross National Product
+	Payments of Factor Income to Other Countries
–	Receipts of Labor Income from Other Countries
=	Gross Domestic Product

11.A Net Domestic Product (NDP)

	Gross Domestic Product
–	Depreciation [also called Capital Cost Allowance]
=	Net Domestic Product

12. Expenditure Approach (Input Approach) Calculation of GDP

Personal Consumption Expenditures
\+ Gross Private Domestic Fixed Investment (Business & Residential)
\+ Government Purchases (Federal, State, & Local)
\+ Net Exports [may be a (+) or (–) number]
\+ Changes in Business Inventories [may be a (+) or (–) number]
= Gross Domestic Product

13. The Multiplier, the Δ in Equilibrium GDP

Where MPS + MPC = 1

$$\Delta \text{ in Equilibrium GDP} = \frac{1}{\text{MPS}} \times \Delta \text{ in Spending}$$

14. Disposable Income

Personal Income
– Personal Taxes
= Disposable Income

15. Money Measures: M_1, M_2, and M_3

Currency
\+ Demand Deposits
= M_1
\+ Savings Accounts
\+ Small Time Deposits (< $100,000)
= M_2
\+ Large Time Deposits (≥ $100,000)
= M_3

16. Forward Premium or Discount (of one currency with respect to another currency)

$$\text{Forward Premium or Discount} = \frac{\text{Forward Rate} - \text{Spot Rate}}{\text{Spot Rate}} \times \frac{\text{Months or Days in Year}}{\text{Months or Days in Forward Period}}$$

Module 43.A, Financial Risk Management, Formula Sheet

1. Coefficient of Variation (a measurement of risk, where a lower # is less risky) = Standard Deviation / Expected Return

2. Effective Annual Interest Rate

$$\text{Effective Annual Interest Rate} = \left[1 + \frac{\text{Stated Annual Interest Rate}}{\text{Compounding Frequency}}\right]^{\text{Compounding Frequency}} - 1$$

3. Compound Interest and Present Value Tables

a. Future Value of $1: Multiply amount invested x FACTOR to get accumulation

b. Present Value of $1: Multiply amount desired x FACTOR to get the amount you have to invest NOW. This is the reciprocal of FV of $1.

c. Future Value of an Ordinary Annuity: Multiply payment x FACTOR to get accumulated amount. Payments are at the END of the period.

d. Present Value of an Ordinary Annuity: Multiply payment x FACTOR to get the amount which must be invested NOW to provide those payments.

Ordinary Annuity or Annuity in Arrears means the payments are made at the END of the period.
Annuity Due or Annuity in Advance means the payments are made at the BEGINNING of the period.
To change from an Ordinary Annuity to an Annuity Due FACTOR:

$$(\text{OA FACTOR})(1 + i) = \text{AD FACTOR}$$

To change from an Annuity Due to an Ordinary Annuity FACTOR:

$$\frac{\text{AD FACTOR}}{(1 + i)} = \text{OA FACTOR}$$

Module 43.B, Capital Budgeting, Formula Sheet

1. Payback Period. The number of years to recoup the investment in cash.

$$\text{Payback Period} = \frac{\text{Investment}}{\text{Annual Cash Inflow}}$$

Where: Annual Cash Inflow (Before Depn/Amort & Taxes)
− Depn/Amort Expense
= NIBT
− Taxes
= NIAT
+ Depn/Amort Expense
= Annual Cash Inflow (Net of Taxes)

2. Accounting Rate of Return. The percentage of return on investment each year.

$$\text{Accounting Rate of Return} = \frac{\text{Net Income}}{\text{Investment}}$$

BOTH THE PAYBACK PERIOD AND ACCOUNTING RATE OF RETURN TECHNIQUES IGNORE THE TIME VALUE OF MONEY.

3. Net Present Value. Uses present value tables.

If:	PV of the Investment	>	PV of the Benefits from the Investment, then NPV is negative and this is a poor investment.
If:	PV of the Investment	<	PV of the Benefits from the Investment, then NPV is positive and this is a good investment.
If:	PV of the Investment	=	PV of the Benefits from the Investment, then NPV is zero and management would be indifferent.

4. Internal Rate of Return. Uses present value tables. The interest rate that would make

PV of the Investment = PV of the Benefits from the Investment

The annuity factor that would make these equal is the same number as the payback period.

Module 44, Financial Management, Formula Sheet

A. Working Capital Management

1. Cash Conversion Cycle

Cash Conversion Cycle	=	Inventory Conversion Period	+	Receivables Conversion Period	–	Payables Deferral Period
[Shorten]		[Shorten]		[Shorten]		[Lengthen]
[Lengthen]		[Lengthen]		[Lengthen]		[Shorten]

1A. Inventory Conversion Period (Number of Days Sales in Inventory)

$$\text{Inventory Conversion Period} = \frac{\text{Avg Inventory}}{\text{COGS per Day } \underline{\textbf{or}} \text{ Sales per Day}}$$

1B. Receivables Conversion Period **or** Receivables Collection Period (Number of Days Sales Outstanding)

$$\text{Receivables Conversion Period} = \frac{\text{Avg Accounts Receivable}}{\text{Credit Sales per Day}}$$

1C. Payables Deferral Period

$$\text{Payables Deferral Period} = \frac{\text{Avg Accounts Payable}}{\text{Purchases per Day } \underline{\textbf{or}} \text{ COGS per Day}}$$

2. Economic Order Quantity (EOQ)

$$EOQ = \sqrt{\frac{2aD}{k}}$$

Where a = ordering cost per order
D = Annual Demand
k = carrying cost for 1 unit for 1 year

3. Reorder Point

$$\text{Reorder Point} = \left[\text{\# of Units Sold per Day} \times \text{Purchase Lead Time in days}\right] + \text{Safety Stock}$$

4. Nominal Rate for Discount Period

$$\text{Nominal Rate for Discount Period} = \frac{\text{Discount \%}}{1 - \text{Discount \%}} \times \frac{\text{360 or 365 days}}{\text{Payment Period} - \text{Discount Period}}$$

B. Capital Structure

5. Degree of Operating Leverage (DOL)

$$\text{DOL} = \frac{\%\ \Delta \text{ in Operating Income}}{\%\ \Delta \text{ in Unit Volume}}$$

6. Degree of Financial Leverage (DFL)

$$\text{DFL} = \frac{\%\ \Delta \text{ in Earnings per Share [Basic]}}{\%\ \Delta \text{ in Earnings before Interest and Taxes}}$$

7A. Cost of Debt (After-tax)

$$\text{Cost of Debt (After-tax)} = \text{Interest Rate} \times (1 - \text{Tax Rate})$$

7B. Cost of Debt (Before-tax)

$$\text{Cost of Debt (Before-tax)} = \frac{\text{Interest Payment}}{\text{Debt Price} - \text{Floatation Cost}}$$

8. Cost of Preferred Equity

$$\text{Cost of Preferred Equity} = \frac{\text{Preferred Dividend}}{\text{Preferred Stock Issue Price}}$$

9. Capital Asset Pricing Model (CAPM)

$k_s = k_{RF} + (k_m - k_{RF})\, b_i$

Where k_s = cost of existing common equity
k_{RF} = risk-free rate
k_m = expected market return
b_i = stock's beta coefficient

10. Bond-Yield-Plus Approach

k_s = Long-term Debt Interest Rate + (3% to 5% Risk Premium)

Where k_s = cost of existing common equity

11. Dividend-Yield-Plus-Growth-Rate Approach

$$k_s = \frac{D_1}{P_0} + \text{Expected } g$$

Where k_s = cost of existing common equity
D_1 = next expected dividend
P_0 = current stock price
g = growth rate in earnings

12. Cost of New Common Stock

$$k_s = \frac{D_1}{P_0 - F} + \text{Expected } g$$

Where k_s = cost of new common equity
D_1 = next expected dividend
P_0 = current stock price
g = growth rate in earnings
F = floatation cost per share

BEC, MODULE 46. COST MEASUREMENT

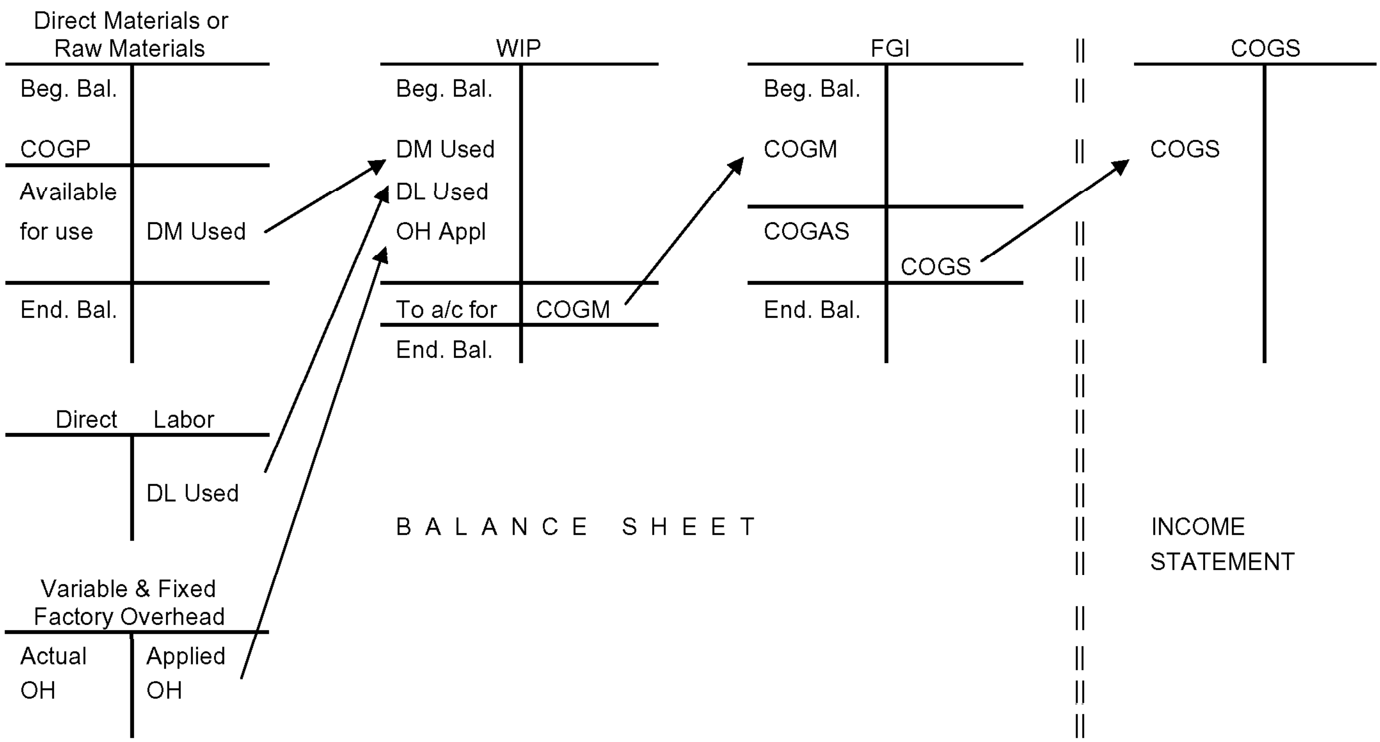
Primary Objective of the Cost Accountant: To compute the cost per unit for financial statement presentation of COGS on the income statement and Ending Inventories on the balance sheet.

3 Components of Manufacturing Costs:

(1)	Direct Materials	Materials which become part of the product.
(2)	Direct Labor	Employees who work on the product.
(3)	Factory Overhead	All other MANUFACTURING costs,
	(3a) Variable OH	including normal spoilage.
	(3b) Fixed OH	

Prime Costs: DM Used and DL Used
Conversion Costs: DL Used and Variable & Fixed OH Applied

FLOW OF COSTS



Where:
Gross Purchases
– Purchase Discounts
– Purchase Returns and Allowances
= Net Purchases
+ Freight-In or Transportation-in
= Cost of Goods Purchased (COGP)

Acronyms:
COGP = Cost of Goods Purchased
COGM = Cost of Goods Manufactured
COGAS = Cost of Goods Available for Sale
COGS = Cost of Goods Sold
WIP = Work-in-Process or Work-in-Progress
FGI = Finished Goods Inventory

PROCESS COSTING -- EQUIVALENT UNITS OF PRODUCTION (EUPs) or EQUIVALENT FINISHED UNITS (EFUs)

Four Steps: (1) Calculate the number shipped (in whole units).
(2) Calculate the equivalent finished units.
(3) Calculate the cost per EFU.
(4) Complete the WIP T account.

Step 1. Calculate the number shipped (in whole units).
Beginning Inventory
+ Units Started
Units to be accounted for
– Ending Inventory
= Units shipped

MODULE 46. PROCESS COSTING -- EUPs or EFUs (Continued)

Step 2. Calculate the equivalent finished units.

A. FIFO

	DM	CC
Units shipped		
+ End. Inv. (EFUs)		
– Beg. Inv. (EFUs)		
= FIFO EFUs		

B. Weighted-Average

	DM	CC
Units shipped		
+ End. Inv. (EFUs)		
= W/A EFUs		

Step 3. Calculate the cost per EFU

A. FIFO

Cost per EFU = $\frac{\text{Current Costs Only}}{\text{EFUs}}$

B. Weighted-Average

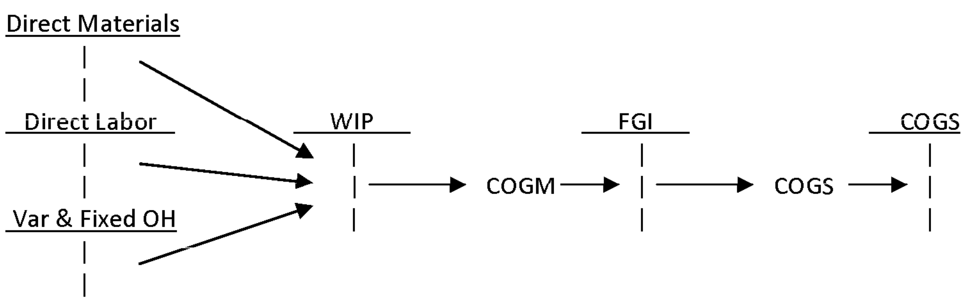
Cost per EFU = $\frac{\text{Beg. Inv. + Current Costs}}{\text{EFUs}}$

Step 4. Complete the WIP T account. Using the number of Ending Inventory EFUs from Step 2 and Cost per EFU in Step 3, calculate the $ value of ending inventory in WIP and plug COGM.

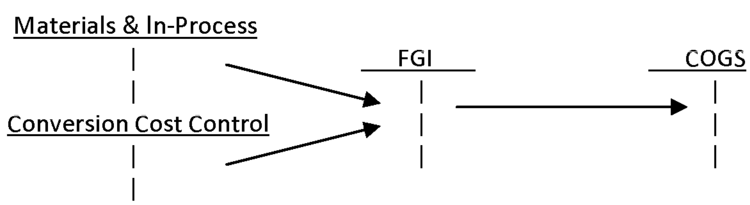
Lost Units: (1) Abnormal Spoilage is a PERIOD COST; do not include it in WIP.
(2) Normal Spoilage is a PRODUCT COST; the costs of all units are spread over the good units; usually part of OH.

BEC, MODULE 46. COST MEASUREMENT
BACKFLUSH COSTING

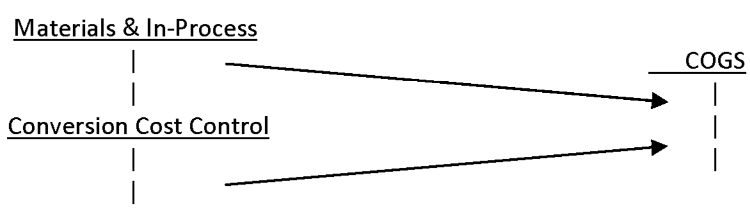
Traditional Cost Flows



Backflush Costing Method I -- JIT Inventory Methods with Vendors/Suppliers: Combine DM and WIP, Combine DL and OH



Backflush Costing Method II -- JIT Inventory Methods with Vendors/Suppliers & Customers: Same as Method I, but also no FGI.



Traditional	Backflush Method I -- JIT Inventory Methods with Vendors/Suppliers	Backflush Method II -- JIT Inventory Methods with Vendors/Suppliers & Customers
1. Purchase raw materials.		
Materials DR A/P CR	Materials & In-Process DR A/P CR	Same as I.
2. Issue materials to production.		
WIP DR Materials CR	None	None
3. Incur direct labor costs.		
WIP DR Payroll CR	See next entry.	See next entry.
4. Incur overhead costs.		
Variable OH Control DR Fixed OH Control DR A/P, etc. CR	Conversion Cost Ctrl DR Payroll CR A/P, etc. CR	Same as I.
5. Apply overhead.		
WIP DR Variable OH Control CR Fixed OH Control CR	None	None
6. Complete goods.		
FGI DR WIP CR	FGI DR Conversion Cost Ctrl CR Materials & In-Process CR	COGS DR Conversion Cost Ctrl CR Materials & In-Process CR
7. Sell goods.		
COGS DR FGI CR	Same as Traditional.	
8. Recognize overhead variance (underapplied).		
COGS DR Overhead Control CR	COGS DR Conversion Cost Ctrl CR	Same as I.

BEC, MODULE 47. PLANNING, CONTROL, AND ANALYSIS
STANDARDS AND VARIANCES

SALES, DM, DL, and 4-WAY OVERHEAD VARIANCE ANALYSIS

Direct Material, Direct Labor, and Variable OH Variances (and Sales Variances). Use the following matrix:

				_______	* * * Sales Price Variance * * *
$AQ_{Purchased/Used}$	*	AP	=	|_______|	DM Purchase Price Variance; DM Price Variance DL Rate Variance (1) ***Variable OH Spending Variance***
				_______	
$AQ_{Purchased/Used}$	*	SP	=	|_______|	DM Quantity/Usage Variance DL Efficiency/Usage Variance
				_______	
$SQ_{Allowed}$ (Based on Units Produced)	*	SP	=	|_______|	(2) ***Variable OH Efficiency Variance*** * * * Sales Volume Variance * * *

For DM, DL, and VOH variances, as you go UP the matrix, if the numbers are going UP (increasing), then the variances are UNFAVORABLE.
* * * For sales variances, as you go UP the matrix, if the numbers are going UP (increasing), then the variances are FAVORABLE. Remember that these are REVENUES and not COSTS. * * *

Fixed OH Variances.

				________	
AQ	*	AP	=	|________|	
				________	(3) ***Fixed OH Spending/Budget Variance***
BUDGET			=	|________|	
				________	(4) ***Production/Volume Variance [Not Controllable]***
$SQ_{Allowed}$ (Based on Units Produced)	*	SP	=	|________|	

4-Way OH Variance Analysis:
(1) Variable OH Spending Variance
(2) Variable OH Efficiency Variance
(3) Fixed OH Spending/Budget Variance
(4) Production/Volume Variance [NOT CONTROLLABLE]
3-Way OH Variance Analysis:
(a) (1) + (3) above together are the OH Spending Variance
(b) (2) above becomes the OH Efficiency Variance (drop the word Variable)
(c) (4) above is the Production/Volume Variance [NOT CONTROLLABLE]
2-Way OH Variance Analysis:
(a) (1) + (2) + (3) above together are the Controllable Variance
(b) (4) above is the Production/Volume Variance [NOT CONTROLLABLE]

3-WAY and 2-WAY OVERHEAD VARIANCE ANALYSIS

				________		
AQ	*	AP	=	|________|		
				________	***OH Spending/Budget Variance***	***Controllable Variance***
FOH BUDGET	+	VAR (AQ * SP)	=	|________|		
				________	***OH Efficiency Variance***	
FOH BUDGET	+	VAR (SQ * SP)	=	|________|		
				________	***Production/Volume Variance [Not Controllable]***	
$SQ_{Allowed}$ (Based on Units Produced)	*	SP	=	|________|		

BEC, Module 47, Standards and Variances (Continued)

Flexible Budget Formula:

Budgeted OH = Total Fixed Costs + (# HRs)(Variable OH Rate/HR)

Sample Problem on DM Variances.

The Universal Company's direct materials data for February 201X is as follows:

Actual Quantity Purchased	36,000 pounds
Actual Purchase Price Per Pound	$3.60 per pound
Direct Materials Purchase Price Variance	$7,200 Unfavorable
Standard Quantity Allowed for Actual Production	32,000 pounds
Actual Quantity Used	30,000 pounds

For February 201X, what was Universal's favorable direct materials usage variance?

[A] $6,800 [B] $6,000 [C] $6,720 [D] $7,600

Correct Answer: [A] $6,800 favorable is the DM usage variance. Hints: First use the DM Purchase Price Variance to calculate SP, then remember $AQ_{Purchased} \neq AQ_{Used}$ and AQ_{Used} is used for the DM usage variance. Also, $6,000 unfavorable is the DM price variance and uses AQ_{Used}. The $7,200 unfavorable DM purchase price variance given in the problem uses $AQ_{Purchased}$.

BEC, MODULE 47. PLANNING, CONTROL, AND ANALYSIS

DIRECT COSTING/VARIABLE COSTING vs. ABSORPTION COSTING/FULL COSTING

Direct or Variable Costing	Absorption or Full Costing
Not GAAP	GAAP
Used for internal decision making.	Used for external financial reporting.
Treats FMOH as a PERIOD cost.	Treats FMOH as a PRODUCT cost.

Income Statement:	Income Statement:
Sales	Sales
– Variable COGS (DM, DL, VMOH)	– COGS (DM, DL, VMOH, FMOH)
= Manufacturing Contribution Margin	= Gross Profit or Gross Margin
– Variable Period Costs	– Period Costs (Fixed & Variable)
= Contribution Margin	= Net Income
– Fixed Costs (FMOH as Period Cost)	
= Net Income	

If Production > Sales, then Ending Inventory Increases:

Lower NI	Higher NI

If Production < Sales, then Ending Inventory Decreases:

Higher NI	Lower NI

If Production = Sales, then Ending Inventory does not change:
Same NI for both

To calculate the difference in the net income between the two methods:
Difference in NI = (Change in ending inventory)(FMOH/unit)

COST-VOLUME-PROFIT (BREAK-EVEN POINT) ANALYSIS

Formulas:

$CM = SP - VC$ $\qquad$ $CMR = \dfrac{SP - VC}{SP}$

Use only when they mention profit

$BEP_{Units} = \dfrac{\text{Total Fixed Costs}}{\text{CM/unit}}$ or $BEP_{Units} = \dfrac{\text{Total Fixed Costs + Before Tax Profit}}{\text{CM/unit}}$

$BEP_{Sales\ \$} = \dfrac{\text{Total Fixed Costs}}{\text{CMR}}$ or $BEP_{Sales\ \$} = \dfrac{\text{Total Fixed Costs + Before Tax Profit}}{\text{CMR}}$

After Tax Profit = (Before Tax Profit) (1 – Tax Rate)

$\text{Before Tax Profit} = \dfrac{\text{After Tax Profit}}{(1 - \text{Tax Rate})}$

Margin of Safety (in units or \$) = Current Sales Level (in units or \$) – BEP (in units or \$)

$\text{CM/unit} = \dfrac{\text{Net Income}}{\text{Margin of Safety in Units}}$

$\text{CMR} = \dfrac{\text{Net Income}}{\text{Margin of Safety in \$}}$

Module 40, Corporate Governance, Internal Control, and Enterprise Risk Management
Form 8-K Reports
[Based on OMB Form 3235-0060, Expires March 31, 2014; SEC 873 (09-11)]

Form 8-K Reports, which are information returns, must be filed no later than 4 business days after the occurrence of a reportable event. I think that you could have a FAMILIARITY with these items; I don't think that you have to memorize them.

* * * Section 1 - Registrant's Business and Operations * * *

Item 1.01 Entry into a Material Definitive Agreement.
Item 1.02 Termination of a Material Definitive Agreement.
Item 1.03 Bankruptcy or Receivership.

* * * Section 2 - Financial Information * * *

Item 2.01 Completion of Acquisition or Disposition of Assets.
Item 2.02 Results of Operations and Financial Condition.
Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.
Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.
Item 2.05 Costs Associated with Exit or Disposal Activities.
Item 2.06 Material Impairments.

* * * Section 3 - Securities and Trading Markets * * *

Item 3.01 Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.
Item 3.02 Unregistered Sales of Equity Securities.
Item 3.03 Material Modification to Rights of Security Holders.

* * * Section 4 - Matters Related to Accountants and Financial Statements * * *

Item 4.01 Changes in Registrant's Certifying Accountant.
Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

* * * Section 5 - Corporate Governance and Management * * *

Item 5.01 Changes in Control of Registrant.
Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.
Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.
Item 5.04 Temporary Suspension of Trading Under Registrant's Employee Benefit Plans.
Item 5.05 Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics.
Item 5.06 Change in Shell Company Status.
Item 5.07 Submission of Matters to a Vote of Security Holders.
Item 5.08 Shareholder Director Nominations

* * * Section 6 -Asset-Backed Securities * * *

Item 6.01 ABS Informational and Computational Material.
Item 6.02 Change of Servicer or Trustee.

Item 6.03 Change in Credit Enhancement or Other External Support.
Item 6.04 Failure to Make a Required Distribution.
Item 6.05 Securities Act Updating Disclosure.

* * * Section 7 - Regulation FD Disclosure * * *

Item 7.01 Regulation FD Disclosure; where FD = Fair Disclosure,

17 CFR Sec. 243.100 General rule regarding selective disclosure.
(a) Whenever an issuer, or any person acting on its behalf, discloses any material nonpublic information regarding that issuer or its securities to any person described in paragraph (b)(1) of this section, the issuer shall make public disclosure of that information as provided in Sec. 243.101(e):
(1) Simultaneously, in the case of an intentional disclosure; and
(2) Promptly, in the case of a non-intentional disclosure.

I think that this is basically to make sure that everyone receives the information at the same time.

* * * Section 8 - Other Events * * *

Item 8.01 Other Events; The registrant may, at its option, disclose under this Item 8.01 any events, with respect to which information is not otherwise called for by this form, that the registrant deems of importance to security holders.

* * * Section 9 - Financial Statements and Exhibits * * *

Item 9.01 Financial Statements and Exhibits.

Update to the Federal Securities Acts Module

In May of 2011, the AICPA added a number of references to the Content and Skills Specifications for the CPA Exam, including a reference in the Regulation section to the Dodd-Frank Act. This material updates Module 24 for the Dodd-Frank Act.

The Wall Street Reform and Consumer Protection (Dodd-Frank) Act of 2010

The Dodd-Frank Act was passed as a reaction to the recent financial crisis. The act was designed "to promote the financial stability of the United States by improving accountability and transparency in the financial system, to end "too big to fail", to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes. "

1. The act created the Financial Stability Oversight Council which is charged with identifying threats to the financial stability of the U.S., promoting market discipline, and responding to emerging risks. The Council will identify significant nonbank financial firms and regulate these institutions, and prescribe risk management standards for payment, clearing, and settlement activities by financial market institutions.
2. The act increased the types of financial companies that could be seized and liquidated by the FDIC to include insurance companies and non-bank financial companies.
3. The act requires previously exempt U.S. and non U.S. advisers of hedge funds, private equity funds, and other private investment vehicles to register with the SEC under the Advisors Act. It also provides for additional reporting requirements for registered and nonregistered advisors.
4. The act eliminated the Office of Thrift Supervision distributing its responsibilities to other agencies.
5. The act created the Federal Insurance Office to regulate insurance companies.
6. The act created the Bureau of Consumer Financial Protection to regulate the offering of consumer products and services (e.g., credit counseling, check-cashing, etc.) under the federal consumer financial laws.
7. The act prohibits any "banking entity" from engaging in proprietary trading, or sponsoring or investing in a hedge fund or private equity fund.
8. The act gives authority to the Commodity Futures Trading Commission and the SEC to regulate the derivatives (swaps) markets, including the regulation of swap dealers and major swap participants.
9. The act has provisions to help prevent conflicts of interests and increase transparency by credit rating agencies.
10. The act includes broad changes in executive compensation policies for public companies including:

    a. Requiring the national exchanges to issue new listing rules requiring companies to develop and implement compensation-recovery arrangements (clawback policies). The act states that when noncompliance with a financial-reporting requirement leads to an accounting restatement, the company is required to recover from any current or former executive officer all excessive incentive-based compensation paid over the preceding three-year period.
    b. Requiring that all members of the compensation committee of the board of directors be independent.
    c. Requiring a shareholder nonbinding vote on executive compensation at least every three years, and a vote at least every six years as to whether the vote on compensation should be held more often.
    d. Requiring a nonbinding vote by shareholders on "golden parachutes" to be provided to executives as a result of major transactions.

11. The act provides that the SEC will increase its compliance activities regarding securities trading, and will pay awards to whistleblowers for providing information about violations of securities laws.

12. The act will require mortgage securitizers or originators to retain an economic interest in a portion of the credit risk of any securitized asset that they create and sell.

BEC 2012

Questions to Do

Key: MCQ = Multiple Choice Question; WC = Written Communication

Module 40, Corporate Governance, Internal Control, and Enterprise Risk Management
MCQs: 1 - 44
Do the WCs (there are 4)

Module 41, Information Technology
MCQs: 1 - 131
Read the Flowcharting MCQs and read their solutions: 132 - 139
Do the WC (there is only 1)

Module 42, Economics, Strategy, and Globalization
MCQs: 1 - 126, except skip MCQs 43, 44, and 45
Do the WC (there is only 1)

Module 43.A, Financial Risk Management
MCQs: 1 - 31

Module 43.B, Capital Budgeting
MCQs: 32, 33, 35, 36, 38, 39, 42, 43, 45, 46, 49, 52, 53, 58, 61, 65, 68, 69, 73, 74, 76, and 78
Do the WC (there is only 1)

Module 44, Financial Management
MCQs: 1 - 138, except skip MCQs 49, 54, 70, and 71
Do the WC (there is only 1)

Module 45, Performance Measures
MCQs: 1, 2, 4, 10, 12, 13, 21, 22, 26, 27, 28, 30, 33, 34, 37, 39, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 61, 62, 64, 65, 66, and 67.
Do the WC (there are 2)

Module 46, Cost Measurement
MCQs: 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13, 15, 16, 18, 19, 22, 25, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 47, 48, 49, 53, 54, 55, 56, and 57
Do the WC (there is only 1)

Module 47, Planning, Control, and Analysis
MCQs: 1, 2, 3, 5, 6, 7, 8, 11, 13, 16, 17, 18, 19, 20, 21, 22, 23, 27, 28, 30, 32, 36, 37, 38, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 55, 56, 57, 58, 59, 63, 64, 66, 67, 70, 71, 72, 73, 74, 75, 76, 77, 79, 83, 84, 85, 86, and 87.
Do the WC (there are 2)