Nebraska State Board of Public Accountancy
P.O. Box 94725, Lincoln, NE 68509
402- 471-3595

Nebraska Ethics Examination

Requirement for Certificate Issuance Title 288, Chapter 6, Section 006

Examination Instructions

This is an individual examination. Please follow these requirements:

- Complete the examination independently. Do not collaborate with anyone.
- You may use written, publicly available resources to answer the questions.
- Do not retain a copy of the examination or your answers.
- Print and submit your completed answers with your:
    - Certificate Application; and
    - Citizenship Attestation Form.
- The Board will notify you of your results.
- Your graded examination will not be returned. However, suggested correct answers will be provided for educational purposes.

If you have questions, contact the Nebraska Board of Public Accountancy at 402-471-3595.

Overview of Professional Ethics

Adherence to professional ethics is a fundamental responsibility of every CPA. Depending on the engagement and the services provided, CPAs may be subject to ethical requirements from several sources, including:

- Nebraska Board of Public Accountancy Rules and Regulations, particularly Title 288, Chapter 5;
- AICPA Code of Professional Conduct;
- IRS regulations, including Circular 230;
- Public Company Accounting Oversight Board requirements; and
- Other applicable laws, regulations, and professional standards.

A CPA may be subject to more than one set of ethical requirements during an engagement. For example, a Nebraska CPA engaged to issue an opinion on financial statements would be subject to the Nebraska Rules of Professional Conduct. The CPA may also be subject to PCAOB requirements if the client is publicly traded and the AICPA Code of Professional Conduct if the CPA is an AICPA member.

If an engagement involves federal taxation, IRS Circular 230 may apply. An AICPA member may also be subject to the AICPA Statements on Standards for Tax Services.
Each CPA is responsible for identifying, understanding, and complying with all ethical requirements applicable to the services being provided.

Nebraska Board of Public Accountancy

The Nebraska Board of Public Accountancy, generally referred to as the State Board, is a governmental agency established by Nebraska law to regulate public accountancy in Nebraska and protect the public.
The State Board's responsibilities include:

- Overseeing the eligibility process for CPA Examination candidates;
- Issuing CPA certificates and permits to practice;
- Licensing CPA firms;
- Administering continuing professional education requirements;
- Overseeing peer review compliance; and
- Investigating and taking appropriate action concerning violations of Nebraska laws, regulations, and professional standards.

The State Board's authority is separate from membership in the AICPA or the Nebraska Society of CPAs. Individuals and firms subject to the Nebraska Public Accountancy Act and the Board's regulations must comply with those requirements regardless of whether they belong to a professional membership organization.

When investigating a possible violation, the State Board must follow the procedures established by law. Depending on the circumstances, the Board may take no action, issue an appropriate sanction, suspend or revoke a credential, or seek an injunction against an individual who improperly uses the CPA title or offers regulated services without the required credentials.

Nebraska Society of CPAs

The Nebraska Society of CPAs, generally referred to as the State Society, is a professional membership association serving Nebraska CPAs.

The State Society is separate from the State Board and does not license or regulate CPAs. It supports the accounting profession through advocacy, professional resources, member programs, continuing professional education, and other services. The State Society also works with the AICPA on matters affecting the profession.

Purpose of the Examination

The purpose of this examination is to demonstrate your familiarity with the ethical and professional-conduct requirements applicable to Nebraska CPAs.

You should have access to Title 288, Chapter 5—Rules of Professional Conduct while completing the examination questions. https://rules.nebraska.gov/

Question 1

A Nebraska CPA is preparing a client's tax return. The client asks the CPA to take a position that the CPA believes is weak and not adequately supported. The client says, "Just put it on the return. The IRS probably will not notice."

What should the CPA do?

A. Take the position because the client is responsible for the return.
B. Take the position if the client agrees in writing to accept responsibility.
C. Take the position as long as the CPA discloses it to the Nebraska Board.
D. Decline to take the position unless the CPA concludes it has appropriate support under applicable professional standards.

Question 2

A CPA discovers that a client has excluded a material liability from financial information provided to a bank. The client tells the CPA, "Do not bring this up. We will fix it next year."

What is the CPA's best response?

A. Ignore the issue because management is responsible for the financial information.
B. Tell the client the CPA cannot be associated with information the CPA knows is materially misleading.
C. Continue the engagement as long as the client signs a representation letter.
D. Report the client immediately to the Nebraska Board.

Question 3

The Nebraska Board sends a CPA a written request for client records as part of a formal investigation. The CPA believes the information is confidential and the client has not given permission to release it.

What should the CPA do?

A. Refuse to provide the information unless the client gives written consent.
B. Cooperate with the Board's lawful request, even though the information is confidential.
C. Provide only a summary of the information.
D. Destroy the records if the client requests it.

Question 4

A CPA performs bookkeeping services for a client and makes management decisions about which journal entries should be recorded. The client later asks the CPA to perform a review engagement for the same period.

What is the primary concern?

A. Independence may be impaired because the CPA performed management responsibilities.
B. Bookkeeping services are never allowed for any client.
C. Independence does not matter for review engagements.
D. The CPA may perform the review if the fee is reduced.

Question 5

When requirements are met, what organization do you contact and issues the CPA credential in Nebraska? Additionally, this organization licenses & disciplines CPAs in Nebraska and has the authority to revoke CPA credentials and is a Nebraska State Agency?

A. The American Institute of Certified Public Accountants (AICPA)
B. The Nebraska Board of Public Accountancy
C. The National Association of State Boards of Accountancy (NASBA)
D. The Nebraska Society of Certified Public Accountants