

Enrolled Agent Practice Exams PART 2 XL ERRATA SHEET

This document contains corrections and clarifications for *Enrolled Agent Practice Exams PART 2 XL 2025-2026* by *SkillPrep Books* for editions published **before May 22, 2025**.

Some questions have been corrected, while others have been revised to enhance clarity. Please use this information to update the content and ensure you have the most accurate version possible.

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PART 2 - PRACTICE EXAM #2.1

QUESTION 12

ANSWER: D. \$15,000

Prepaid insurance premiums are typically deducted over the period they cover. However, a key exception is the 12-month rule. This rule allows a taxpayer to currently deduct a prepaid expense if the right or benefit created does not extend beyond the earlier of:

- 12 months after the first date the taxpayer realizes the right or benefit, OR
- The end of the tax year following the tax year in which the payment was made.

In this scenario, the policy covers exactly 12 months (June 1, 2024 / May 31, 2025). This falls squarely within the 12-month rule. Charlie is permitted to deduct the full \$15,000 in 2024.

Topic: Prepaid Expenses (12-Month Rule)

QUESTION 51

ANSWER: B. Alice no gain and Mark \$8,000 gain

Mark's \$8,000 recognized gain is due to the cash 'boot' received; Alice's transaction involving cash for stock and receipt of land is treated as resulting in no gain for her under the Section 351 formation context.

Topic: Recognition of Gain on Property for Stock Exchange

QUESTION 62

ANSWER: D. When the liquidating distribution equals or exceeds \$600 in a calendar year

Form 1099-DIV is required for each person to whom the corporation has paid dividends and other distributions on stock when it amounts to \$600 or more in the case of a liquidating distribution.

Topic: Reporting Dividends and Other Distributions

QUESTION 72

ANSWER: B \$1,000

Frank's basis was his \$9,000 cost. He realized a \$4,000 gain when selling for \$13,000. This \$4,000 gain is reduced by Judy's \$3,000 previously disallowed loss (from the related-party sale), resulting in Frank's recognized gain of \$1,000.

Topic: Capital Gains on Related-Party Transactions

PART 2 - PRACTICE EXAM #2.2

QUESTION 24

ANSWER: C. \$600

As a 50% partner, Zara's share of 'book' depreciation (on the \$12,000 FMV asset) is \$600. The partnership's total tax depreciation (on its \$6,000 tax basis) is also \$600. Under IRC Section 704(c), to account for the pre-contribution gain, Zara (the non-contributing partner) is allocated tax depreciation equal to her book share, limited to the total tax depreciation available. Thus, Zara is allocated the entire \$600.

Topic: Partnership Depreciation Deductions

QUESTION 45

ANSWER: B. Thompson, Ltd. reports the expense in 2023 and Alice reports the income in 2024

Alice, using the cash basis, includes income when actually received (2024). Thompson, Ltd., using accrual accounting, typically reports an expense when it accrues (2023). If related-party rules (IRC Sec. 267) that could defer Thompson, Ltd.'s deduction are disregarded for this question's basic timing focus, then the interest is expensed by Thompson, Ltd. in 2023, and reported as income by Alice in 2024 when received.

Topic: Accounting Methods

QUESTION 48

48. Special rules apply to like-kind exchanges between related persons. Under these rules, related persons include:

- A. The taxpayer and a member of his or her family
 - B. The taxpayer and a corporation in which the taxpayer directly or indirectly owns more than 50% of the stock (by value).
 - C. The taxpayer and a partnership in which the taxpayer directly or indirectly owns more than 50% of the capital interest or the profits interest.
 - D. All of the above
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QUESTION 67

67. Patricia exchanged her old laptop used in her business for a new laptop valued at \$6,000 that she will also use in her business. In addition to her old laptop, Patricia paid \$4,500 cash for the new laptop. Her old laptop was worth \$1,500 and had an adjusted basis of \$600. What is Patricia's basis for depreciation in the new laptop?

- A. \$1,200
- B. \$2,100
- C. \$3,600
- D. \$6,000

ANSWER: D. \$6,000

Since the TCJA, like-kind exchange rules (Sec. 1031) don't apply to personal property like laptops. This is treated as a sale of the old laptop (recognizing a \$900 gain) and a purchase of the new one. Therefore, the new laptop's basis for depreciation is its \$6,000 cost.

Topic: Basis of Property Received in Exchange

QUESTION 83

83. In 2022, Mark purchased a new hybrid vehicle on June 1st for \$20,000 and claimed a \$2,500 deduction for clean fuel vehicles on his 2022 tax return. He used the vehicle only for personal purposes in 2022. Starting January 1, 2024, he began using it solely for business. The fair market value on that date was \$19,000. What is the depreciable basis of the vehicle as of January 1, 2024?

- A. \$16,500
 - B. \$17,500
 - C. \$19,000
 - D. \$20,000
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