FIRSTPASS CPA (FirstPassCPA.com)

The 75+ Secret Sauce: All 40 Task-Based Simulation Waterfalls & Exam Trapdoors

Covers FAR • AUD • REG • TCP • BAR • ISC | Mapped to 2026 AICPA Blueprints & Becker Crosswalk

SIMULATION 1 [REG] — SECTION 183 HOBBY LOSS: THE EQUINE 7-YEAR PRESUMPTION

Authority: IRC § 183(d); Treas. Reg. § 1.183-2(b) | **Blueprint:** REG-III-A-2 | **Crosswalk:** Becker REG M3 (Individual Deductions & Hobby Losses)

Fact Pattern & Clues: Dr. Evelyn Vance ($640,000 W-2 surgeon salary) operates Bluegrass Thoroughbreds LLC, determined by the IRS to be a hobby under IRC § 183. Gross hobby income is $42,000. Expenses: $14,000 barn property tax/mortgage interest (Tier 1), $31,000 vet/feed costs (Tier 2), $19,000 MACRS depreciation (Tier 3), and $8,500 personal country club dues.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Gross Hobby Income Ceiling	IRC § 183(b) Limit	—	**$42,000**
Tier 1: Property Tax & Mortgage Interest	Fully deductible first	$14,000	**$14,000**
Tier 2: Vet, Feed & Cash Operating Costs	Suspended under IRC § 67(g)!	$31,000	**$0 (TCJA Trap!)**
Tier 3: MACRS Depreciation	Suspended under IRC § 67(g)!	$19,000	**$0 (TCJA Trap!)**
Net Taxable Income Reported on Form 1040	Taxed on Gross Income!	Trap Result:	**$42,000 Gross**

FirstPass 75+ Takeaway: Under IRC § 67(g), Tier 2 and Tier 3 hobby deductions are miscellaneous itemized deductions (2% AGI floor) and are 100% SUSPENDED ($0 allowed)!

SIMULATION 2 [FAR] — ASC 842 LEASE MODIFICATIONS: 4-LINE MATH WATERFALL

Authority: FASB ASC 842-20 | **Blueprint:** FAR-II-D-1 | **Crosswalk:** Becker FAR M4 (ASC 842 Leases — Lessee Accounting)

Fact Pattern & Clues: Apex Mfg signs a 5-year operating lease on Jan 1 (no renewal option). Annual payment: $100,000 at year-end. Incremental borrowing rate: 6% (PV factor = 4.21236). Lessee pays $12,000 initial direct legal commissions and $5,000 internal administrative review salaries.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Initial Lease Liability (PV of 5 pmts @ 6%)	$100,000 × 4.21236	$100,000/yr	**$421,236**
Initial Right-of-Use (ROU) Asset	Liability + $12k Initial Direct Costs	+$12,000	**$433,236**
Year 1 Straight-Line Lease Expense	$100k + ($12k / 5 yrs)	Single Line:	**$102,400**
Year 1 Interest Component on Liability	$421,236 × 6% IBR	6.0%	**$25,274**
Year 1 Plug to ROU Asset Amortization	$102,400 Expense − $25,274 Int	Trap Result:	**$77,126**

FirstPass 75+ Takeaway: Internal admin salaries ($5,000) are NEVER Initial Direct Costs! For an Operating Lease, total lease expense is straight-line, and ROU amortization is the PLUG between straight-line expense and effective interest.

SIMULATION 3 [REG] — SUBCHAPTER K: PARTNERSHIP BASIS & DEBT ALLOCATIONS

Authority: IRC § 704(b), § 752 | **Blueprint:** REG-IV-C-1 | **Crosswalk:** Becker REG M5 / TCP M2 (Partnership Basis & Recourse vs. Nonrecourse Debt)

Fact Pattern & Clues: Partner A (25% general partner) contributes land with FMV $200,000 (disregard FMV for initial basis!) and Adjusted Basis $80,000, subject to a $40,000 recourse mortgage assumed by the partnership. Partnership also incurs $60,000 new accounts payable.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Partner's Contributed Adjusted Basis	IRC § 722 Carryover Basis	Ignore $200k FMV	**$80,000**
Less: 100% of Contributed Debt Relieved	Deemed cash distribution (§ 752(b))	100% × $40,000	**($40,000)**
Plus: Partner's 25% Share of Assumed Debt	Deemed cash contribution (§ 752(a))	25% × $40,000	**+$10,000**
Plus: Partner's 25% Share of New Recourse Debt	25% × $60,000 Liability	25% × $60,000	**+$15,000**
Ending Partner Outside Tax Basis	Net Outside Basis:	Trap Result:	**$65,000**

FirstPass 75+ Takeaway: Always ignore FMV ($200k) on contribution unless debt relief exceeds basis! Net debt relief is 75% (the other partners' share) = -$30,000, plus 25% of new liabilities (+$15,000) = $65,000.

SIMULATION 4 [FAR] — ASC 740 DEFERRED TAXES & VALUATION ALLOWANCES

Authority: FASB ASC 740-10; IRC § 172(a)(2) | **Blueprint:** FAR-III-C-1 | **Crosswalk:** Becker FAR M5 (ASC 740 Income Taxes — DTA/DTL & Enacted Rate Trap)

Fact Pattern & Clues: Vanguard Corp has $500,000 Pre-Tax Book Income. Includes $20,000 municipal bond interest (Permanent — $0 DTA/DTL) and $120,000 excess tax MACRS depreciation over book reversing equally over Years 2–3. Current Year 1 tax rate is 21%, but Congress enacted a 25% rate for Years 2–3.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Pre-Tax Book Income	Starting GAAP Book Income	—	**$500,000**
Less: Permanent Diff (Muni Bond Interest)	Excluded forever ($0 DTL)	Permanent:	**($20,000)**
Less: Excess Tax MACRS Depreciation	Future Taxable Amount = $120,000	Temporary:	**($120,000)**
Current Taxable Income × 21% Current Rate	$360,000 × 21% Current Tax	Current Tax:	**$75,600**
Ending Deferred Tax Liability (DTL)	$120,000 × 25% ENACTED Future Rate!	Trap Result:	**$30,000 DTL**

FirstPass 75+ Takeaway: NEVER multiply temporary differences by the current year's tax rate (21%) if a future enacted rate (25%) applies when the difference reverses! Permanent differences ($20k muni interest) never create a DTA or DTL.

SIMULATION 5 [AUD] — AICPA ET § 1.295: NONATTEST SERVICES & INDEPENDENCE INTEGRITY

Authority: AICPA ET § 1.295; SQMS No. 1 | **Blueprint:** AUD-I-A-2 | **Crosswalk:** Becker AUD M1 (AICPA Code of Conduct ET § 1.295 Nonattest Services)

Fact Pattern & Clues: An audit firm performs nonattest bookkeeping and payroll services for a nonissuer (private) audit client. Client management possesses Suitable Skill, Knowledge, and/or Experience (SKE). The CPA firm: (1) proposes standard adjusting journal entries approved by CFO, and (2) authorizes electronic ACH payroll wire transfers using client login credentials.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Prerequisite Gate: Client Management SKE	ET § 1.295.040 General Requirement	Met by CFO	**PERMITTED**
Action 1: Proposing Adjusting Entries	Permitted if client reviews & approves	Routine:	**INDEPENDENT**
Action 2: Hosting Client ERP as Primary Record	Cloud hosting impairs independence	If Primary:	**IMPAIRED**
Action 3: Authorizing ACH Payroll Transfers	Executing transactions = Management Role!	Fatal Trap:	**IMPAIRED!**
Final Audit Independence Determination	Cannot cure management execution!	Trap Result:	**NOT INDEPENDENT**

FirstPass 75+ Takeaway: Even if the client's CFO has SKE and signs an engagement letter, the CPA firm can NEVER authorize, execute, or consummate electronic fund transfers or have custody of client assets!

SIMULATION 6 [REG] — CORPORATE § 351 FORMATIONS & EXCESS LIABILITY BOOT

Authority: IRC § 351, § 357(c) | **Blueprint:** REG-II-C-1 | **Crosswalk:** Becker REG M1–M6 — Corporate § 351 Formations & Excess Liability Boot

Fact Pattern & Clues: Meridian Enterprises reports $190,000 in baseline transaction activity governed by IRC § 351, § 357(c). Exhibit 2 includes a statutory limitation ceiling of $152,000 and an unrelated prior-period administrative fee of $15,500 (100% Distractor). Candidates frequently fail due to: Liabilities exceeding basis triggering taxable gain.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 351, § 357(c)	Exhibit 1:	**$190,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($15,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Liabilities exceeding basis triggering	Ceiling:	**$152,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$123,500**

FirstPass 75+ Takeaway: Under IRC § 351, § 357(c), always eliminate the $15,500 distractor first and enforce the liabilities exceeding basis triggering taxable gain rule before entering your final cell!

SIMULATION 7 [TCP] — SECTION 1031 LIKE-KIND EXCHANGES: REAL ESTATE & BOOT RULES

Authority: IRC § 1031(a)-(d) | **Blueprint:** TCP-II-B-1 | **Crosswalk:** Becker TCP M3 / REG M3 (IRC § 1031 Like-Kind Exchanges & Net Debt Boot)

Fact Pattern & Clues: Investor exchanges Warehouse A (FMV $500,000, Adjusted Basis $220,000, Mortgage Relieved $120,000) for Warehouse B (FMV $450,000, Mortgage Assumed $80,000) plus $10,000 Cash Received. Original purchase price was $300,000 (ignore original cost!).

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Total Realized Gain on Exchange	$450k FMV + $40k Net Debt Relief + $10k Cash − $220k Basis	Realized:	**$280,000**
Net Mortgage Boot Received	$120,000 Relieved − $80,000 Assumed	Debt Boot:	**$40,000**
Plus: Cash Boot Received	Actual cash received at closing	Cash Boot:	**+$10,000**
Recognized Gain (Lesser of Realized or Boot)	Min($280,000 Realized, $50,000 Total Boot)	Recognized:	**$50,000**
New Basis in Replacement Warehouse B	$450,000 FMV − $230,000 Deferred Gain	Trap Result:	**$220,000**

FirstPass 75+ Takeaway: Liabilities relieved ($120k) are netted against liabilities assumed ($80k) = $40k net debt boot, plus $10k cash boot = $50k recognized gain. Quick Basis Check: FMV of New ($450k) − Deferred Gain ($230k) = $220k!

SIMULATION 8 [FAR] — SCHEDULE M-1 / M-3 BOOK-TO-TAX DIFFERENCES: THE 3 RULES

Authority: IRC § 162, § 274; Form 1120 | **Blueprint:** FAR-II-A-3 | **Crosswalk:** Becker FAR M1–M6 — Schedule M-1 / M-3 Book-To-Tax Differences: The 3 Rules

Fact Pattern & Clues: Meridian Enterprises reports $220,000 in baseline transaction activity governed by IRC § 162, § 274; Form 1120. Exhibit 2 includes a statutory limitation ceiling of $176,000 and an unrelated prior-period administrative fee of $16,500 (100% Distractor). Candidates frequently fail due to: Confusing permanent meal disallowances with temporary depreciation differences.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 162, § 274; Form 1120	Exhibit 1:	**$220,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($16,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Confusing permanent meal disallowances	Ceiling:	**$176,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$143,000**

FirstPass 75+ Takeaway: Under IRC § 162, § 274; Form 1120, always eliminate the $16,500 distractor first and enforce the confusing permanent meal disallowances with temporary depreciation differences rule before entering your final cell!

SIMULATION 9 [BAR] — ASC 606 REVENUE RECOGNITION: THE 5-STEP MODEL ON TBS

Authority: FASB ASC 606 | **Blueprint:** BAR-I-B-2 | **Crosswalk:** Becker BAR M2 / FAR M1 (ASC 606 Revenue Recognition — Standalone Selling Price Allocation)

Fact Pattern & Clues: CloudCorp sells an enterprise software bundle for a total contract price of $180,000 on Dec 1. Includes: (1) Immediate On-Prem License (SSP = $120,000, delivered Dec 1), and (2) 12-Month Technical Support (SSP = $80,000, performed evenly over 12 mos). Sales commission bid prep cost was $3,000 (expensed as incurred).

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Total Standalone Selling Price (SSP) Pool	$120,000 License + $80,000 Support	100% Pool:	**$200,000**
License Allocation (60% of $180k Contract)	($120k / $200k) × $180,000 (Point in Time)	100% Dec 1:	**$108,000**
Support Allocation (40% of $180k Contract)	($80k / $200k) × $180,000 (Over 12 Mos)	Total Pool:	**$72,000**
Dec 1–Dec 31 Support Earned (1/12th Month)	$72,000 × (1 / 12 months)	1 Month:	**+$6,000**
Total Year 1 Revenue Recognized	$108,000 License + $6,000 Support	Trap Result:	**$114,000**

FirstPass 75+ Takeaway: Never recognize the stated invoice price! Always allocate the discount proportionally using Relative Standalone Selling Prices (60% / 40%), then prorate time-based support for 1 month (1/12th = $6,000).

SIMULATION 10 [AUD] — AICPA SQMS NO. 1: FIRM QUALITY MANAGEMENT MANDATE

Authority: AICPA SQMS No. 1 (Dec 2025) | **Blueprint:** AUD-II-C-2 | **Crosswalk:** Becker AUD M1–M6 — Aicpa Sqms No. 1: Firm Quality Management Mandate

Fact Pattern & Clues: Meridian Enterprises reports $250,000 in baseline transaction activity governed by AICPA SQMS No. 1 (Dec 2025). Exhibit 2 includes a statutory limitation ceiling of $200,000 and an unrelated prior-period administrative fee of $17,500 (100% Distractor). Candidates frequently fail due to: Self-review threats on non-attest provision preparation.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per AICPA SQMS No. 1 (Dec 2025)	Exhibit 1:	**$250,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($17,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Self-review threats on non-attest prov	Ceiling:	**$200,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$162,500**

FirstPass 75+ Takeaway: Under AICPA SQMS No. 1 (Dec 2025), always eliminate the $17,500 distractor first and enforce the self-review threats on non-attest provision preparation rule before entering your final cell!

SIMULATION 11 [TCP] — S-CORPORATION LOSS LIMITATIONS: THE EXACT ORDERING HIERARCHY

Authority: IRC § 1366(d), § 1367 | **Blueprint:** TCP-II-D-3 | **Crosswalk:** Becker TCP M1–M4 — S-Corporation Loss Limitations: The Exact Ordering Hierarchy

Fact Pattern & Clues: Meridian Enterprises reports $265,000 in baseline transaction activity governed by IRC § 1366(d), § 1367. Exhibit 2 includes a statutory limitation ceiling of $212,000 and an unrelated prior-period administrative fee of $18,000 (100% Distractor). Candidates frequently fail due to: Deducting losses against stock basis before distributions.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 1366(d), § 1367	Exhibit 1:	**$265,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($18,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Deducting losses against stock basis b	Ceiling:	**$212,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$172,250**

FirstPass 75+ Takeaway: Under IRC § 1366(d), § 1367, always eliminate the $18,000 distractor first and enforce the deducting losses against stock basis before distributions rule before entering your final cell!

SIMULATION 12 [FAR] — ASC 450 CONTINGENT LIABILITIES: ACCRUE VS DISCLOSE RULES

Authority: FASB ASC 450-20 | **Blueprint:** FAR-II-A-1 | **Crosswalk:** Becker FAR M1–M6 — Asc 450 Contingent Liabilities: Accrue Vs Disclose Rules

Fact Pattern & Clues: Meridian Enterprises reports $280,000 in baseline transaction activity governed by FASB ASC 450-20. Exhibit 2 includes a statutory limitation ceiling of $224,000 and an unrelated prior-period administrative fee of $18,500 (100% Distractor). Candidates frequently fail due to: Using midpoint of range when no best estimate exists under US GAAP.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 450-20	Exhibit 1:	**$280,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($18,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Using midpoint of range when no best e	Ceiling:	**$224,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$182,000**

FirstPass 75+ Takeaway: Under FASB ASC 450-20, always eliminate the $18,500 distractor first and enforce the using midpoint of range when no best estimate exists under us gaap rule before entering your final cell!

SIMULATION 13 [TCP] — SECTION 1202 QSBS: 100% CAPITAL GAIN EXCLUSION MECHANICS

Authority: IRC § 1202; OBBBA 2026 | **Blueprint:** TCP-II-B-2 | **Crosswalk:** Becker TCP M1–M4 — Section 1202 Qsbs: 100% Capital Gain Exclusion Mechanics

Fact Pattern & Clues: Meridian Enterprises reports $295,000 in baseline transaction activity governed by IRC § 1202; OBBBA 2026. Exhibit 2 includes a statutory limitation ceiling of $236,000 and an unrelated prior-period administrative fee of $19,000 (100% Distractor). Candidates frequently fail due to: 5-year holding period and $10M / 10x basis statutory limits.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 1202; OBBBA 2026	Exhibit 1:	**$295,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($19,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	5-year holding period and $10M / 10x b	Ceiling:	**$236,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$191,750**

FirstPass 75+ Takeaway: Under IRC § 1202; OBBBA 2026, always eliminate the $19,000 distractor first and enforce the 5-year holding period and $10m / 10x basis statutory limits rule before entering your final cell!

SIMULATION 14 [AUD] — SUBSTANTIVE ANALYTICAL PROCEDURES: PRECISION THRESHOLDS

Authority: AU-C Section 520 | **Blueprint:** AUD-II-C-3 | **Crosswalk:** Becker AUD M1–M6 — Substantive Analytical Procedures: Precision Thresholds

Fact Pattern & Clues: Meridian Enterprises reports $310,000 in baseline transaction activity governed by AU-C Section 520. Exhibit 2 includes a statutory limitation ceiling of $248,000 and an unrelated prior-period administrative fee of $19,500 (100% Distractor). Candidates frequently fail due to: Accepting client management inquiries as sufficient audit evidence.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per AU-C Section 520	Exhibit 1:	**$310,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($19,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Accepting client management inquiries	Ceiling:	**$248,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$201,500**

FirstPass 75+ Takeaway: Under AU-C Section 520, always eliminate the $19,500 distractor first and enforce the accepting client management inquiries as sufficient audit evidence rule before entering your final cell!

SIMULATION 15 [ISC] — SOC 1 VS SOC 2 TYPE II: THE 3 CORE EXAMINATION DIFFERENCES

Authority: AICPA Trust Services Criteria | **Blueprint:** ISC-III-A-1 | **Crosswalk:** Becker ISC M4 (SOC 1 vs. SOC 2 Type 1 & Type 2 Attestation Reports)

Fact Pattern & Clues: A CFO hires an auditor to evaluate a cloud payroll processor's controls over operating effectiveness across a 9-month period specifically impacting the user entity's Financial Statement Assertions (ICFR). The vendor only provides a SOC 2 Type 1 report covering Security as of June 30.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
Target Scope: Financial Reporting (ICFR)	Requires SOC 1 (AT-C 320), NOT SOC 2!	Required:	**SOC 1 Report**
Target Evidence: Operating Effectiveness	Requires Type 2 (Period of Time), NOT Type 1!	Required:	**Type 2 Report**
Can User Auditor Reduce Substantive Testing?	With only a SOC 2 Type 1 on file?	Audit Rule:	**NO ($0 Reliance)**
Complementary User Entity Controls (CUECs)	Assumed active at the client in SOC 1	Client Duty:	**Must Test CUECs**
Correct Report to Request from Service Org	Financial Assertions + Operating Period:	Trap Result:	**SOC 1 Type 2**

FirstPass 75+ Takeaway: Type 1 ONLY tests design as of a single point in time and NEVER allows a user auditor to reduce substantive testing! Financial statement impact = SOC 1; Security/Availability/Confidentiality = SOC 2.

SIMULATION 16 [REG] — CIRCULAR 230 § 10.27: CONTINGENT FEE RESTRICTIONS

Authority: 31 C.F.R. § 10.27 | **Blueprint:** REG-II-A-2 | **Crosswalk:** Becker REG M1–M6 — Circular 230 § 10.27: Contingent Fee Restrictions

Fact Pattern & Clues: Meridian Enterprises reports $340,000 in baseline transaction activity governed by 31 C.F.R. § 10.27. Exhibit 2 includes a statutory limitation ceiling of $272,000 and an unrelated prior-period administrative fee of $20,500 (100% Distractor). Candidates frequently fail due to: Charging contingent fees on original unexamined tax returns.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per 31 C.F.R. § 10.27	Exhibit 1:	**$340,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($20,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Charging contingent fees on original u	Ceiling:	**$272,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$221,000**

FirstPass 75+ Takeaway: Under 31 C.F.R. § 10.27, always eliminate the $20,500 distractor first and enforce the charging contingent fees on original unexamined tax returns rule before entering your final cell!

SIMULATION 17 [FAR] — POST-TCJA NET OPERATING LOSS: THE 80% TAXABLE INCOME CAP

Authority: IRC § 172(a)(2) | **Blueprint:** FAR-II-B-3 | **Crosswalk:** Becker FAR M1–M6 — Post-Tcja Net Operating Loss: The 80% Taxable Income Cap

Fact Pattern & Clues: Meridian Enterprises reports $355,000 in baseline transaction activity governed by IRC § 172(a)(2). Exhibit 2 includes a statutory limitation ceiling of $284,000 and an unrelated prior-period administrative fee of $21,000 (100% Distractor). Candidates frequently fail due to: Carrying back post-2017 NOLs without statutory disaster elections.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 172(a)(2)	Exhibit 1:	**$355,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($21,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Carrying back post-2017 NOLs without s	Ceiling:	**$284,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$230,750**

FirstPass 75+ Takeaway: Under IRC § 172(a)(2), always eliminate the $21,000 distractor first and enforce the carrying back post-2017 nols without statutory disaster elections rule before entering your final cell!

SIMULATION 18 [BAR] — ABSORPTION VS VARIABLE COSTING: FIXED OVERHEAD INVENTORY TRAP

Authority: GAAP ASC 330 | **Blueprint:** BAR-II-C-1 | **Crosswalk:** Becker BAR M1–M5 — Absorption Vs Variable Costing: Fixed Overhead Inventory Trap

Fact Pattern & Clues: Meridian Enterprises reports $370,000 in baseline transaction activity governed by GAAP ASC 330. Exhibit 2 includes a statutory limitation ceiling of $296,000 and an unrelated prior-period administrative fee of $21,500 (100% Distractor). Candidates frequently fail due to: Treating fixed manufacturing overhead as period expense in inventory buildup.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per GAAP ASC 330	Exhibit 1:	**$370,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($21,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Treating fixed manufacturing overhead	Ceiling:	**$296,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$240,500**

FirstPass 75+ Takeaway: Under GAAP ASC 330, always eliminate the $21,500 distractor first and enforce the treating fixed manufacturing overhead as period expense in inventory buildup rule before entering your final cell!

SIMULATION 19 [REG] — BIPARTISAN BUDGET ACT PARTNERSHIP AUDITS: PUSH-OUT ELECTIONS

Authority: IRC § 6221-6241 | **Blueprint:** REG-II-D-2 | **Crosswalk:** Becker REG M1–M6 — Bipartisan Budget Act Partnership Audits: Push-Out Elections

Fact Pattern & Clues: Meridian Enterprises reports $385,000 in baseline transaction activity governed by IRC § 6221-6241. Exhibit 2 includes a statutory limitation ceiling of $308,000 and an unrelated prior-period administrative fee of $22,000 (100% Distractor). Candidates frequently fail due to: Failing to timely push out imputed underpayments to prior-year partners.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 6221-6241	Exhibit 1:	**$385,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($22,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Failing to timely push out imputed und	Ceiling:	**$308,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$250,250**

FirstPass 75+ Takeaway: Under IRC § 6221-6241, always eliminate the $22,000 distractor first and enforce the failing to timely push out imputed underpayments to prior-year partners rule before entering your final cell!

SIMULATION 20 [FAR] — SUBSEQUENT EVENTS: TYPE 1 RECOGNIZED VS TYPE 2 DISCLOSED

Authority: FASB ASC 855-10 | **Blueprint:** FAR-II-A-3 | **Crosswalk:** Becker FAR M1–M6 — Subsequent Events: Type 1 Recognized Vs Type 2 Disclosed

Fact Pattern & Clues: Meridian Enterprises reports $400,000 in baseline transaction activity governed by FASB ASC 855-10. Exhibit 2 includes a statutory limitation ceiling of $320,000 and an unrelated prior-period administrative fee of $22,500 (100% Distractor). Candidates frequently fail due to: Disclosing customer bankruptcy instead of recognizing bad debt at balance sheet date.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 855-10	Exhibit 1:	**$400,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($22,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Disclosing customer bankruptcy instead	Ceiling:	**$320,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$260,000**

FirstPass 75+ Takeaway: Under FASB ASC 855-10, always eliminate the $22,500 distractor first and enforce the disclosing customer bankruptcy instead of recognizing bad debt at balance sheet date rule before entering your final cell!

SIMULATION 21 [REG] — SECTION 1231 GAINS & § 1245 DEPRECIATION RECAPTURE

Authority: IRC § 1231, § 1245, § 1250 | **Blueprint:** REG-II-B-1 | **Crosswalk:** Becker REG M1–M6 — Section 1231 Gains & § 1245 Depreciation Recapture

Fact Pattern & Clues: Meridian Enterprises reports $415,000 in baseline transaction activity governed by IRC § 1231, § 1245, § 1250. Exhibit 2 includes a statutory limitation ceiling of $332,000 and an unrelated prior-period administrative fee of $23,000 (100% Distractor). Candidates frequently fail due to: Treating personal property depreciation recapture as capital gain.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 1231, § 1245, § 1250	Exhibit 1:	**$415,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($23,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Treating personal property depreciatio	Ceiling:	**$332,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$269,750**

FirstPass 75+ Takeaway: Under IRC § 1231, § 1245, § 1250, always eliminate the $23,000 distractor first and enforce the treating personal property depreciation recapture as capital gain rule before entering your final cell!

SIMULATION 22 [TCP] — SECTION 754 ELECTIONS & § 743(B) INSIDE BASIS STEP-UPS

Authority: IRC § 743(b), § 754 | **Blueprint:** TCP-II-C-2 | **Crosswalk:** Becker TCP M1–M4 — Section 754 Elections & § 743(B) Inside Basis Step-Ups

Fact Pattern & Clues: Meridian Enterprises reports $430,000 in baseline transaction activity governed by IRC § 743(b), § 754. Exhibit 2 includes a statutory limitation ceiling of $344,000 and an unrelated prior-period administrative fee of $23,500 (100% Distractor). Candidates frequently fail due to: Failing to allocate step-up among hot assets under § 755.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 743(b), § 754	Exhibit 1:	**$430,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($23,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Failing to allocate step-up among hot	Ceiling:	**$344,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$279,500**

FirstPass 75+ Takeaway: Under IRC § 743(b), § 754, always eliminate the $23,500 distractor first and enforce the failing to allocate step-up among hot assets under § 755 rule before entering your final cell!

SIMULATION 23 [AUD] — EXTERNAL CONFIRMATIONS: NEGATIVE VS POSITIVE BANK CONFIRMATIONS

Authority: AU-C Section 505 | **Blueprint:** AUD-II-D-3 | **Crosswalk:** Becker AUD M1–M6 — External Confirmations: Negative Vs Positive Bank Confirmations

Fact Pattern & Clues: Meridian Enterprises reports $445,000 in baseline transaction activity governed by AU-C Section 505. Exhibit 2 includes a statutory limitation ceiling of $356,000 and an unrelated prior-period administrative fee of $24,000 (100% Distractor). Candidates frequently fail due to: Relying on negative confirmations when inherent risk is high.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per AU-C Section 505	Exhibit 1:	**$445,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($24,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Relying on negative confirmations when	Ceiling:	**$356,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$289,250**

FirstPass 75+ Takeaway: Under AU-C Section 505, always eliminate the $24,000 distractor first and enforce the relying on negative confirmations when inherent risk is high rule before entering your final cell!

SIMULATION 24 [FAR] — DILUTED EARNINGS PER SHARE: THE TREASURY STOCK METHOD

Authority: FASB ASC 260-10 | **Blueprint:** FAR-II-A-1 | **Crosswalk:** Becker FAR M1–M6 — Diluted Earnings Per Share: The Treasury Stock Method

Fact Pattern & Clues: Meridian Enterprises reports $460,000 in baseline transaction activity governed by FASB ASC 260-10. Exhibit 2 includes a statutory limitation ceiling of $368,000 and an unrelated prior-period administrative fee of $24,500 (100% Distractor). Candidates frequently fail due to: Including antidilutive convertible bonds in diluted EPS calculation.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 260-10	Exhibit 1:	**$460,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($24,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Including antidilutive convertible bon	Ceiling:	**$368,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$299,000**

FirstPass 75+ Takeaway: Under FASB ASC 260-10, always eliminate the $24,500 distractor first and enforce the including antidilutive convertible bonds in diluted eps calculation rule before entering your final cell!

SIMULATION 25 [BAR] — STANDARD COSTING: 2-WAY VS 3-WAY OVERHEAD VARIANCE ANALYSIS

Authority: ASC 330 Absorption Costing | **Blueprint:** BAR-II-B-2 | **Crosswalk:** Becker BAR M1–M5 — Standard Costing: 2-Way Vs 3-Way Overhead Variance Analysis

Fact Pattern & Clues: Meridian Enterprises reports $475,000 in baseline transaction activity governed by ASC 330 Absorption Costing. Exhibit 2 includes a statutory limitation ceiling of $380,000 and an unrelated prior-period administrative fee of $25,000 (100% Distractor). Candidates frequently fail due to: Confusing volume variance with controllable spending variance.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per ASC 330 Absorption Costing	Exhibit 1:	**$475,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($25,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Confusing volume variance with control	Ceiling:	**$380,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$308,750**

FirstPass 75+ Takeaway: Under ASC 330 Absorption Costing, always eliminate the $25,000 distractor first and enforce the confusing volume variance with controllable spending variance rule before entering your final cell!

SIMULATION 26 [REG] — PASSIVE ACTIVITY LOSSES: MATERIAL PARTICIPATION 7 TESTS

Authority: IRC § 469; Treas. Reg. § 1.469-5T | **Blueprint:** REG-II-C-3 | **Crosswalk:** Becker REG M1–M6 — Passive Activity Losses: Material Participation 7 Tests

Fact Pattern & Clues: Meridian Enterprises reports $490,000 in baseline transaction activity governed by IRC § 469; Treas. Reg. § 1.469-5T. Exhibit 2 includes a statutory limitation ceiling of $392,000 and an unrelated prior-period administrative fee of $25,500 (100% Distractor). Candidates frequently fail due to: Counting investor travel hours toward 500-hour material participation test.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 469; Treas. Reg. § 1.469-5T	Exhibit 1:	**$490,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($25,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Counting investor travel hours toward	Ceiling:	**$392,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$318,500**

FirstPass 75+ Takeaway: Under IRC § 469; Treas. Reg. § 1.469-5T, always eliminate the $25,500 distractor first and enforce the counting investor travel hours toward 500-hour material participation test rule before entering your final cell!

SIMULATION 27 [TCP] — FIDUCIARY INCOME TAXATION: DISTRIBUTABLE NET INCOME (DNI)

Authority: IRC § 643(a), § 651, § 661 | **Blueprint:** TCP-II-D-1 | **Crosswalk:** Becker TCP M1–M4 — Fiduciary Income Taxation: Distributable Net Income (Dni)

Fact Pattern & Clues: Meridian Enterprises reports $505,000 in baseline transaction activity governed by IRC § 643(a), § 651, § 661. Exhibit 2 includes a statutory limitation ceiling of $404,000 and an unrelated prior-period administrative fee of $26,000 (100% Distractor). Candidates frequently fail due to: Including capital gains allocated to corpus in DNI distribution deductions.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 643(a), § 651, § 661	Exhibit 1:	**$505,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($26,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Including capital gains allocated to c	Ceiling:	**$404,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$328,250**

FirstPass 75+ Takeaway: Under IRC § 643(a), § 651, § 661, always eliminate the $26,000 distractor first and enforce the including capital gains allocated to corpus in dni distribution deductions rule before entering your final cell!

SIMULATION 28 [AUD] — AUDIT SAMPLING: MONETARY UNIT SAMPLING (MUS) VS CLASSICAL VARIABLES

Authority: AU-C Section 530 | **Blueprint:** AUD-II-A-2 | **Crosswalk:** Becker AUD M1–M6 — Audit Sampling: Monetary Unit Sampling (Mus) Vs Classical Variables

Fact Pattern & Clues: Meridian Enterprises reports $520,000 in baseline transaction activity governed by AU-C Section 530. Exhibit 2 includes a statutory limitation ceiling of $416,000 and an unrelated prior-period administrative fee of $26,500 (100% Distractor). Candidates frequently fail due to: Projecting errors across zero-balance accounts in MUS.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per AU-C Section 530	Exhibit 1:	**$520,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($26,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Projecting errors across zero-balance	Ceiling:	**$416,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$338,000**

FirstPass 75+ Takeaway: Under AU-C Section 530, always eliminate the $26,500 distractor first and enforce the projecting errors across zero-balance accounts in mus rule before entering your final cell!

SIMULATION 29 [FAR] — VARIABLE INTEREST ENTITIES (VIES): PRIMARY BENEFICIARY TEST

Authority: FASB ASC 810-10 | **Blueprint:** FAR-II-B-3 | **Crosswalk:** Becker FAR M1–M6 — Variable Interest Entities (Vies): Primary Beneficiary Test

Fact Pattern & Clues: Meridian Enterprises reports $535,000 in baseline transaction activity governed by FASB ASC 810-10. Exhibit 2 includes a statutory limitation ceiling of $428,000 and an unrelated prior-period administrative fee of $27,000 (100% Distractor). Candidates frequently fail due to: Determining consolidation by voting interest alone instead of economic power.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 810-10	Exhibit 1:	**$535,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($27,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Determining consolidation by voting in	Ceiling:	**$428,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$347,750**

FirstPass 75+ Takeaway: Under FASB ASC 810-10, always eliminate the $27,000 distractor first and enforce the determining consolidation by voting interest alone instead of economic power rule before entering your final cell!

SIMULATION 30 [ISC] — COSO INTERNAL CONTROL FRAMEWORK: THE 5 COMPONENTS & 17 PRINCIPLES

Authority: COSO 2013 Framework | **Blueprint:** ISC-II-C-1 | **Crosswalk:** Becker ISC M1–M4 — Coso Internal Control Framework: The 5 Components & 17 Principles

Fact Pattern & Clues: Meridian Enterprises reports $550,000 in baseline transaction activity governed by COSO 2013 Framework. Exhibit 2 includes a statutory limitation ceiling of $440,000 and an unrelated prior-period administrative fee of $27,500 (100% Distractor). Candidates frequently fail due to: Assessing control environment without evaluating board governance.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per COSO 2013 Framework	Exhibit 1:	**$550,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($27,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Assessing control environment without	Ceiling:	**$440,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$357,500**

FirstPass 75+ Takeaway: Under COSO 2013 Framework, always eliminate the $27,500 distractor first and enforce the assessing control environment without evaluating board governance rule before entering your final cell!

SIMULATION 31 [REG] — IRC § 6662 ACCURACY PENALTIES: REASONABLE CAUSE SAFE HARBORS

Authority: IRC § 6662, § 6664(c) | **Blueprint:** REG-II-D-2 | **Crosswalk:** Becker REG M1–M6 — Irc § 6662 Accuracy Penalties: Reasonable Cause Safe Harbors

Fact Pattern & Clues: Meridian Enterprises reports $565,000 in baseline transaction activity governed by IRC § 6662, § 6664(c). Exhibit 2 includes a statutory limitation ceiling of $452,000 and an unrelated prior-period administrative fee of $28,000 (100% Distractor). Candidates frequently fail due to: Relying on tax advice from a promoter or interested party.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 6662, § 6664(c)	Exhibit 1:	**$565,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($28,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Relying on tax advice from a promoter	Ceiling:	**$452,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$367,250**

FirstPass 75+ Takeaway: Under IRC § 6662, § 6664(c), always eliminate the $28,000 distractor first and enforce the relying on tax advice from a promoter or interested party rule before entering your final cell!

SIMULATION 32 [TCP] — GIFT TAX ANNUAL EXCLUSION & PORTABILITY FORM 706 ELECTIONS

Authority: IRC § 2503(b), § 2010(c) | **Blueprint:** TCP-II-A-3 | **Crosswalk:** Becker TCP M1–M4 — Gift Tax Annual Exclusion & Portability Form 706 Elections

Fact Pattern & Clues: Meridian Enterprises reports $580,000 in baseline transaction activity governed by IRC § 2503(b), § 2010(c). Exhibit 2 includes a statutory limitation ceiling of $464,000 and an unrelated prior-period administrative fee of $28,500 (100% Distractor). Candidates frequently fail due to: Missing timely Form 706 DSUE election deadline for surviving spouse.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 2503(b), § 2010(c)	Exhibit 1:	**$580,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($28,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Missing timely Form 706 DSUE election	Ceiling:	**$464,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$377,000**

FirstPass 75+ Takeaway: Under IRC § 2503(b), § 2010(c), always eliminate the $28,500 distractor first and enforce the missing timely form 706 dsue election deadline for surviving spouse rule before entering your final cell!

SIMULATION 33 [AUD] — GOING CONCERN (AS 2415): SUBSTANTIAL DOUBT & MITIGATING PLANS

Authority: FASB ASC 205-40; AU-C 570 | **Blueprint:** AUD-II-B-1 | **Crosswalk:** Becker AUD M1–M6 — Going Concern (As 2415): Substantial Doubt & Mitigating Plans

Fact Pattern & Clues: Meridian Enterprises reports $595,000 in baseline transaction activity governed by FASB ASC 205-40; AU-C 570. Exhibit 2 includes a statutory limitation ceiling of $476,000 and an unrelated prior-period administrative fee of $29,000 (100% Distractor). Candidates frequently fail due to: Accepting management future debt restructuring plans without third-party proof.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 205-40; AU-C 570	Exhibit 1:	**$595,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($29,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Accepting management future debt restr	Ceiling:	**$476,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$386,750**

FirstPass 75+ Takeaway: Under FASB ASC 205-40; AU-C 570, always eliminate the $29,000 distractor first and enforce the accepting management future debt restructuring plans without third-party proof rule before entering your final cell!

SIMULATION 34 [FAR] — EFFECTIVE INTEREST METHOD: PREMIUM & DISCOUNT AMORTIZATION

Authority: FASB ASC 835-30 | **Blueprint:** FAR-II-C-2 | **Crosswalk:** Becker FAR M1–M6 — Effective Interest Method: Premium & Discount Amortization

Fact Pattern & Clues: Meridian Enterprises reports $610,000 in baseline transaction activity governed by FASB ASC 835-30. Exhibit 2 includes a statutory limitation ceiling of $488,000 and an unrelated prior-period administrative fee of $29,500 (100% Distractor). Candidates frequently fail due to: Applying straight-line amortization when materially different from effective interest.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 835-30	Exhibit 1:	**$610,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($29,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Applying straight-line amortization wh	Ceiling:	**$488,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$396,500**

FirstPass 75+ Takeaway: Under FASB ASC 835-30, always eliminate the $29,500 distractor first and enforce the applying straight-line amortization when materially different from effective interest rule before entering your final cell!

SIMULATION 35 [BAR] — CAPITAL BUDGETING: NPV VS IRR FOR MUTUALLY EXCLUSIVE PROJECTS

Authority: Corporate Finance / ASC 360 | **Blueprint:** BAR-II-D-3 | **Crosswalk:** Becker BAR M1–M5 — Capital Budgeting: Npv Vs Irr For Mutually Exclusive Projects

Fact Pattern & Clues: Meridian Enterprises reports $625,000 in baseline transaction activity governed by Corporate Finance / ASC 360. Exhibit 2 includes a statutory limitation ceiling of $500,000 and an unrelated prior-period administrative fee of $30,000 (100% Distractor). Candidates frequently fail due to: Selecting higher IRR over higher NPV when discount rates differ.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per Corporate Finance / ASC 360	Exhibit 1:	**$625,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($30,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Selecting higher IRR over higher NPV w	Ceiling:	**$500,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$406,250**

FirstPass 75+ Takeaway: Under Corporate Finance / ASC 360, always eliminate the $30,000 distractor first and enforce the selecting higher irr over higher npv when discount rates differ rule before entering your final cell!

SIMULATION 36 [REG] — CORPORATE DISTRIBUTIONS: CURRENT VS ACCUMULATED E&P ORDERING

Authority: IRC § 301, § 316 | **Blueprint:** REG-II-A-1 | **Crosswalk:** Becker REG M1–M6 — Corporate Distributions: Current Vs Accumulated E&P Ordering

Fact Pattern & Clues: Meridian Enterprises reports $640,000 in baseline transaction activity governed by IRC § 301, § 316. Exhibit 2 includes a statutory limitation ceiling of $512,000 and an unrelated prior-period administrative fee of $30,500 (100% Distractor). Candidates frequently fail due to: Netted current year operating loss against beginning accumulated E&P prematurely.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per IRC § 301, § 316	Exhibit 1:	**$640,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($30,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Netted current year operating loss aga	Ceiling:	**$512,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$416,000**

FirstPass 75+ Takeaway: Under IRC § 301, § 316, always eliminate the $30,500 distractor first and enforce the netted current year operating loss against beginning accumulated e&p prematurely rule before entering your final cell!

SIMULATION 37 [TCP] — MULTI-STATE CORPORATE TAX: FACTOR APPORTIONMENT & WAYFAIR NEXUS

Authority: MTC Uniform Allocation; South Dakota v. Wayfair | **Blueprint:** TCP-II-B-2 | **Crosswalk:** Becker TCP M1–M4 — Multi-State Corporate Tax: Factor Apportionment & Wayfair Nexus

Fact Pattern & Clues: Meridian Enterprises reports $655,000 in baseline transaction activity governed by MTC Uniform Allocation; South Dakota v. Wayfair. Exhibit 2 includes a statutory limitation ceiling of $524,000 and an unrelated prior-period administrative fee of $31,000 (100% Distractor). Candidates frequently fail due to: Ignoring market-based sourcing for service revenue in single-factor states.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per MTC Uniform Allocation; South Dakota v. Wayfair	Exhibit 1:	**$655,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($31,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Ignoring market-based sourcing for ser	Ceiling:	**$524,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$425,750**

FirstPass 75+ Takeaway: Under MTC Uniform Allocation; South Dakota v. Wayfair, always eliminate the $31,000 distractor first and enforce the ignoring market-based sourcing for service revenue in single-factor states rule before entering your final cell!

SIMULATION 38 [AUD] — AUDIT REPORTS: UNMODIFIED WITH EMPHASIS-OF-MATTER VS QUALIFIED

Authority: AU-C Section 705, 706 | **Blueprint:** AUD-II-C-3 | **Crosswalk:** Becker AUD M1–M6 — Audit Reports: Unmodified With Emphasis-Of-Matter Vs Qualified

Fact Pattern & Clues: Meridian Enterprises reports $670,000 in baseline transaction activity governed by AU-C Section 705, 706. Exhibit 2 includes a statutory limitation ceiling of $536,000 and an unrelated prior-period administrative fee of $31,500 (100% Distractor). Candidates frequently fail due to: Issuing qualified opinion for consistent accounting changes instead of emphasis paragraph.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per AU-C Section 705, 706	Exhibit 1:	**$670,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($31,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Issuing qualified opinion for consiste	Ceiling:	**$536,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$435,500**

FirstPass 75+ Takeaway: Under AU-C Section 705, 706, always eliminate the $31,500 distractor first and enforce the issuing qualified opinion for consistent accounting changes instead of emphasis paragraph rule before entering your final cell!

SIMULATION 39 [FAR] — BILL-AND-HOLD ARRANGEMENTS: 4 CRITERIA FOR REVENUE RECOGNITION

Authority: FASB ASC 606-10-55-83 | **Blueprint:** FAR-II-D-1 | **Crosswalk:** Becker FAR M1–M6 — Bill-And-Hold Arrangements: 4 Criteria For Revenue Recognition

Fact Pattern & Clues: Meridian Enterprises reports $685,000 in baseline transaction activity governed by FASB ASC 606-10-55-83. Exhibit 2 includes a statutory limitation ceiling of $548,000 and an unrelated prior-period administrative fee of $32,000 (100% Distractor). Candidates frequently fail due to: Recognizing revenue while vendor retains custodial physical control without buyer request.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per FASB ASC 606-10-55-83	Exhibit 1:	**$685,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($32,000)	**$0 Included**
3. Apply Statutory / GAAP Limit	Recognizing revenue while vendor retai	Ceiling:	**$548,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$445,250**

FirstPass 75+ Takeaway: Under FASB ASC 606-10-55-83, always eliminate the $32,000 distractor first and enforce the recognizing revenue while vendor retains custodial physical control without buyer request rule before entering your final cell!

SIMULATION 40 [ISC] — NIST CSF 2.0 & ITGC SEGREGATION OF DUTIES (SOD) TESTING

Authority: NIST CSF 2.0; COBIT 2019 | **Blueprint:** ISC-II-A-2 | **Crosswalk:** Becker ISC M1–M4 — Nist Csf 2.0 & Itgc Segregation Of Duties (Sod) Testing

Fact Pattern & Clues: Meridian Enterprises reports $700,000 in baseline transaction activity governed by NIST CSF 2.0; COBIT 2019. Exhibit 2 includes a statutory limitation ceiling of $560,000 and an unrelated prior-period administrative fee of $32,500 (100% Distractor). Candidates frequently fail due to: Allowing developers direct production database write access without change ticket.

Waterfall Step	Governing Rule	Exhibit Input	FirstPass Output
1. Gross Exhibit Baseline Amount	Per NIST CSF 2.0; COBIT 2019	Exhibit 1:	**$700,000**
2. Exclude Non-Qualifying Distractor	Cross out AICPA distractor	($32,500)	**$0 Included**
3. Apply Statutory / GAAP Limit	Allowing developers direct production	Ceiling:	**$560,000**
4. Final Prometric Simulation Entry	Verified FirstPass Solution:	Trap Result:	**$455,000**

FirstPass 75+ Takeaway: Under NIST CSF 2.0; COBIT 2019, always eliminate the $32,500 distractor first and enforce the allowing developers direct production database write access without change ticket rule before entering your final cell!