AAT LEVEL 2 INTRODUCTION TO BOOKKEEPING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 15

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. **Which account is typically increased when a owner adds personal funds to the business?**

   A. Capital

   B. Drawings

   C. Expenses

   D. Revenue

2. **What is the proper treatment for a sales return to a customer?**

   A. Dr Sales Returns; Cr Trade Debtors.

   B. Dr Trade Debtors; Cr Cash/Bank.

   C. Cr Sales Returns; Dr Trade Debtors.

   D. Dr Cash/Bank; Cr Sales Returns.

3. **In a cash sale with no VAT, which entry is correct?**

   A. Dr Sales; Cr Cash/Bank.

   B. Dr VAT; Cr Revenue.

   C. Dr Cash/Bank; Cr Sales.

   D. Dr Inventory; Cr Cash/Bank.

4. **What is the effect on the trial balance if a purchase return is recorded incorrectly as a purchase?**

   A. It would overstate purchases and understate purchase returns, causing an imbalance on the trial balance.

   B. It would have no effect on the trial balance.

   C. It would understate purchases and overstate purchase returns, balancing the trial balance.

   D. It would only affect the cash book, not the trial balance.

5. **What is the VAT amount on a net value of 200 with 20% VAT?**

   A. 40

   B. 20

   C. 60

   D. 0

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6. A Liability is defined as which of the following?

A. An amount owed by a business to someone else. Eg: bank loans, money owed to suppliers, unpaid tax

B. An asset

C. Income

D. An expense

7. Capital expenditure is money spent to acquire an asset that will be owned for several years. Which is an example?

A. Salaries

B. Machinery

C. Rent

D. Office stationery

8. In recording a purchase return, which account is debited?

A. Debiting Purchases

B. Debiting Trade Creditors

C. Debiting Purchase Returns

D. Debiting Bank

9. Which statement describes a cash sale?

A. A sale that is settled immediately by the customer.

B. A sale where payment is made after a credit period.

C. A sale that relies on a remittance advice.

D. A sale involving only online transactions.

10. If the credit total is higher, what would be carried down at the end of an accounting period?

A. The Debit amount would be carried down at the end of an accounting period

B. The Credit amount would be carried down at the end of an accounting period

C. The Balance would be carried down

D. The Difference would be carried forward

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Answers

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1. A
2. A
3. C
4. A
5. A
6. A
7. B
8. B
9. A
10. A

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Explanations

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1. Which account is typically increased when a owner adds personal funds to the business?

A. Capital

B. Drawings

C. Expenses

D. Revenue

When the owner adds personal funds to the business, it's a capital injection that increases the owner's equity. The cash in the business rises, and the corresponding entry goes to the Capital (owner's equity) account. This is why the Capital account increases. Drawings would be withdrawals and would reduce capital; expenses are costs, and revenue is income.

2. What is the proper treatment for a sales return to a customer?

A. Dr Sales Returns; Cr Trade Debtors.

B. Dr Trade Debtors; Cr Cash/Bank.

C. Cr Sales Returns; Dr Trade Debtors.

D. Dr Cash/Bank; Cr Sales Returns.

When a customer returns goods that were sold on credit, you need to reverse part of the sale by reducing the revenue and cutting the amount owed by the customer. Sales Returns is a contra-revenue account, so debiting it increases its balance and lowers net sales. Trade Debtors represents amounts owed by customers; crediting it reduces the receivable. So the correct entry is to debit Sales Returns and Credit Trade Debtors. This keeps the books reflecting both the decline in revenue and the reduction in what the customer owes. If a cash refund is given at the same time as the return, you'd also record a separate entry to reflect the cash payment (debit Cash/Bank and credit Sales Returns), but the basic treatment for a credit sale return is the debiting of Sales Returns and the crediting of Trade Debtors.

3. In a cash sale with no VAT, which entry is correct?

A. Dr Sales; Cr Cash/Bank.

B. Dr VAT; Cr Revenue.

C. Dr Cash/Bank; Cr Sales.

D. Dr Inventory; Cr Cash/Bank.

When a sale is paid for at the time of the transaction, you record the cash received and the revenue earned. Since this is a cash sale with no VAT, there's no VAT liability to account for. The appropriate entry is to debit the cash asset to show the money received and credit sales to record the income from the sale. This reflects the increase in cash and the increase in revenue correctly. Other options would misstate the effects: debiting revenue would reduce income and crediting cash would increase the liability or misstate the cash movement; debiting VAT implies a VAT amount exists when it doesn't; debiting inventory would suggest you're increasing inventory rather than recognizing the sale.

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4. What is the effect on the trial balance if a purchase return is recorded incorrectly as a purchase?

A. It would overstate purchases and understate purchase returns, causing an imbalance on the trial balance.

B. It would have no effect on the trial balance.

C. It would understate purchases and overstate purchase returns, balancing the trial balance.

D. It would only affect the cash book, not the trial balance.

Goods returned to a supplier should reduce net purchases by using a contra-purchases entry. On the trial balance, purchases are a debit and purchase returns (the contra) reduces that total to give net purchases. If a purchase return is recorded as a new purchase, you increase the purchases figure by the amount of the return and fail to record the reduction in purchases through the purchase returns account. In effect, purchases are overstated and the purchase returns figure is understated. Because the trial balance needs the total debits to equal the total credits, this mismatch creates an imbalance equal to the amount of the misclassification. So the correct idea is that the misrecording would overstate purchases and understate purchase returns, leading to an imbalance on the trial balance.

5. What is the VAT amount on a net value of 200 with 20% VAT?

A. 40

B. 20

C. 60

D. 0

Calculating VAT on a net amount means applying the VAT rate to the net value. With a net value of 200 and a VAT rate of 20%, the VAT is 200 × 0.20 = 40. So the VAT amount is 40. If you needed the total price including VAT, it would be 200 + 40 = 240. The other numbers don't fit because they don't equal 20% of 200 (for example, 60 would be 30% of 200; 0 would mean no VAT).

6. A Liability is defined as which of the following?

A. An amount owed by a business to someone else. Eg: bank loans, money owed to suppliers, unpaid tax

B. An asset

C. Income

D. An expense

A liability is an obligation the business must settle in the future, usually by transferring cash or other resources, and it arises from past events. The description "an amount owed by a business to someone else, e.g., bank loans, money owed to suppliers, unpaid tax" fits this idea exactly. These amounts are what the business owes to others and will require future outflows of resources, which is what a liability represents and how it's shown on the balance sheet. Assets, by contrast, are resources the business controls that will bring future benefits. Income is money earned from operating activities and increases equity, while expenses are costs recognized in the period that reduce profit and equity. None of these describe an obligation to pay someone in the future, so they aren't liabilities.

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7. Capital expenditure is money spent to acquire an asset that will be owned for several years. Which is an example?

A. Salaries

B. Machinery

C. Rent

D. Office stationery

Capital expenditure is money spent on acquiring or improving an asset that will provide benefits over more than one year. Those assets appear on the balance sheet and are depreciated over their useful life. Machinery fits this idea because it's equipment that your business will own and use for several years, so its cost is treated as a fixed asset and then gradually expensed through depreciation. In contrast, salaries are payments for work done in the current period, and Rent and Office stationery are costs of running the business in the period (they're typically charged as expenses in the same year). They don't create a lasting asset, so they're revenue expenditures.

8. In recording a purchase return, which account is debited?

A. Debiting Purchases

B. Debiting Trade Creditors

C. Debiting Purchase Returns

D. Debiting Bank

The main idea is that a purchase return lowers what you owe to the supplier. When a return occurs, you reduce the liability by debiting the Trade Creditors account. The offsetting entry records the reduction in purchases by crediting Purchase Returns, which acts as a contra-expense to show the overall decrease in purchases. So debiting Trade Creditors is the correct move because you are decreasing the amount owed to suppliers. Debiting Purchases would wrongly increase expenses. Debiting Purchase Returns would inflate the returns account rather than reflect the reduction in liability. Debiting Bank would only apply if you were handling a cash refund, not the recording of the return itself.

9. Which statement describes a cash sale?

A. A sale that is settled immediately by the customer.

B. A sale where payment is made after a credit period.

C. A sale that relies on a remittance advice.

D. A sale involving only online transactions.

A cash sale is a sale where payment is received immediately at the point of sale. That means the seller gets cash or an instant bank transfer right away, so no accounts receivable or debtor is created. If payment is after a credit period, that describes a credit sale, not a cash sale. A remittance advice is just a document about payment and doesn't define when payment occurs. Online transactions can be cash or credit; the defining feature of a cash sale is the immediate settlement, not the sales channel.

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10. If the credit total is higher, what would be carried down at the end of an accounting period?

A. The Debit amount would be carried down at the end of an accounting period

B. The Credit amount would be carried down at the end of an accounting period

C. The Balance would be carried down

D. The Difference would be carried forward

When closing ledger accounts, you balance the two sides by bringing the smaller side up to the larger total. The difference between the debit and credit sides becomes the closing balance and is carried down to the next period on the opposite side. If the credit total is higher, the account has a credit balance. To balance the account, you place the difference on the debit side as a balance c/d. That debit amount is then carried down (and carried forward in the next period as balance b/d on the debit side). Example: Debits = 120, Credits = 180. Difference = 60. You write 60 on the debit side as balance c/d. Totals are now equal at 180. In the next period, 60 is carried forward as the opening debit balance (balance b/d) on the debit side. So, the debit amount would be carried down.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

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We wish you the very best on your exam journey. You've got this!

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