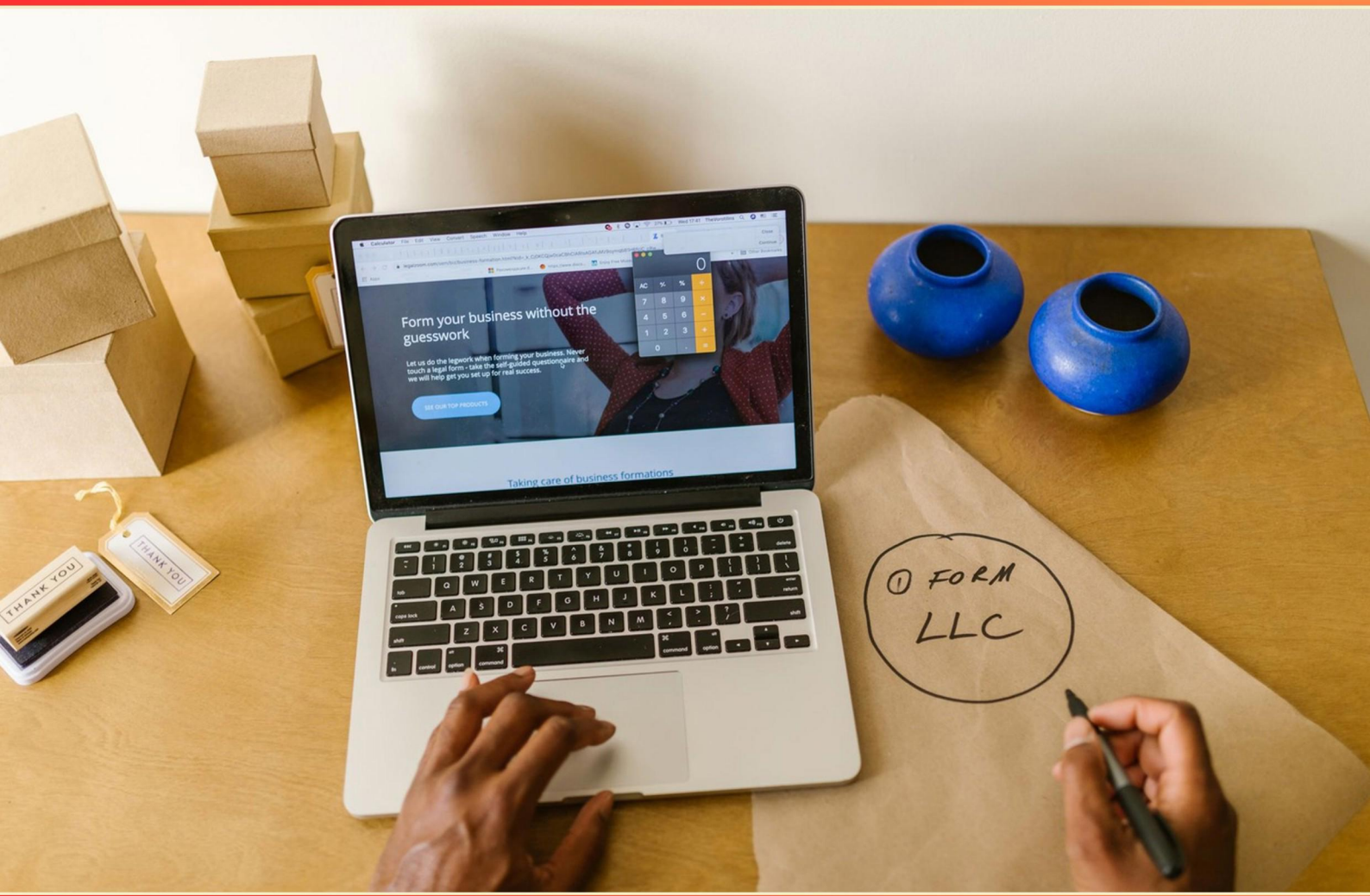
ACCOUNTING CBE PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

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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 entry records service revenue of $16,000?

A. Debit Cash $16,000, Credit Service Revenue $16,000.

B. Debit Accounts Receivable $16,000, Credit Service Revenue $16,000.

C. Debit Service Revenue $16,000, Credit Cash $16,000.

D. Debit Cash $16,000, Credit Accounts Receivable $16,000.

2. Which statement about contribution margin and its use in CVP is accurate?

A. Contribution margin equals sales minus fixed costs.

B. Contribution margin is not used in determining profitability.

C. Contribution margin equals sales minus variable costs and is used to cover fixed costs and determine profitability.

D. Contribution margin is irrelevant to CVP.

3. Which account is used to summarize the difference between revenues and expenses?

A. Cash

B. Retained Earnings

C. Accounts Receivable

D. Income Summary Account

4. Which account is Asset?

A. Advertising Expense

B. Cash

C. Fees Earned

D. Wages Expense

5. Which option best describes the purpose of the four-column account compared with a traditional T account?

A. It provides separate columns for assets, liabilities, equity, and revenue

B. It reduces the number of transactions

C. It eliminates the need for journals

D. It is only used for payroll

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6. Under IFRS 15, when is revenue recognized for construction contracts?

A. Revenue recognized over time if performance is satisfied over time or control transfers; otherwise at a point in time.

B. Revenue recognized only at completion

C. Revenue recognized when cash is received

D. Revenue recognized as incurred expenses

7. What best describes a material misstatement and how it is quantified?

A. A misstatement that has no potential impact on user decisions

B. A misstatement that could influence decisions of users, but is automatically corrected by adjustments in the next period

C. A misstatement that is always considered immaterial

D. A misstatement that could influence decisions of users and is quantified relative to materiality thresholds

8. What is the estimated annual cost of workers' compensation insurance for payroll of $84,000 at a rate of 0.6%?

A. $420

B. $840

C. $42

D. $504

9. Instead of T accounts, what do businesses typically use?

A. Single-column ledger

B. Double-entry ledger

C. Four-column account

D. Journal entries

10. Which statement about hedge accounting is true?

A. Hedge accounting requires all hedges to be reported in profit or loss immediately

B. Hedge accounting eliminates the need to designate hedges

C. Hedge accounting can permit the effective portion of hedging gains to be recorded in OCI rather than in profit or loss

D. Hedge accounting applies only to depreciation hedges

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Answers

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

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Explanations

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1. Which entry records service revenue of $16,000?

A. Debit Cash $16,000, Credit Service Revenue $16,000.

B. Debit Accounts Receivable $16,000, Credit Service Revenue $16,000.

C. Debit Service Revenue $16,000, Credit Cash $16,000.

D. Debit Cash $16,000, Credit Accounts Receivable $16,000.

When service revenue is earned and cash is received, the accounting entry increases the asset (cash) with a debit and increases revenue with a credit. So the correct entry is to debit Cash for 16,000 and credit Service Revenue for 16,000. This follows the rule that asset increases are debited and revenue increases are credited. If the service had been performed on account, you'd debit Accounts Receivable and credit Service Revenue instead. Debiting Service Revenue or crediting Cash would not correctly reflect earning revenue and receiving cash. Debiting Cash while crediting Accounts Receivable would be used to settle a receivable, not to record the revenue.

2. Which statement about contribution margin and its use in CVP is accurate?

A. Contribution margin equals sales minus fixed costs.

B. Contribution margin is not used in determining profitability.

C. Contribution margin equals sales minus variable costs and is used to cover fixed costs and determine profitability.

D. Contribution margin is irrelevant to CVP.

Contribution margin is the amount from sales that remains after covering variable costs, and that leftover is what must cover fixed costs and then contribute to profit. In CVP analysis, costs are split into fixed and variable because fixed costs stay the same within the relevant range while variable costs rise with volume. Profit equals total contribution margin minus fixed costs, so the higher the contribution margin, the more of sales can cover fixed costs and yield profit. For example, if a unit sells for 50 and has variable costs of 30, the contribution margin is 20 per unit; with fixed costs of 400, break-even occurs at 20 units, and any units beyond that generate profit. This makes it clear why the statement defining contribution margin as sales minus variable costs and using it to cover fixed costs and determine profitability is the correct description.

3. Which account is used to summarize the difference between revenues and expenses?

A. Cash

B. Retained Earnings

C. Accounts Receivable

D. Income Summary Account

The concept being tested is the closing process and the use of a temporary account to determine net income or loss. The Income Summary account is specifically designed to accumulate the difference between revenues and expenses for the period. Revenues are closed into Income Summary and expenses are closed into Income Summary, so the balance in this account after both steps represents net income (credit balance) or net loss (debit balance). That net amount is then transferred to Retained Earnings to update equity for the period. For example, if total revenues are 100,000 and total expenses are 70,000, Income Summary ends with a 30,000 credit balance, representing net income. Closing Income Summary to Retained Earnings then moves 30,000 to Retained Earnings and leaves Income Summary with zero. If expenses exceeded revenues, the Income Summary would carry a debit balance, and that amount would be transferred to Retained Earnings accordingly. Cash, Accounts Receivable, and other permanent accounts aren't used to summarize the period's difference; they capture ongoing, current balances. Retained Earnings is the destination for the final net income or net loss after the Income Summary is closed.

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4. Which account is Asset?

A. Advertising Expense

B. Cash

C. Fees Earned

D. Wages Expense

Assets are resources owned or controlled by a business that are expected to bring future economic benefits. Cash fits this idea perfectly because it is a readily available resource the company can use for payments, investments, or day-to-day operations. The other items represent different types of accounts: advertising expense and wages expense are costs recorded on the income statement, which reduce net income; fees earned is revenue, which increases equity but is not an asset. So among the options, cash is the asset.

5. Which option best describes the purpose of the four-column account compared with a traditional T account?

A. It provides separate columns for assets, liabilities, equity, and revenue

B. It reduces the number of transactions

C. It eliminates the need for journals

D. It is only used for payroll

The main idea here is showing how a single transaction affects different kinds of accounts all in one view. A four-column account has separate columns for assets, liabilities, equity, and revenue, so you can record the debit side in the asset column and the credit side in the revenue or other appropriate column on the same line. This layout helps you see how the transaction impacts the accounting equation (Assets = Liabilities + Equity) at a glance, and it makes relationships between accounts more transparent than flipping through many separate T-accounts. For example, when a sale is made and cash is received, you would record the increase in the asset column (debit cash) and the increase in revenue (credit revenue) on the same line, illustrating both sides of the impact together. Over time, this format provides a clearer, consolidated picture of how transactions move balances across the major account types. The other statements aren't the purpose of this format: it doesn't aim to reduce the number of transactions, eliminate journals, or be restricted to payroll. It's about organizing the effects of each transaction across key account categories in one place.

6. Under IFRS 15, when is revenue recognized for construction contracts?

A. Revenue recognized over time if performance is satisfied over time or control transfers; otherwise at a point in time.

B. Revenue recognized only at completion

C. Revenue recognized when cash is received

D. Revenue recognized as incurred expenses

Under IFRS 15, revenue is recognized when control of the promised goods or services is transferred to the customer. For construction contracts, this often means recognizing revenue over time, using progress toward satisfying the performance obligation, rather than waiting until the entire project is finished. This over-time recognition is appropriate when the customer controls the asset as it is being constructed, or when the entity's performance creates an asset with no practical alternative use and the entity has a right to payment for progress to date. If those conditions aren't met, revenue is recognized at a single point in time—typically when control of the completed asset transfers to the customer, usually at project completion. Cash receipt timing and incurrence of expenses do not determine revenue recognition under IFRS 15.

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7. What best describes a material misstatement and how it is quantified?

A. A misstatement that has no potential impact on user decisions

B. A misstatement that could influence decisions of users, but is automatically corrected by adjustments in the next period

C. A misstatement that is always considered immaterial

D. A misstatement that could influence decisions of users and is quantified relative to materiality thresholds

Material misstatement is an error or omission in the financial statements that could influence the decisions of users. The way we judge it is by comparing the size and nature of the misstatement to materiality thresholds set for the statements. If the misstatement could reasonably affect decisions because it exceeds those thresholds (or because of qualitative factors in sensitive areas), it is considered material. That's why describing it as something that could influence user decisions and being quantified relative to materiality thresholds fits best: it connects the potential impact directly to a defined benchmark used in auditing and reporting. The other views miss this link—some say there's no impact, or it's always immaterial, or it's automatically corrected next period—none of which capture how materiality governs what counts as a material misstatement.

8. What is the estimated annual cost of workers' compensation insurance for payroll of $84,000 at a rate of 0.6%?

A. $420

B. $840

C. $42

D. $504

The main idea is to apply a payroll-based rate to calculate the insurance cost. Convert the rate to decimal: 0.6% equals 0.006. Multiply by the payroll: 84,000 × 0.006 = 504. So the estimated annual cost is $504. This makes sense because 0.6% of 84,000 falls between $420 (0.5%) and $840 (1%), and specifically equals $504.

9. Instead of T accounts, what do businesses typically use?

A. Single-column ledger

B. Double-entry ledger

C. Four-column account

D. Journal entries

Businesses typically use a four-column account in the general ledger rather than a T-account. The four-column format provides a formal structure that records the date and a brief description along with separate debit and credit columns, often with a running balance. This setup makes posting from journals straightforward, enables easy balancing, and supports clear reporting and audit trails. While a T-account is a helpful teaching tool to visualize debits and credits, the four-column ledger is the practical, day-to-day format used in real accounting systems.

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10. Which statement about hedge accounting is true?

A. Hedge accounting requires all hedges to be reported in profit or loss immediately

B. Hedge accounting eliminates the need to designate hedges

C. Hedge accounting can permit the effective portion of hedging gains to be recorded in OCI rather than in profit or loss

D. Hedge accounting applies only to depreciation hedges

Hedge accounting focuses on the way gains and losses from hedging instruments are recognized so they match the timing of the hedged item's impact on earnings. For cash flow hedges, if the hedge is effective and qualifies, the effective portion of the hedging instrument's gains or losses is recorded in other comprehensive income (OCI) rather than in profit or loss. This lets the income statement reflect the actual effect of the forecasted transaction when it occurs, not the moment-to-moment fluctuations of the hedge instrument. Only the ineffective portion is recognized in profit or loss immediately. When the forecasted transaction affects earnings, the amounts accumulated in OCI are reclassified to profit or loss to align with the realized impact. Why the other statements don't fit: hedge accounting does not require all hedges to be reported in profit or loss upfront—under a qualifying hedge, the effective portion goes to OCI, not directly to profit or loss; hedges must be designated and documented to qualify for hedge accounting; and hedge accounting is not limited to depreciation hedges—it covers various types of hedges, including but not limited to cash flow and fair value hedges.

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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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