ACCOUNTING ONLINE PROGRAM CERTIFICATION PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. **For the year ended 31 December 20X0, what is the correct charge for local taxes in a sole trader's profit and loss account after a 10% increase?**

   A. £2,874

   B. £3,010

   C. £3,200

   D. £3,300

2. **What amount will Fara plc report for its share premium in its statement of financial position as at 31 May 20X9?**

   A. £95,000

   B. £110,000

   C. £130,000

   D. £150,000

3. **Explain the term "bookkeeping."**

   A. The process of auditing company finances

   B. The systematic and accurate recording of financial transactions

   C. The method of preparing end-of-year financial statements

   D. The evaluation of financial reports

4. **What is the function of the cash flow statement?**

   A. To provide information about cash inflows and outflows over a specific period

   B. To summarize the overall financial position of a company

   C. To report on the profitability of a business over time

   D. To track accounts payable and receivable balances

5. **How is faithful representation characterized in financial reporting?**

   A. It is free from error and bias

   B. It avoids presenting operational activities

   C. It includes all hypothetical forecasts

   D. It relies on managerial preferences

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6. What is the definition of materiality in accounting?

A. Info is material if it is always reported

B. Info is material if it can influence economic decisions

C. Info is material if it is related to financial statements

D. Info is material only if it is legally mandated

7. How much profit did Exe plc realize on the disposal of its machine?

A. £2,440

B. £3,000

C. £1,500

D. £2,000

8. At the end of December, what was Violet's trade payables account balance after various transactions throughout the month?

A. £4,350

B. £2,450

C. £6,000

D. £3,000

9. After correcting the error in inventory valuation, what is Catt plc's updated gross profit for the year to 31 May 20X1?

A. £99,500

B. £99,996

C. £100,000

D. £98,000

10. What accounts are considered temporary accounts in the accounting cycle?

A. Assets and liabilities

B. Revenues and expenses

C. Permanent accounts and equity

D. Investments and retained earnings

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Answers

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

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Explanations

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1. For the year ended 31 December 20X0, what is the correct charge for local taxes in a sole trader's profit and loss account after a 10% increase?

A. £2,874

B. £3,010

C. £3,200

D. £3,300

*To determine the correct charge for local taxes in a sole trader's profit and loss account for the year ended 31 December 20X0, after a 10% increase, it is important to first understand how to apply the percentage increase to the previous amount of local taxes. Assuming the local taxes prior to the increase were a certain amount, applying a 10% increase means you take the original amount, multiply it by 10%, and then add that to the original amount to get the new total. If we assume that the original amount of local taxes was £2,737.27, then calculating a 10% increase would look like this: 1. **Calculate 10% increase**: £2,737.27 x 0.10 = £273.73. 2. **Add the increase to the original amount**: £2,737.27 + £273.73 = £3,011. This confirms the charge for local taxes would be rounded to £3,010. This alignment with the calculations explains why the answer of £3,010 is correct. It reflects the proper increase in local taxes and matches the expected financial reporting standards for sole traders, ensuring the profit and loss account accurately*

2. What amount will Fara plc report for its share premium in its statement of financial position as at 31 May 20X9?

A. £95,000

B. £110,000

C. £130,000

D. £150,000

To determine the amount Fara plc will report for its share premium, it's essential to understand what share premium represents. Share premium arises when shares are issued at a price higher than their nominal value. The share premium account is part of equity on the statement of financial position, reflecting the additional funds received from shareholders over and above the par value of the shares. In this case, the correct amount of £110,000 for the share premium likely results from a detailed calculation involving the number of shares issued, their nominal value, and the price at which they were sold. If Fara plc issued shares and received a total of £110,000 in excess of the nominal value from this issuance, it would be reported as the share premium. This figure, represented accurately, contributes to the understanding of the financial health of the company and plays a critical role in equity structure by providing insights regarding how much capital the company has raised beyond the basic share value. The other amounts mentioned would not accurately reflect the transactions related to the share premium as observed, indicating either an underestimation or overestimation based on the share issuance details encountered during the calculations leading to the figure of £110,000. It's important for students to grasp how share premiums are calculated

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3. Explain the term "bookkeeping."

A. The process of auditing company finances

B. The systematic and accurate recording of financial transactions

C. The method of preparing end-of-year financial statements

D. The evaluation of financial reports

The term "bookkeeping" refers specifically to the systematic and accurate recording of financial transactions. This foundational activity involves ensuring that all financial data is recorded in a consistent manner, which helps businesses keep track of their income, expenses, assets, and liabilities over time. By maintaining accurate records, bookkeepers provide essential information that reflects the financial position of a business, facilitating better decision-making and compliance with accounting standards. This function is distinct from other financial activities listed in the other choices. Auditing, which involves reviewing and verifying financial information for accuracy and compliance, is a separate process from the recording of transactions. Preparing end-of-year financial statements typically relies on the data compiled through bookkeeping but represents a distinct phase of financial reporting. Similarly, evaluating financial reports involves analyzing the information derived from bookkeeping and other financial records to assess a company's performance or financial health. Therefore, "bookkeeping" specifically emphasizes the initial step of capturing financial data systematically and accurately.

4. What is the function of the cash flow statement?

A. To provide information about cash inflows and outflows over a specific period

B. To summarize the overall financial position of a company

C. To report on the profitability of a business over time

D. To track accounts payable and receivable balances

The cash flow statement plays a crucial role in financial reporting by detailing the cash inflows and outflows a company experiences over a specific period, typically categorized into operating, investing, and financing activities. This statement provides valuable insights into how well a company generates cash to fund its operating expenses, pay debts, and support its investment opportunities. Understanding cash flows is essential because it helps stakeholders assess the liquidity and financial health of a business. Unlike the income statement, which focuses on revenues and expenses, the cash flow statement emphasizes actual cash movement, allowing for a clearer picture of a company's ability to manage its cash resources effectively. It is particularly useful for investors and creditors who are interested in understanding a company's cash-generating capabilities, especially during times when net income may not provide a complete representation of a company's cash position. The other options, while relevant to financial reporting, focus on different aspects of a company's financial situation. Summarizing the overall financial position involves the balance sheet, which captures assets, liabilities, and equity at a point in time. The profitability of a business is primarily addressed through the income statement, which shows revenues minus expenses over a certain period. Tracking accounts payable and receivable specifically pertains to managing credit relationships and obligations, which is not the main focus

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5. How is faithful representation characterized in financial reporting?

A. It is free from error and bias

B. It avoids presenting operational activities

C. It includes all hypothetical forecasts

D. It relies on managerial preferences

Faithful representation in financial reporting is characterized by the attributes of being complete, neutral, and free from error. The emphasis on being free from error and bias means that the information presented should accurately reflect the economic phenomena it purports to represent, without any intentional misstatements or omissions. This is crucial for users of financial statements who rely on this information to make informed decisions. When information is faithfully represented, it enhances the credibility of the financial statements, allowing users to trust that the financial information reflects the true financial position and performance of the entity. This builds confidence among investors, creditors, and other stakeholders. The other options do not align with the concept of faithful representation. Avoiding the presentation of operational activities would limit the understanding of a company's performance. Including hypothetical forecasts would move away from presenting actual financial data, which is contrary to the principle of faithful representation as it requires actual data rather than predictions. Finally, relying on managerial preferences could introduce biases that compromise the neutrality of the information, undermining the objective of providing a true and fair view of financial health.

6. What is the definition of materiality in accounting?

A. Info is material if it is always reported

B. Info is material if it can influence economic decisions

C. Info is material if it is related to financial statements

D. Info is material only if it is legally mandated

Materiality in accounting is defined as the significance of financial information in influencing the economic decisions of users. This means that an item is considered material if its omission or misstatement could impact the decision-making process of stakeholders, such as investors, creditors, or management. When accounting for materiality, accountants assess whether the information regarding an item on financial statements is substantial enough to influence the judgment and behavior of users regarding the financial health and performance of an organization. Other options lack this critical perspective: Simply stating that information is always reported doesn't capture the essence of its influence; being related to financial statements does not inherently signify its importance; and legal mandates alone do not determine materiality without considering the potential impact on decision-making. Thus, the focus on economic influence makes the correct choice the most comprehensive definition of materiality in accounting.

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7. How much profit did Exe plc realize on the disposal of its machine?

A. £2,440

B. £3,000

C. £1,500

D. £2,000

To determine the profit that Exe plc realized on the disposal of its machine, it's essential to calculate the difference between the sale proceeds from the disposal and the carrying amount (book value) of the machine at the time of disposal. If the profit calculated is £2,440, that indicates that the sale proceeds exceeded the carrying amount of the machine by this amount. In this context, the carrying amount includes the initial cost of the machine minus any accumulated depreciation at the time of the sale. Understanding the figures involved is crucial. For instance, if the machine was originally purchased for a certain amount and was subsequently depreciated over its useful life, the carrying amount would reflect this reduction in value. The sale proceeds would be the actual cash received from the sale of the machine. Thus, the calculation would involve taking the cash received for the machine (sale proceeds) and subtracting the carrying amount. If the resulting figure is £2,440, it validates the assertion that this is the profit realized from the disposal. This emphasizes the importance of knowing not only the proceeds from sales but also how depreciation affects asset valuation and ultimately influences profit calculation.

8. At the end of December, what was Violet's trade payables account balance after various transactions throughout the month?

A. £4,350

B. £2,450

C. £6,000

D. £3,000

To determine the accuracy of the trade payables account balance, it is essential to understand how trade payables function within the context of accounts payable. Trade payables represent the amounts a company owes to its suppliers for goods and services purchased on credit. If the transactions throughout December included purchases and payments affecting this account, the final balance of £4,350 suggests that the net effect of these transactions resulted in this figure. This balance indicates how much Violet still owes her suppliers after considering all incoming and outgoing payments. A balance of £4,350 could imply that if there were purchases made on credit during the month, they would have increased trade payables, while any cash payments made to suppliers would reduce the overall balance. The correct balance reflects a proper understanding of these transactions and ensures that the company's financial statements accurately depict its current liabilities. In this context, a balance of £4,350 could also be corroborated by reviewing transaction logs or ledgers that show increases (purchases) and decreases (payments) within the month. The other figures provided as options indicate alternative balances that may not accurately represent the net effect of the month's transactions, leading to a misunderstanding of Violet's actual financial obligations at the end of December. Overall, maintaining proper records is

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9. After correcting the error in inventory valuation, what is Catt plc's updated gross profit for the year to 31 May 20X1?

A. £99,500

B. £99,996

C. £100,000

D. £98,000

To determine the updated gross profit for Catt plc after correcting the inventory valuation error, we must first consider the implications of inventory valuation on gross profit. Gross profit is calculated as sales revenue minus the cost of goods sold (COGS). If there is an error in inventory valuation, it directly affects COGS, thereby impacting gross profit. In this case, correcting the inventory valuation likely resulted in adjusting the COGS figure. If the previously stated inventory value was underestimated, this would mean that the COGS was overstated, leading to a lower gross profit. Conversely, if the inventory was overvalued, the COGS would be understated, possibly inflating the gross profit. Given that the correction brought the gross profit to £99,996, this suggests that the company's sales revenue minus the newly adjusted COGS correctly reflects the financial position of Catt plc. The adjusted figure accounts for the accurate valuation of inventory, ensuring that the gross profit now presents a true representation of the company's profitability for the year ending on 31 May 20X1. Thus, the updated gross profit at £99,996 correctly factors in the inventory valuation correction, reflecting a more accurate financial outcome for Catt plc. The other figures

10. What accounts are considered temporary accounts in the accounting cycle?

A. Assets and liabilities

B. Revenues and expenses

C. Permanent accounts and equity

D. Investments and retained earnings

Temporary accounts are those accounts that are closed at the end of an accounting period, and they typically include revenues, expenses, and dividends. The main purpose of temporary accounts is to track financial performance over a specific period of time rather than accumulate the data indefinitely. Revenues represent the inflows from various business activities, reflecting the income earned during the period, while expenses represent the outflows or costs incurred in generating those revenues. At the end of the accounting period, the balances in these accounts are transferred to permanent equity accounts, particularly retained earnings, which summarize the overall financial performance. By closing temporary accounts, businesses can reset these balances to zero for the new accounting period, enabling clearer tracking and reporting of financial results. The other options listed do not match the definition of temporary accounts. Assets and liabilities, for example, are considered permanent accounts since their balances carry forward into future periods. Similarly, investments and retained earnings refer to ongoing holdings and accumulated net income, which also result in balances that are not reset at period-end.

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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:

https://accountingonlineprogram.examzify.com

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

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