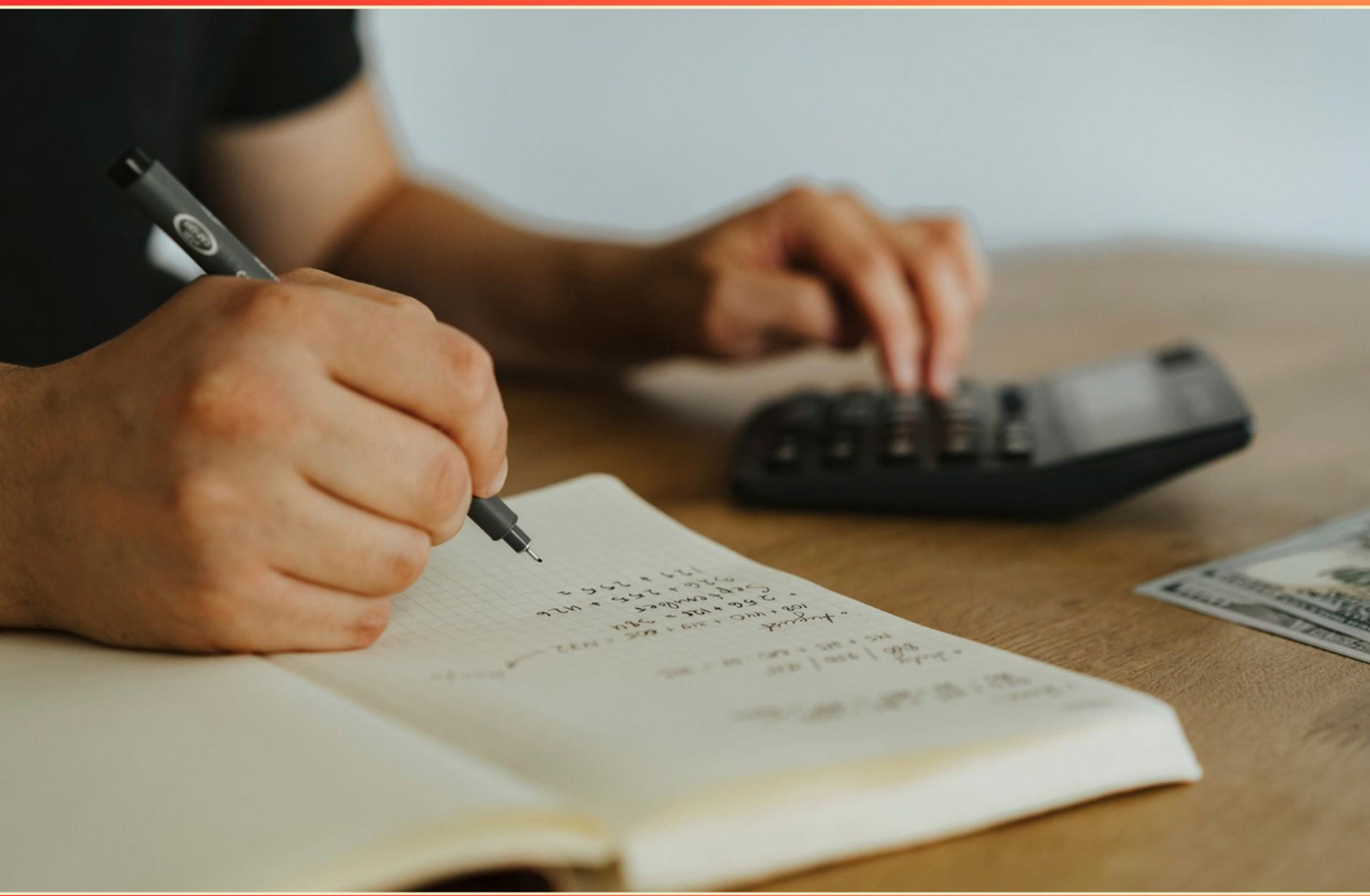
AIPB MASTERING ADJUSTING ENTRIES PRACTICE TEST (SAMPLE)

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. What is an example of a deferred revenue adjustment?

A. Crediting service revenue and debiting unearned revenue

B. Debiting accrued revenue and crediting service revenue

C. Recognizing cash received for future services rendered

D. Writing off unearned revenue as a loss

2. In which order are accounts listed in a typical chart of accounts?

A. Income, expense, asset, liability and owners' equity accounts

B. Asset, income, expense, liability and owners' equity accounts

C. Asset, liability, owners' expenses, income and capital accounts

D. Asset, liability, owners' equity, income and expense accounts

3. When a journal entry is made for accrued salaries, what effect does it have on the company's cash flow statement?

A. It increases cash flow

B. It does not affect cash flow

C. It decreases cash flow

D. It increases operating income

4. What could happen if adjusting entries are not made?

A. Financial statements may reflect an inaccurate financial position

B. Tax obligations will decrease

C. Cash flows will be positively affected

D. All revenues will be recognized in the next period

5. What is an example of an unearned revenue account?

A. Accounts Receivable

B. Prepaid Expenses

C. Deferred Revenue

D. Accounts Payable

6. What type of entry is needed to recognize depreciation expense?

A. A debit entry to Accumulated Depreciation

B. A credit entry to Depreciation Expense

C. A credit entry to Accumulated Depreciation

D. A debit entry to cash

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7. Which financial statement is most affected by adjusting entries?

A. Balance sheet

B. Income statement

C. Cash flow statement

D. Statement of changes in equity

8. What function does a worksheet serve in the preparation of adjusting entries?

A. It accounts for depreciation on assets

B. It organizes account balances and necessary adjustments

C. It prepares tax returns

D. It audits financial statements

9. Why is maintaining documentation for adjusting entries important?

A. It aids in forecasting future revenues

B. It provides a clear audit trail

C. It simplifies the closing process

D. It limits adjustments to cash transactions

10. If a company earns a commission of 10% on sales totaling $200,000, how much additional revenue must be recorded if $8,000 was received before the fiscal year-end?

A. $20,000

B. $12,000

C. $8,000

D. $0

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Answers

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

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Explanations

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1. What is an example of a deferred revenue adjustment?

A. Crediting service revenue and debiting unearned revenue

B. Debiting accrued revenue and crediting service revenue

C. Recognizing cash received for future services rendered

D. Writing off unearned revenue as a loss

The correct answer involves recognizing the accounting process for deferred revenue, which is a liability representing cash received before services are rendered or goods are delivered. In this case, when the service is eventually provided, the company must adjust its accounts by crediting service revenue (to recognize the revenue earned) and debiting unearned revenue (to reduce the liability). This adjustment reflects the transaction where the company has fulfilled its obligation to provide goods or services for which it was previously paid, thus moving the amount from a liability to actual revenue. This adherence to the revenue recognition principle ensures that revenue is recorded in the period it is earned, aligning with the accrual basis of accounting. Other options do not represent the appropriate treatment of deferred revenue. For instance, recognizing cash received for future services rendered does not involve adjusting journal entries; it simply states the nature of deferred revenue. Writing off unearned revenue as a loss misrepresents the nature of the obligation, as unearned revenue is not an expense until it is earned. Similarly, debiting accrued revenue incorrectly suggests that revenue has been earned when it has not yet met the criteria for recognition.

2. In which order are accounts listed in a typical chart of accounts?

A. Income, expense, asset, liability and owners' equity accounts

B. Asset, income, expense, liability and owners' equity accounts

C. Asset, liability, owners' expenses, income and capital accounts

D. Asset, liability, owners' equity, income and expense accounts

In a chart of accounts, the listing follows how the financial statements are organized. Assets come first because they represent resources the business controls. Next are liabilities, the obligations the company owes. Then owners' equity, the residual interest after liabilities. After the balance-sheet accounts, you place revenue (income) and expense accounts, which are used to prepare the income statement and are closed to equity at period end. This makes the chart intuitive for preparing reports and for understanding how shifts in operations affect retained earnings. So listing as asset, liability, owners' equity, then income and expense accounts matches the standard reporting structure and is why this order is best.

3. When a journal entry is made for accrued salaries, what effect does it have on the company's cash flow statement?

A. It increases cash flow

B. It does not affect cash flow

C. It decreases cash flow

D. It increases operating income

Accrued salaries refer to wages that a company has incurred but has not yet paid. When a journal entry is made to recognize accrued salaries, it is recorded as an expense in the income statement, which reduces operating income, but does not have any immediate effect on cash flow. In cash flow statements, only actual cash inflows and outflows are reflected. Since accrued salaries do not represent cash being paid out at the time of the journal entry, there is no impact on cash flow until the salaries are actually paid to employees. This concept is foundational in accrual accounting, where expenses are recognized when they are incurred rather than when cash is paid. Thus, recognizing accrued salaries will influence future cash flows when payment is actually made, but at the moment of the journal entry itself, it does not affect cash flow.

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4. What could happen if adjusting entries are not made?

A. Financial statements may reflect an inaccurate financial position

B. Tax obligations will decrease

C. Cash flows will be positively affected

D. All revenues will be recognized in the next period

Failing to make adjusting entries can lead to financial statements reflecting an inaccurate financial position. Adjusting entries are crucial for ensuring that revenues and expenses are recognized in the period they are incurred, following the accrual basis of accounting. This means that if, for example, an expense incurred during the reporting period is not recorded, it will understate expenses and overstate net income, thereby misrepresenting the company's financial health. Additionally, if revenue earned but not yet recorded is omitted, it can lead to an inaccurate depiction of total revenue, affecting both the balance sheet and income statement. This can mislead stakeholders, such as investors, creditors, and management, when making decisions based on these financial reports. Overall, adjusting entries are essential for achieving accurate and meaningful financial statements that reflect the true performance and position of a business.

5. What is an example of an unearned revenue account?

A. Accounts Receivable

B. Prepaid Expenses

C. Deferred Revenue

D. Accounts Payable

The correct answer, Deferred Revenue, exemplifies an unearned revenue account because it represents money that has been received by a business for goods or services that have not yet been delivered or performed. This concept is crucial in accrual accounting, which recognizes income when it is earned rather than when cash is received. In the case of Deferred Revenue, the business is obligated to provide products or services in the future, and until that obligation is fulfilled, the funds collected are classified as a liability on the balance sheet, reflecting that it still owes something to the customer. This ensures that the financial statements accurately represent the company's obligations and revenues. The other choices represent different types of accounts that do not align with the definition of unearned revenue. For example, Accounts Receivable indicates amounts owed to the company by customers for goods or services already delivered, while Prepaid Expenses refer to payments made for expenses that will benefit future periods. Accounts Payable, on the other hand, denotes amounts the business owes to suppliers for goods or services received, which also does not fit the unearned revenue concept.

6. What type of entry is needed to recognize depreciation expense?

A. A debit entry to Accumulated Depreciation

B. A credit entry to Depreciation Expense

C. A credit entry to Accumulated Depreciation

D. A debit entry to cash

The correct response involves recognizing depreciation expense through an adjusting entry that impacts both the expense and the related asset account. Specifically, to record depreciation expense, a debit entry is made to the Depreciation Expense account, which increases the expense on the income statement. Simultaneously, a credit entry is made to the Accumulated Depreciation account, which is a contra asset account that reduces the total value of assets on the balance sheet. This adjustment reflects the usage and wear and tear on fixed assets over time, aligning with the matching principle in accounting, which states that expenses should be recognized in the same period as the revenues they help to generate. In this case, recognizing depreciation enhances the accuracy of financial reporting by showing the expense associated with asset usage. This approach highlights the ongoing consumption of the asset's value, maintaining transparency for stakeholders.

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7. Which financial statement is most affected by adjusting entries?

A. Balance sheet

B. Income statement

C. Cash flow statement

D. Statement of changes in equity

The income statement is most affected by adjusting entries because these entries are made to record revenues and expenses in the period they are earned or incurred, rather than when cash is received or paid. Adjusting entries are necessary to ensure that the financial statements reflect the true financial position and performance of a business, adhering to the accrual basis of accounting. For example, if a company has incurred expenses that have not yet been recorded, an adjusting entry would be required to reflect those expenses on the income statement, thereby reducing net income. Similarly, if revenues have been earned but not yet billed to customers, an adjusting entry would need to be made to record that revenue, impacting total income. While the balance sheet is also affected by adjusting entries, particularly through the changes in asset and liability accounts, the direct impact of these entries is most pronounced on the income statement, which summarizes profitability over a specific period. The cash flow statement primarily reflects cash movements and would not typically show non-cash adjustments that adjusting entries entail. Similarly, the statement of changes in equity is influenced by the net income reported in the income statement but is not where the direct effect of adjusting entries is seen.

8. What function does a worksheet serve in the preparation of adjusting entries?

A. It accounts for depreciation on assets

B. It organizes account balances and necessary adjustments

C. It prepares tax returns

D. It audits financial statements

A worksheet is an essential tool in the accounting process, particularly when preparing adjusting entries. It serves to organize account balances alongside the necessary adjustments that must be made to accurately reflect the financial position of a business at the end of an accounting period. By structuring this information on a worksheet, accountants can clearly see the existing account balances, identify which entries need adjustments, and systematically apply these adjustments. This organized approach minimizes errors and facilitates a clearer overview of how each adjustment impacts the overall financial statements. While there are important functions related to accounting such as accounting for depreciation, preparing tax returns, and auditing financial statements, these tasks do not encapsulate the specific role of a worksheet in the context of adjusting entries. Instead, the primary purpose of the worksheet is to assist in the accurate and methodical organization of the adjustments, ultimately leading to precise financial reporting.

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9. Why is maintaining documentation for adjusting entries important?

A. It aids in forecasting future revenues

B. It provides a clear audit trail

C. It simplifies the closing process

D. It limits adjustments to cash transactions

Maintaining documentation for adjusting entries is crucial because it provides a clear audit trail. This documentation serves as a record of the changes made to the financial statements, explaining why specific adjustments were necessary. Such transparency is vital for various stakeholders, including internal management, auditors, and regulatory bodies. A well-documented audit trail helps ensure that the financial statements are accurate, supports compliance with accounting standards, and enhances the reliability of the financial reporting process. This practice also aids in verifying the legitimacy and rationale behind the adjustments during audits or reviews, thus building trust in the financial information presented. Keeping proper documentation not only protects the organization against potential discrepancies but also facilitates a more straightforward reconciliation of accounts and improves overall financial management practices.

10. If a company earns a commission of 10% on sales totaling $200,000, how much additional revenue must be recorded if $8,000 was received before the fiscal year-end?

A. $20,000

B. $12,000

C. $8,000

D. $0

To determine the additional revenue that must be recorded, we first need to calculate the total commission earned based on the sales figure. With sales of $200,000 and a commission rate of 10%, the total commission would be $20,000 (which is calculated as 10% of $200,000). Since $8,000 of the commission has already been received before the fiscal year-end, this amount needs to be considered when determining how much additional revenue should be recorded. The full commission amount earned is $20,000, but since $8,000 has already been received, the additional revenue that still needs to be recorded is the remaining balance of the total commission. Calculating this gives us: Total commission earned: $20,000 Amount received: $8,000 Remaining amount to be recorded: $20,000 - $8,000 = $12,000 Thus, the additional revenue that must be recorded is indeed $12,000. This recognition reflects the accrual accounting principle, which requires companies to record revenues when they are earned, regardless of when cash is received.

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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://aipbmasteradjustingentries.examzify.com

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

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