BOOKKEEPING BASICS 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. **Which two entries would be recorded to log Lou receiving a $100 payment for a weeding job he completed for Ms. Rosa?**

   A. $100 Debit in Cash and $100 Credit in Lawncare Revenue

   B. $100 Debit in Lawncare Revenue and $100 Credit in Cash

   C. $100 Debit in Cash and $100 Debit in Lawncare Revenue

   D. $100 Credit in Cash and $100 Credit in Lawncare Revenue

2. **Which statement best describes the Going Concern assumption?**

   A. The business will continue to operate in the foreseeable future.

   B. The business will be liquidated soon.

   C. Financial statements are prepared only when cash flows occur.

   D. Assets are valued at replacement cost.

3. **When settling accounts payable with cash, which statement best describes the effect on the two accounts involved?**

   A. Cash decreases; Accounts payable decreases.

   B. Cash increases; Accounts payable decreases.

   C. Cash decreases; Revenue increases.

   D. Cash increases; Revenue decreases.

4. **Caren Cosmos is the world's most popular soft rock folk singer. She sold t-shirts online last year and made $7,000. The money from these sales went directly into her personal banking account which she used for her personal needs. Which key accounting assumption did Caren ignore?**

   A. Going Concern

   B. Entity Assumption

   C. Accrual Basis Assumption

   D. Periodicity Assumption

5. **Which statement best describes the relationship between the general ledger and the trial balance?**

   A. The trial balance is created first and then posted to the general ledger

   B. The general ledger is derived from the trial balance

   C. The trial balance is derived from the general ledger

   D. The general ledger does not include individual account balances

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6. Which set of tasks would a bookkeeper typically perform?

A. Manage accounts receivable/payable, recording financial transactions, and implement HR policies.

B. All of the above.

C. Record financial transactions, create employee write-ups, and handle bank feeds and reconcile bank accounts.

D. Handle bank feeds and reconcile bank accounts, managing accounts receivable/payable, and record financial transactions.

7. Is the unadjusted trial balance used to create financial statements?

A. Yes

B. No

C. It is used only to prepare adjusting entries

D. It is used to record cash receipts

8. If you record a cash sale, which account is debited?

A. Accounts payable

B. Revenue

C. Cash

D. Inventory

9. In double-entry bookkeeping, which balances are normally debited for assets and expenses and credited for liabilities, equity, and revenue?

A. Debit: Assets and expenses; Credit: Liabilities, equity, and revenue

B. Debit: Assets and revenue; Credit: Liabilities and expenses

C. Debit: Revenue and liabilities; Credit: Assets and expenses

D. Debit: Assets, expenses, and revenue; Credit: Liabilities and equity

10. If a business adheres to the Consistency Principle, they will:

A. Treat the business as a separate entity, so the activities of a business must be kept separate from any other financial activities of its business owners.

B. Adopt a specific accounting method and will enter all similar items in the exact same way in the future.

C. Ignore an accounting standard if the impact is small.

D. Report all transactions using cash basis.

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Answers

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

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Explanations

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1. Which two entries would be recorded to log Lou receiving a $100 payment for a weeding job he completed for Ms. Rosa?

A. $100 Debit in Cash and $100 Credit in Lawncare Revenue

B. $100 Debit in Lawncare Revenue and $100 Credit in Cash

C. $100 Debit in Cash and $100 Debit in Lawncare Revenue

D. $100 Credit in Cash and $100 Credit in Lawncare Revenue

When a service is paid for in cash, you record an increase in cash (an asset) and an increase in revenue (owners' equity). In double-entry bookkeeping, the sum of debits must equal the sum of credits, so you debit the asset that increases and credit the revenue that increases. For the $100 payment, you would debit Cash for $100 to show the cash inflow, and you would credit Lawncare Revenue for $100 to record the earned income. This reflects the transaction's effect on both the balance sheet (more cash) and the income statement (more revenue). Why the other patterns don't fit: debiting revenue would decrease revenue, and crediting cash would reduce assets, which doesn't match the actual increase in cash or the earned revenue. If the payment were received later rather than at the time of service, you'd debit Accounts Receivable instead of Cash, with a credit to Revenue.

2. Which statement best describes the Going Concern assumption?

A. The business will continue to operate in the foreseeable future.

B. The business will be liquidated soon.

C. Financial statements are prepared only when cash flows occur.

D. Assets are valued at replacement cost.

The Going Concern assumption holds that the business will continue to operate in the foreseeable future. This belief underpins how financial statements are prepared and how assets and liabilities are measured. Because we expect ongoing operations, assets are typically recorded at their historical cost (often with depreciation or amortization over their useful lives) rather than at liquidation values. This allows for accrual accounting—recognizing revenues and expenses when earned or incurred, not just when cash moves—and supports long-term reporting. If a business were not expected to continue, the financial reporting approach would change, with disclosures about the uncertainty and possibly a liquidation basis. The other statements describe different concepts: one suggests imminent liquidation, another implies cash-basis reporting (only when cash flows occur), and another focuses on valuing assets at replacement cost, none of which align with the ongoing-operation assumption.

3. When settling accounts payable with cash, which statement best describes the effect on the two accounts involved?

A. Cash decreases; Accounts payable decreases.

B. Cash increases; Accounts payable decreases.

C. Cash decreases; Revenue increases.

D. Cash increases; Revenue decreases.

When you settle a liability with cash, you reduce both sides of the transaction: cash and accounts payable. Paying cash means cash leaves the company, so the cash balance decreases. At the same time, you're eliminating part or all of what you owe, so the accounts payable balance also decreases. In double-entry terms, you'd debit accounts payable (to reduce the liability) and credit cash (to reflect the cash outflow). That's why the best description is cash decreases and accounts payable decreases. The other options would show cash increasing or involve revenue, which don't apply to paying a supplier.

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4. Caren Cosmos is the world's most popular soft rock folk singer. She sold t-shirts online last year and made $7,000. The money from these sales went directly into her personal banking account which she used for her personal needs. Which key accounting assumption did Caren ignore?

A. Going Concern

B. Entity Assumption

C. Accrual Basis Assumption

D. Periodicity Assumption

The Entity Assumption is being tested. It requires that a business and its owner be treated as separate economic units, so the business's financial records reflect only business transactions. By depositing sales revenue into her personal bank account used for personal needs, Caren blended personal finances with the business, which means the business is not being kept separate. In proper accounting, the sales cash should stay in the business's books, and any owner withdrawals would be recorded separately as draws or equity changes. This separation ensures the financial statements accurately show the business's performance and position. The other concepts don't address mixing personal and business funds: going concern relates to whether the business will continue operating, periodicity to the reporting time frame, and accrual basis to when revenues and expenses are recognized rather than when cash moves.

5. Which statement best describes the relationship between the general ledger and the trial balance?

A. The trial balance is created first and then posted to the general ledger

B. The general ledger is derived from the trial balance

C. The trial balance is derived from the general ledger

D. The general ledger does not include individual account balances

The balances in the general ledger are the authoritative records for every account after postings from the journal, and the trial balance is a summary that lists those same balances to verify that total debits equal total credits. Because the trial balance is created from the ledger's ending balances, it reflects the ledger as the source of truth. The process follows journal entries, postings to the general ledger, and then the preparation of the trial balance from those ledger balances to check math and catch errors. If the trial balance doesn't balance, it points you back to the ledger postings to locate and correct mistakes. The other views aren't accurate: the trial balance isn't created first and posted to the ledger, nor is the ledger derived from the trial balance, and the ledger does indeed include individual account balances.

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6. Which set of tasks would a bookkeeper typically perform?

A. Manage accounts receivable/payable, recording financial transactions, and implement HR policies.

B. All of the above.

C. Record financial transactions, create employee write-ups, and handle bank feeds and reconcile bank accounts.

D. Handle bank feeds and reconcile bank accounts, managing accounts receivable/payable, and record financial transactions.

The main idea here is what a bookkeeper does on a day-to-day basis: keep the financial data accurate by recording transactions, track money coming in and going out, and verify that the cash in the bank matches the records. Recording financial transactions is the foundation. Every sale, expense, asset purchase, and payment needs to be entered so the financial statements reflect reality. Without this, the numbers won't tell the true story of the business. Managing accounts receivable and accounts payable is about monitoring money owed to the business and money the business owes to others. This keeps cash flow visible, helps with aging of receivables and payables, and supports timely collections and payments. Handling bank feeds and reconciling bank accounts ties the bank activity to the accounting records. Bank feeds bring in transactions, and reconciliation checks that the amounts in the books align with the bank statements, catching any errors or omissions. HR-related tasks like creating employee write-ups or implementing HR policies aren't typically in a bookkeeper's ordinary scope; those belong more to HR or payroll roles. The set that includes the three core bookkeeping duties—recording transactions, managing AR/AP, and bank reconciliations—best represents what a bookkeeper typically performs.

7. Is the unadjusted trial balance used to create financial statements?

A. Yes

B. No

C. It is used only to prepare adjusting entries

D. It is used to record cash receipts

Financial statements come from balances after adjustments, not from pre-adjustment figures. The unadjusted trial balance is a snapshot used early in the cycle to verify that debits equal credits and to spot obvious posting errors, and to signal what needs to be adjusted. After recording adjusting entries, you generate the adjusted trial balance, which then serves as the basis for the income statement, balance sheet, and other statements. So the unadjusted trial balance isn't used to create the final statements.

8. If you record a cash sale, which account is debited?

A. Accounts payable

B. Revenue

C. Cash

D. Inventory

In double-entry bookkeeping, increases to asset accounts are recorded with a debit. A cash sale brings cash into the business, so the cash account increases and is debited. The sale's revenue is recorded as a credit to Revenue, not a debit. Accounts payable is a liability and would not be debited in this transaction, and inventory is typically credited to reflect the reduction in stock (with cost of goods sold debited if you're tracking cost). So, the cash account is the one that gets debited.

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9. In double-entry bookkeeping, which balances are normally debited for assets and expenses and credited for liabilities, equity, and revenue?

A. Debit: Assets and expenses; Credit: Liabilities, equity, and revenue

B. Debit: Assets and revenue; Credit: Liabilities and expenses

C. Debit: Revenue and liabilities; Credit: Assets and expenses

D. Debit: Assets, expenses, and revenue; Credit: Liabilities and equity

The basic rule being tested is how debits and credits affect different types of accounts in double-entry bookkeeping. Debits increase asset and expense accounts, while credits increase liability, equity, and revenue accounts. Because of this, assets and expenses normally carry debit balances, and liabilities, equity, and revenue normally carry credit balances. So when recording transactions, you debit accounts that are assets or expenses to reflect an increase, and you credit accounts that are liabilities, equity, or revenue to reflect an increase in those areas. For example, purchasing supplies raises an asset (supplies) with a debit and may lower another asset (cash) with a credit, while earning revenue increases the revenue account with a credit (and increases an asset like cash or accounts receivable with a debit). Expenses are increased with a debit, and the corresponding credit typically goes to cash or another asset or to a liability if unpaid. The idea that revenue or any of the liability/equity/revenue accounts should be debited rather than credited would contradict these standard balances.

10. If a business adheres to the Consistency Principle, they will:

A. Treat the business as a separate entity, so the activities of a business must be kept separate from any other financial activities of its business owners.

B. Adopt a specific accounting method and will enter all similar items in the exact same way in the future.

C. Ignore an accounting standard if the impact is small.

D. Report all transactions using cash basis.

Consistency in accounting methods is being tested here. This principle means once you choose a specific method for recognizing transactions, you apply that same method to similar items in future periods so financial statements stay comparable over time. That's why the statement about adopting a specific accounting method and continuing to enter all similar items in the exact same way in the future is the best description of the Consistency Principle. The other ideas describe related concepts (like treating the business as a separate entity) or misapply the principle (avoiding standards or insisting on cash basis) and don't capture how consistency governs method use across periods.

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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://bookkeepingbasics.examzify.com

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

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