BPA ADVANCED ACCOUNTING 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. **What term describes a file containing stock records for all merchandise on hand?**

   A. Stock inventory

   B. Stock record

   C. Stock ledger

   D. Inventory file

2. **Which type of bonds are characterized by all bonds maturing on the same date?**

   A. Convertible bonds

   B. Term bonds

   C. Debenture bonds

   D. Index-linked bonds

3. **What is the relationship between dividends per share and market price per share called?**

   A. Price Earnings Ratio

   B. Market value

   C. Dividend yield

   D. Net income

4. **What type of expense is recognized before payment is made?**

   A. Prepaid expense

   B. Accrued expense

   C. Deferred expense

   D. Unearned revenue

5. **Which of the following refers to the total interest expense incurred during a period?**

   A. Total points

   B. Accrued interest

   C. Interest expense

   D. Cash expense

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6. What is a reversing entry?

A. An entry made to adjust the cash account

B. An entry made at the beginning of a fiscal period to reverse a prior entry

C. An entry that records revenue earned

D. An entry that eliminates accrued expenses

7. In accounting, how is the liquidity of a business measured?

A. By total assets

B. By current assets

C. By net profits

D. By long-term liabilities

8. What does the Days Sales in Accounts Receivable indicate?

A. The amount of cash on hand

B. The average period of time to collect an account receivable

C. The total sales for the year

D. The average number of accounts receivable

9. What document is prepared by the vendor showing the amount deducted for returns and allowances?

A. Sales receipt

B. Credit memorandum

C. Invoice

D. Adjustment note

10. What type of note deducts interest from the face value of the note?

A. Interest-bearing note

B. Promissory note

C. Noninterest-bearing note

D. Secured note

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Answers

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

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Explanations

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1. What term describes a file containing stock records for all merchandise on hand?

A. Stock inventory

B. Stock record

C. Stock ledger

D. Inventory file

The term "stock ledger" refers to a file that contains detailed records of all the merchandise on hand. This includes not only the quantities of different items but also transaction histories, details about purchases, sales, and possibly even adjustments due to returns or damages. The stock ledger serves as a comprehensive record that helps in tracking inventory levels and understanding stock movements over time. It is distinct from other concepts, such as a general inventory file, which may not contain detailed transaction data, or a stock record, which could refer to individual entries for specific items rather than a comprehensive file. The stock inventory might refer to the total amount of stock available, but it does not encompass the detailed tracking and documentation characterizing a stock ledger. The correct choice emphasizes the systematic and detailed nature of inventory management, which is crucial for effective accounting and inventory control.

2. Which type of bonds are characterized by all bonds maturing on the same date?

A. Convertible bonds

B. Term bonds

C. Debenture bonds

D. Index-linked bonds

Term bonds are characterized by all bonds maturing on the same date, which is a key feature that distinguishes them from other types of bonds. With term bonds, the issuer typically agrees to pay a specific amount of interest over the life of the bond, and the entire principal amount is repaid to bondholders at the maturity date. This creates a clear timeline for both the issuer and the investor. In contrast, convertible bonds can be converted into shares of the issuing company, which influences their maturity terms. Debenture bonds are unsecured debt instruments that do not have collateral backing them, and their maturity may not be restricted to a single date. Index-linked bonds have interest payments linked to a specific index, such as inflation, which also affects their structure and repayment timing. Thus, the defining characteristic of term bonds is their uniform maturity, making the correct answer evident.

3. What is the relationship between dividends per share and market price per share called?

A. Price Earnings Ratio

B. Market value

C. Dividend yield

D. Net income

The relationship between dividends per share and market price per share is referred to as dividend yield. This financial metric is crucial for investors, as it provides insight into how much dividend income they can expect to earn relative to the price they pay for a share of the company's stock. The dividend yield is calculated by dividing the annual dividends paid per share by the market price per share. For example, if a company pays an annual dividend of $2 per share and its stock is priced at $40, the dividend yield would be 5% ($2 ÷ $40). This ratio is particularly useful for investors who are focused on income generation from their investments, such as retirees or those seeking regular cash flow. Therefore, dividend yield serves as a measure of the return on investment in terms of dividends, allowing investors to compare the relative attractiveness of different dividend-paying stocks.

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4. What type of expense is recognized before payment is made?

A. Prepaid expense

B. Accrued expense

C. Deferred expense

D. Unearned revenue

Accrued expenses represent liabilities that are recognized in the accounting period in which they are incurred, regardless of whether the cash payment has been made. This aligns with the accrual basis of accounting, which dictates that expenses should be recognized when they are incurred—not when they are paid. Common examples of accrued expenses include wages payable and interest payable. By recognizing these expenses, a company ensures that its financial statements accurately reflect its financial position and performance for a specific period, even if the actual cash outflow occurs at a later date. In contrast, prepaid expenses involve payments made in advance for goods or services to be received in the future, and deferred expenses are typically recorded as assets until they are utilized. Unearned revenue, on the other hand, pertains to funds received before the services are rendered or goods are delivered, representing a liability rather than an expense. Hence, understanding accrued expenses is vital as it directly impacts the measurement of expenses in financial reporting.

5. Which of the following refers to the total interest expense incurred during a period?

A. Total points

B. Accrued interest

C. Interest expense

D. Cash expense

The term that refers to the total interest expense incurred during a period is known as interest expense. This figure represents the cost of borrowing and is recognized in the financial statements as an expense, reflecting the interest that has accrued on a company's liabilities, such as loans or bonds. Accrued interest, while it relates to interest expense, specifically refers to the interest that has been incurred but not yet paid by the end of the reporting period. It may not represent the total interest expense for a period, so it doesn't fully capture the amount incurred. Total points and cash expense do not directly refer to the total interest expense incurred during the period. Total points may relate to fees associated with securing a loan, and cash expense refers to outflows of cash for expenses, which doesn't necessarily align specifically with the concept of interest incurred. Overall, interest expense encapsulates the entire amount of interest that affects the profit and loss account for the period, making it the most appropriate choice.

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6. What is a reversing entry?

A. An entry made to adjust the cash account

B. An entry made at the beginning of a fiscal period to reverse a prior entry

C. An entry that records revenue earned

D. An entry that eliminates accrued expenses

A reversing entry is made at the beginning of a new accounting period to negate the effects of an adjusting entry that was recorded in the previous period. This process simplifies the accounting for cash transactions and other entries that might typically become confusing in later periods. When an adjusting entry is made, it impacts the financial statements, and then the reversing entry effectively cancels that adjustment out. For instance, if an accrual was made for an expense in the prior period, a reversing entry at the start of the new period will offset that accrual, allowing the actual payment of the expense to be recorded without affecting the expense account a second time. This method helps in avoiding misinterpretation of the financial records and facilitates clearer reporting in periods affected by accruals or deferrals. The other options do not accurately define a reversing entry. Adjusting entries are not solely related to cash or eliminating accrued expenses, nor do they automatically apply to revenue recognition in the way that reversing entries function. Thus, the distinguishing factor of reversing entries is their specific role in negating previous adjustments to ensure accurate financial reporting going forward.

7. In accounting, how is the liquidity of a business measured?

A. By total assets

B. By current assets

C. By net profits

D. By long-term liabilities

Liquidity refers to a company's ability to meet its short-term obligations using its most liquid assets. In accounting, this is typically measured by current assets, which are assets expected to be converted into cash or used up within one year. This includes cash, accounts receivable, inventory, and other short-term assets. By comparing current assets to current liabilities, financial analysts can assess how quickly a company can cover its short-term debts, thus determining its liquidity. Current assets are essential for evaluating liquidity because they represent the resources that are readily available to the business to manage immediate financial needs. In contrast, total assets encompass both current and long-term assets, which do not provide a clear picture of short-term financial health. Measuring liquidity based on net profits or long-term liabilities also does not accurately reflect a company's capacity to fulfill short-term obligations. Using current assets specifically highlights the immediate financial flexibility of a business, making it the appropriate measure of liquidity in accounting.

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8. What does the Days Sales in Accounts Receivable indicate?

A. The amount of cash on hand

B. The average period of time to collect an account receivable

C. The total sales for the year

D. The average number of accounts receivable

The Days Sales in Accounts Receivable metric provides insight into how efficiently a company is managing its receivables. Specifically, it indicates the average number of days it takes for a company to collect payment after a sale has been made on credit. This calculation helps assess the effectiveness of a company's credit policies and the efficiency of its collections process. A lower value for Days Sales in Accounts Receivable suggests that the company is able to collect its receivables quickly, which is typically a positive indicator of cash flow. Conversely, a higher value may raise concerns about potential liquidity issues or the effectiveness of the company's credit management operations. By measuring this metric, management can make informed decisions regarding credit terms, collections strategies, and overall cash flow management, which is crucial for sustaining business operations. Understanding this metric is vital for stakeholders who want to evaluate the financial health and operational efficiency of a company.

9. What document is prepared by the vendor showing the amount deducted for returns and allowances?

A. Sales receipt

B. Credit memorandum

C. Invoice

D. Adjustment note

The correct document prepared by the vendor that shows the amount deducted for returns and allowances is the credit memorandum. A credit memorandum serves as a formal acknowledgment from the vendor to the buyer that a specific amount has been credited to the buyer's account, typically due to returned merchandise or allowances granted for defective products. The credit memorandum reflects the adjustments in the seller's records and communicates to the buyer the reduction in their outstanding balance. This document is essential for both parties as it provides a clear record of the transaction and the reasons for any financial adjustments made. In contrast, other documents serve different purposes: a sales receipt is evidence of a sale and the total amount due at the point of sale; an invoice is a request for payment detailing the goods or services provided along with the amount owed; and an adjustment note, while it could be relevant to changes in transaction details, is not the standard term used for the specific documentation of credits for returns and allowances. Thus, the credit memorandum is the most accurate choice in this context.

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10. What type of note deducts interest from the face value of the note?

A. Interest-bearing note

B. Promissory note

C. Noninterest-bearing note

D. Secured note

A noninterest-bearing note is a type of financial instrument where the interest is deducted from the face value at the time of issuance. This means that the borrower receives less than the face value of the note upfront, and when the note matures, they will repay the full face value. The difference between the face value and the amount received constitutes the interest cost for the borrower. In practical terms, if a noninterest-bearing note has a face value of $1,000 and the interest is set at $100, the borrower would receive only $900 when the note is issued. At maturity, the borrower is obligated to pay back the entire $1,000, with the $100 effectively being the cost of borrowing over the duration of the note. This structure is advantageous in certain transactions where up-front cash flow is more favorable. Other types of notes, such as interest-bearing notes and secured notes, involve different mechanisms for interest payment and collateral requirements, which do not align with the definition of deducting interest from the face value. A promissory note is a broader category that can include both interest-bearing and noninterest-bearing types but does not specifically denote the characteristic of deducting interest as seen in noninterest-bearing notes.

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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://bpaadvaccounting.examzify.com

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

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