CENGAGE ACCOUNTING EXAM 1 PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 8

Explanations 10

Next Steps 15

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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. How are accrued revenues recorded and what adjusting entry is used?

A. Debit Accounts Receivable; Credit Revenue.

B. Debit Revenue; Credit Accounts Receivable.

C. Debit Cash; Credit Revenue.

D. Debit Revenue; Credit Cash.

2. What is the journal entry to record paying salaries of 5,000 for the period?

A. Debit Cash; Credit Salaries Expense

B. Debit Salaries Expense; Credit Accounts Receivable

C. Debit Prepaid Salaries; Credit Cash

D. Debit Salaries Expense; Credit Cash

3. Accounts Receivable is classified as which type of account, and what is its normal increase side?

A. Liability, Cr

B. Expense, Dr

C. Asset, Dr

D. Revenue, Cr

4. Which account is typically debited to recognize depreciation expense in an adjusting entry?

A. Accumulated Depreciation

B. Cash

C. Depreciation Expense

D. Equipment

5. Which statement best describes cash receipts and unearned liabilities?

A. Cash is received before services performed and liability is created

B. Cash is received after services rendered and revenue is earned

C. Cash is never involved

D. Cash receipt creates an asset only

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6. Which action would improve working capital?

A. Collecting cash from customers

B. Issuing new debt

C. Paying off long-term loan

D. Purchasing equipment on credit

7. At period end, salaries earned but not yet paid are 1,500. What adjusting entry is recorded?

A. Debit Salaries Payable 1,500; Credit Salaries Expense 1,500

B. Debit Salaries Expense 1,500; Credit Salaries Payable 1,500

C. Debit Salaries Expense 1,500; Credit Cash 1,500

D. Debit Cash 1,500; Credit Salaries Expense 1,500

8. What is the effect on the financial statements when salaries are accrued at year-end?

A. Expenses increase and Liabilities increase

B. Assets increase and Revenues decrease

C. Liabilities decrease and Expenses increase

D. Revenues increase and Liabilities decrease

9. Billing customers on account increases which two accounts?

A. Accounts Receivable and Fees Earned

B. Accounts Receivable and Cash

C. Accounts Payable and Fees Earned

D. Cash and Fees Earned

10. For the ledger entry Supplies, what is the type of account and the increase side?

A. Asset, Cr.

B. Liability, Cr.

C. Asset, Dr.

D. Expense, Dr.

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Answers

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

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Explanations

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1. How are accrued revenues recorded and what adjusting entry is used?

A. Debit Accounts Receivable; Credit Revenue.

B. Debit Revenue; Credit Accounts Receivable.

C. Debit Cash; Credit Revenue.

D. Debit Revenue; Credit Cash.

Accrued revenues happen when you've earned revenue by delivering goods or performing a service, but you haven't yet received cash. The adjusting entry used reflects that you've earned the revenue and that you have a claim to receivable cash later. So you debit Accounts Receivable to show the asset you'll collect, and you credit Revenue to recognize the income in the period it was earned. This follows the revenue recognition principle and the accrual basis of accounting, which match revenues to the period in which they are earned and record receivables for future cash collection. If you were to debit Revenue or debit Cash, you'd be misrepresenting the timing or nature of the transaction. Revenue should be increased with a credit, not a debit, and cash hasn't yet been received in accrued revenue cases. If you credited Cash, that would imply cash was received when it wasn't.

2. What is the journal entry to record paying salaries of 5,000 for the period?

A. Debit Cash; Credit Salaries Expense

B. Debit Salaries Expense; Credit Accounts Receivable

C. Debit Prepaid Salaries; Credit Cash

D. Debit Salaries Expense; Credit Cash

Paying salaries is recorded as an expense and a cash outflow. When the company pays 5,000 in salaries, you debit Salaries Expense to reflect the cost incurred for the period and credit Cash to show the cash leaving the business. This increases the expense on the income statement, which reduces net income, and decreases the cash asset on the balance sheet, accurately matching the event of paying employees. Other entries would misstate the accounts involved or the direction of the change (for example, increasing cash, or touching an asset like Prepaid Salaries instead of recognizing the current period expense).

3. Accounts Receivable is classified as which type of account, and what is its normal increase side?

A. Liability, Cr

B. Expense, Dr

C. Asset, Dr

D. Revenue, Cr

Accounts receivable represents amounts customers owe us after a sale on credit, so it is an asset. Asset accounts have their normal balance on the debit side, meaning increases are recorded on the left. Therefore, when a sale on account happens, we debit accounts receivable to reflect the amount owed. When the customer pays, we credit accounts receivable to reduce the asset. The other classifications don't fit: a liability would increase on the credit side, an expense increases with a debit but isn't an asset, and revenue increases on the credit side but isn't an asset.

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4. Which account is typically debited to recognize depreciation expense in an adjusting entry?

A. Accumulated Depreciation

B. Cash

C. Depreciation Expense

D. Equipment

Depreciation is the process of allocating an asset's cost over its useful life as an expense. In the adjusting entry, you debit the Depreciation Expense account to reflect this period's cost, and you credit Accumulated Depreciation, a contra-asset that reduces the asset's book value. Cash isn't involved because depreciation is non-cash. Equipment isn't debited because depreciation doesn't increase the asset's cost on the books; instead, the asset's accumulated reduction is tracked through Accumulated Depreciation. This entry increases expenses on the income statement and increases the accumulated depreciation balance on the balance sheet, lowering the net book value of the asset.

5. Which statement best describes cash receipts and unearned liabilities?

A. Cash is received before services performed and liability is created

B. Cash is received after services rendered and revenue is earned

C. Cash is never involved

D. Cash receipt creates an asset only

When cash is received before the company has performed the service, it creates a future obligation to provide that service. That obligation is a liability, commonly called unearned revenue, and it sits alongside the asset of cash on the books. The cash receipt increases an asset (cash) and creates a corresponding liability (unearned revenue) because the company still owes the customer the service or goods. As performance occurs, the company reduces the liability and recognizes revenue. This is why the statement that cash is received before services are performed and a liability is created best describes cash receipts tied to unearned liabilities. The other scenarios either ignore the liability created by advance cash, or pretend cash-collection alone makes revenue without fulfilling the service or goods obligation.

6. Which action would improve working capital?

A. Collecting cash from customers

B. Issuing new debt

C. Paying off long-term loan

D. Purchasing equipment on credit

Working capital is about short term liquidity, calculated as current assets minus current liabilities. Collecting cash from customers directly increases the cash available to meet near-term obligations, while reducing accounts receivable. This boosts the pool of liquid assets and strengthens the ability to cover current liabilities, so it improves working capital. Getting funds by issuing new debt is a financing move and doesn't automatically increase liquid current assets for operations. Paying off a long-term loan lowers long-term liabilities without increasing current assets. Purchasing equipment on credit raises both a noncash asset and a current liability, which doesn't improve liquidity in the immediate sense.

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7. At period end, salaries earned but not yet paid are 1,500. What adjusting entry is recorded?

A. Debit Salaries Payable 1,500; Credit Salaries Expense 1,500

B. Debit Salaries Expense 1,500; Credit Salaries Payable 1,500

C. Debit Salaries Expense 1,500; Credit Cash 1,500

D. Debit Cash 1,500; Credit Salaries Expense 1,500

Accrued expenses are recognized when salaries are earned but not yet paid. You must record the expense for the period and a corresponding liability for what you owe. So, you increase the expense and also recognize a liability. The correct entry is to Debit Salaries Expense for 1,500 and Credit Salaries Payable for 1,500. This shows the period's cost while noting the obligation to pay employees later. Cash isn't involved yet because payment hasn't occurred. Why not involve cash or reduce the liability? Because no actual cash outflow has happened, and the obligation should be recorded as a payable, not reduced. When the company eventually pays, you would Debit Salaries Payable and Credit Cash.

8. What is the effect on the financial statements when salaries are accrued at year-end?

A. Expenses increase and Liabilities increase

B. Assets increase and Revenues decrease

C. Liabilities decrease and Expenses increase

D. Revenues increase and Liabilities decrease

Accrual accounting records expenses when they are incurred and recognizes a liability when you owe that amount but haven't paid yet. At year-end, salaries that have been earned by employees but not yet paid are an example of this adjusting entry: you record the expense and you create a liability. Conceptually, you would debit Salaries Expense to reflect the cost of labor for the period, and you credit a current liability (Salaries Payable) to show the amount owed. This raises the expense on the income statement and increases liabilities on the balance sheet, with no change to revenues. The effect on assets is none at this moment. When the salaries are eventually paid, cash decreases and the liability is reduced, but that payment does not change the fact that the accrual period increased expenses and liabilities.

9. Billing customers on account increases which two accounts?

A. Accounts Receivable and Fees Earned

B. Accounts Receivable and Cash

C. Accounts Payable and Fees Earned

D. Cash and Fees Earned

Billing a customer on account creates both an asset and revenue: you record a receivable because the customer owes you money (Accounts Receivable) and you recognize the earned revenue from the service (Fees Earned). The receivable increases as it represents future cash collection, while Fees Earned increases owners' equity through revenue. Cash isn't affected yet since payment hasn't been received, and this transaction doesn't involve Accounts Payable. The typical journal entry is Debit Accounts Receivable and Credit Fees Earned.

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10. For the ledger entry Supplies, what is the type of account and the increase side?

A. Asset, Cr.

B. Liability, Cr.

C. Asset, Dr.

D. Expense, Dr.

Supplies is an asset that represents items the company has on hand for future use. Asset accounts have a normal debit balance, so increases are recorded on the debit (left) side. When you acquire supplies, you debit the Supplies asset account to show more asset. Only when the supplies are actually used do you move cost to an expense (Supplies Expense) by crediting Supplies and debiting Supplies Expense. Because of this, the correct description is that Supplies is an asset and its increase is on the debit side.

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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://cengageaccounting1.examzify.com

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

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