NAFTRACK ACCOUNTING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://naftrackaccounting.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

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

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. Which bad debt method is generally more GAAP-compliant?

A. Neither is GAAP-compliant.

B. Direct write-off only.

C. Both are equally GAAP-compliant.

D. The allowance method.

2. What is a purchase price variance and what does its analysis aim to identify in standard costing?

A. The total purchases for the period

B. The difference between standard labor cost and actual labor cost

C. Difference between standard cost and actual cost; analyzed to identify efficiency or price variances

D. The budgeted selling price versus actual selling price

3. Which professional analyzes financial data to spot trends and guide investment decisions?

A. Financial Analysts

B. Regulatory Agencies

C. Financial Advisors

D. Correcting Entries

4. An error where two adjacent digits are reversed.

A. Transposition error

B. Slide Error

C. Auditor

D. Management Accounting

5. Which role is primarily responsible for internal controls and accurate financial reporting?

A. Management Accounting

B. Budget Analysis

C. Financial Forms

D. Controller

SAMPLE

6. When a cash dividend is declared and paid, which accounts are affected?

A. Increase cash and decrease retained earnings

B. Decrease cash and decrease retained earnings

C. Increase retained earnings and cash

D. No effect

7. Which scenario favors cash basis accounting?

A. A small business that primarily pays and receives cash with little or no credit sales.

B. A large manufacturer that extends credit to customers.

C. A company with significant accounts receivable.

D. A nonprofit using cash-basis reporting.

8. Which term focuses on providing detailed financial information for internal managers to aid decision-making?

A. Cost Accounting

B. Management Accounting

C. Budget Analysis

D. Audit trail

9. If a trial balance does not balance, which method is described for locating the error?

A. Re-add totals bottom up, subtract one total from the other, and divide the two

B. Re-run the entire ledger from scratch

C. Ignore and continue with the closing entries

D. Use a different trial balance method

10. The evaluation of financial plans to manage spending and allocate resources.

A. Management Accounting

B. Cost Accounting

C. Chart of Accounts

D. Budget Analysis

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which bad debt method is generally more GAAP-compliant?

A. Neither is GAAP-compliant.

B. Direct write-off only.

C. Both are equally GAAP-compliant.

D. The allowance method.

Under GAAP, the goal is to match expenses with the revenues they help generate and to report receivables at their net realizable value. The allowance method achieves this by estimating uncollectible accounts and recording an allowance for doubtful accounts, with bad debt expense recognized in the same period as the related sales. This approach reduces accounts receivable to what management expects to collect and provides a more accurate picture of financial position. Direct write-off, on the other hand, records bad debt only when a specific account is deemed uncollectible. This can happen in a different period from when the sale occurred, causing a mismatch between revenues and expenses and leaving receivables overstated for longer. While it may be permissible for immaterial amounts, it is not the GAAP-preferred approach for financial reporting. So, the method that is generally more GAAP-compliant is the allowance method.

2. What is a purchase price variance and what does its analysis aim to identify in standard costing?

A. The total purchases for the period

B. The difference between standard labor cost and actual labor cost

C. Difference between standard cost and actual cost; analyzed to identify efficiency or price variances

D. The budgeted selling price versus actual selling price

Purchase price variance is the difference between what standard costing says the material should cost for the actual quantity purchased and what was actually paid. In standard costing, you compare the standard cost for the actual purchases (standard price per unit × actual quantity) to the actual cost incurred. The analysis aims to determine whether the variance comes from paying a price per unit that's higher or lower than standard (price variance) and from using more or less material than planned (usage or efficiency variance). This helps pinpoint pricing issues with suppliers and efficiency in material usage.

3. Which professional analyzes financial data to spot trends and guide investment decisions?

A. Financial Analysts

B. Regulatory Agencies

C. Financial Advisors

D. Correcting Entries

This question focuses on identifying the professional who analyzes financial data to spot trends and guide investment decisions. Financial analysts study company financial statements, earnings, cash flow, market data, and economic indicators to identify patterns, forecast performance, and make investment recommendations. They build financial models, compare potential investments, assess risk, and translate data into actionable guidance for portfolio managers or clients. Regulatory agencies set rules and oversee markets rather than perform investment analysis. Financial advisors provide client-focused planning and investment guidance based on goals and risk tolerance, often using analysts' research as input. Correcting entries are routine accounting adjustments, not roles tied to analyzing financial data for investment decisions.

SAMPLE

4. An error where two adjacent digits are reversed.

A. Transposition error

B. Slide Error

C. Auditor

D. Management Accounting

Transposition error. It happens when two adjacent digits swap places in a number, so the digits are reversed in position while the rest of the number stays the same. This exactly matches "two adjacent digits are reversed." In practice, this can occur during manual data entry, for example entering 58 as 85. The other terms aren't types of data-entry errors: a slide error involves digits moving to a neighboring position, while auditor and management accounting refer to a person/role and a field, not an entry mistake.

5. Which role is primarily responsible for internal controls and accurate financial reporting?

A. Management Accounting

B. Budget Analysis

C. Financial Forms

D. Controller

The question checks who owns the reliability of financial reporting and the control framework inside a company. The controller is the senior accounting official responsible for running the accounting department, closing the books, and delivering the financial statements. This role designs and enforces internal controls—such as separation of duties, authorization and approval processes, reconciliations, and access controls—and ensures the financial statements accurately reflect the company's financial position in line with GAAP or IFRS. The controller also coordinates with external auditors and monitors the effectiveness of controls, addressing issues as they arise. While management accounting focuses on internal cost and performance data, and budget analysis centers on planning and variances, those areas do not own the formal financial reporting and control environment.

6. When a cash dividend is declared and paid, which accounts are affected?

A. Increase cash and decrease retained earnings

B. Decrease cash and decrease retained earnings

C. Increase retained earnings and cash

D. No effect

When a cash dividend is declared and paid, it reduces both cash and retained earnings. Declaring the dividend creates a liability (dividends payable) and lowers retained earnings, since earnings are being distributed. When the dividend is paid, that liability is settled and cash decreases. Net effect: assets (cash) go down and shareholders' equity (retained earnings) goes down, with no impact on revenue or net income.

SAMPLE

7. Which scenario favors cash basis accounting?

A. A small business that primarily pays and receives cash with little or no credit sales.

B. A large manufacturer that extends credit to customers.

C. A company with significant accounts receivable.

D. A nonprofit using cash-basis reporting.

Cash-basis accounting is most suitable when a business operates mainly with cash transactions, because it records revenue when cash is actually received and expenses when cash is paid. In a small business that mostly handles cash with little or no credit sales, this approach aligns financial results with the real cash flow and keeps bookkeeping simple, avoiding the need to track accounts receivable or payable. The other situations involve extending credit or managing significant receivables, which require recognizing revenue when earned and tracking amounts owed, a hallmark of accrual accounting. A nonprofit that uses cash-basis reporting can work, but for many organizations, accrual provides a more complete view of resources and obligations. So the scenario with a small cash-focused business best favors cash-basis accounting.

8. Which term focuses on providing detailed financial information for internal managers to aid decision-making?

A. Cost Accounting

B. Management Accounting

C. Budget Analysis

D. Audit trail

The main idea being tested is how internal managers use detailed financial information to make decisions. Management accounting is all about providing that internal, detailed, timely information to help planning, control, and decision-making inside the organization. It covers reports and analyses tailored for managers, such as budgets, forecasts, variance analyses, and performance metrics, focusing on usefulness for guiding choices rather than external reporting. Cost accounting, while important for understanding costs and profitability, concentrates specifically on cost figures for products, processes, or departments and is just one tool within the broader management accounting realm. Budget analysis usually refers to examining planned versus actual figures and is a component of management accounting rather than the overall term. An audit trail is about documenting and tracing transactions for accuracy and accountability, not primarily about supporting internal decision-making.

SAMPLE

9. If a trial balance does not balance, which method is described for locating the error?

A. Re-add totals bottom up, subtract one total from the other, and divide the two

B. Re-run the entire ledger from scratch

C. Ignore and continue with the closing entries

D. Use a different trial balance method

When a trial balance doesn't balance, a practical first step is to verify the arithmetic and then analyze the imbalance for a common posting mistake. Re-adding the totals on both sides confirms totals are truly off. Then subtract one total from the other to get the difference. If that difference is a multiple of 9, it points to a transposition error—two digits swapped in one amount. Dividing the difference by 9 reveals the digits involved, helping you pinpoint the exact amount that was transposed and correct it. This method directly targets a frequent quick cause of imbalance and guides you to the specific correction needed to bring the trial balance into agreement. The other options aren't effective for locating the error: re-running the entire ledger is unnecessary, ignoring the discrepancy is incorrect, and using a different trial balance method won't identify the specific misposting.

10. The evaluation of financial plans to manage spending and allocate resources.

A. Management Accounting

B. Cost Accounting

C. Chart of Accounts

D. Budget Analysis

Budget analysis is about evaluating financial plans to manage spending and allocate resources. It involves reviewing the budget, comparing actual results to what was planned, analyzing any variances, and deciding where to adjust spending or reallocate funds to meet objectives. This focus on how the budget is used and how resources are distributed is exactly what budget analysis aims to optimize. Management accounting covers broader internal reporting and decision support beyond budgeting alone, cost accounting centers on determining and analyzing costs for products or services, and the chart of accounts is simply the organized structure of accounts used to record transactions, not an evaluative activity.

SAMPLE

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://naftrackaccounting.examzify.com

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

SAMPLE