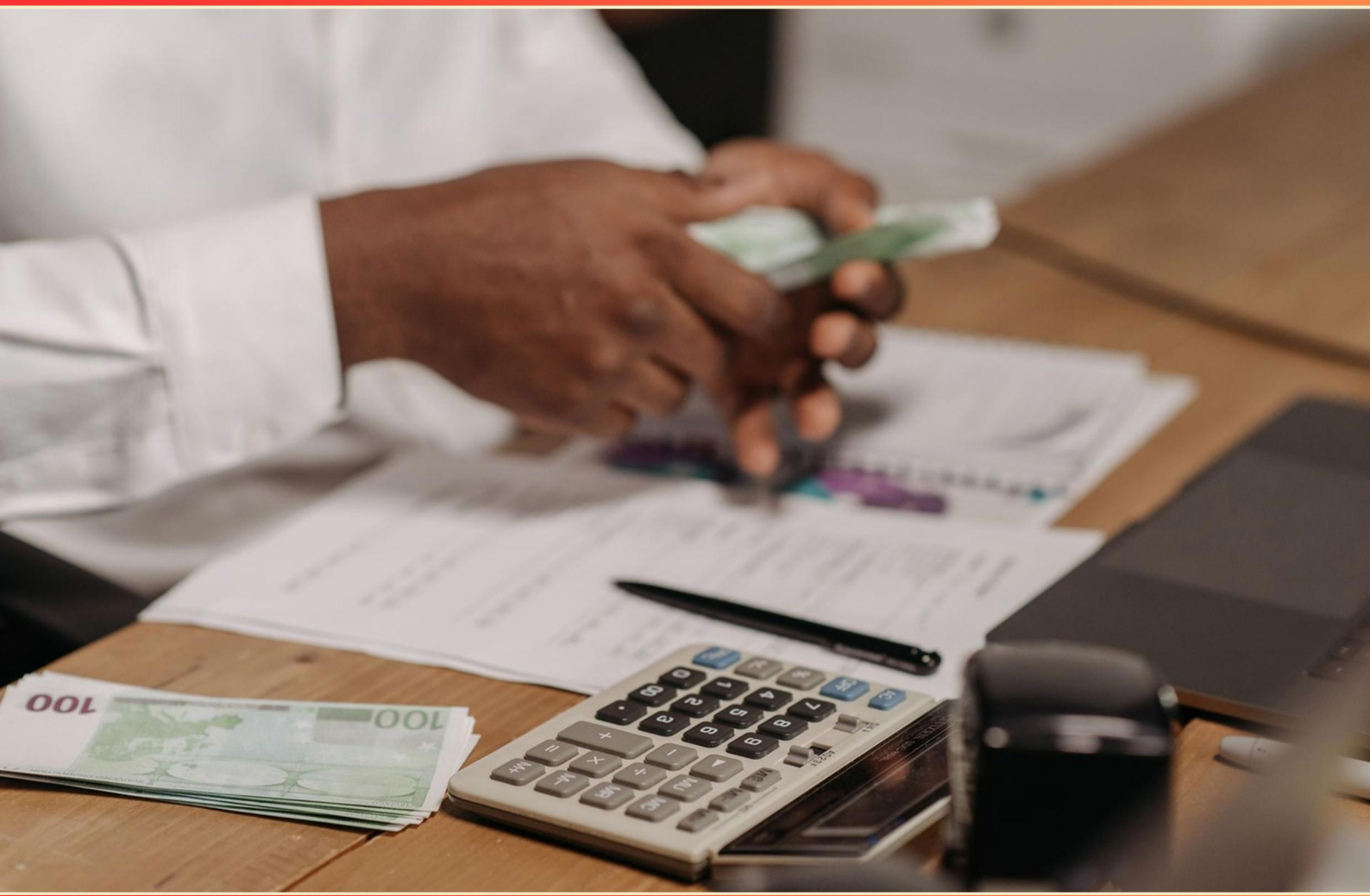
PEREGRINE GLOBAL SERVICES ACCOUNTING PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://peregrineaccounting.examzify.com

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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. Earnings per share (EPS) is defined by which of the following formulas?

A. Net income / Shares outstanding

B. (Net income - Preferred dividends) / Weighted average common shares outstanding

C. Net income + Preferred dividends / Weighted average common shares outstanding

D. Net income / (Shares outstanding + Preferred shares)

2. Direct Materials refer to:

A. Raw materials used in office supplies

B. Materials that cannot be linked to finished products

C. Raw materials directly associated with manufacturing

D. All items purchased for manufacturing

3. Which costing method allocates costs based on activities?

A. Job Order Costing

B. Process Costing

C. Activity-based costing (ABC)

D. Standard Costing

4. What does a company typically use to track its financial performance over time?

A. Forecasting reports

B. Market analysis reports

C. Financial statements

D. Business plans

5. Which of the following is NOT among the Basic Financial Statements?

A. Income Statement

B. Balance Sheet

C. Retained Earnings Statement

D. Cash Flow Statement

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6. The solvency ratio known as debt to total assets is calculated by which of the following?

A. Total assets / Total liabilities

B. Total liabilities / Total assets

C. Owner's equity / Total liabilities

D. Total liabilities / Owner's equity

7. Which formula represents the straight-line depreciation method?

A. (Cost + Salvage Value) / Useful Life

B. (Cost - Salvage Value) / Useful Life

C. (Cost + Useful Life) / Salvage Value

D. (Cost - Useful Life) / Salvage Value

8. Which of the following calculations is used to assess a company's liquidity?

A. Return on Investment

B. Gross Margin Ratio

C. Current Ratio

D. Debt to Equity Ratio

9. The Economic Entity Assumption allows for what in accounting?

A. The separation of a company's financials from its owner's personal finances

B. The inclusion of all transactions regardless of currency exchange

C. The grouping of all economic entities into one financial report

D. The evaluation of economic transactions over longer periods

10. What is a trial balance used for in accounting?

A. To prepare tax returns

B. To verify that total debits equal total credits

C. To analyze cash flow

D. To assess market trends

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Answers

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

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Explanations

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1. Earnings per share (EPS) is defined by which of the following formulas?

A. Net income / Shares outstanding

B. (Net income - Preferred dividends) / Weighted average common shares outstanding

C. Net income + Preferred dividends / Weighted average common shares outstanding

D. Net income / (Shares outstanding + Preferred shares)

Earnings per share (EPS) is calculated using the formula that deducts preferred dividends from net income before dividing by the weighted average shares of common stock outstanding. This is because EPS is specifically meant to measure the amount of earnings attributed to each share of common stock, which means that any dividends paid to preferred shareholders must be subtracted first, as they are not available to common shareholders. The use of weighted average shares outstanding is critical in this calculation as it accounts for any changes in the number of shares throughout the reporting period, providing a more accurate reflection of earnings attributable to each share. This approach ensures investors have a clear and precise understanding of the earnings generated by each share of common equity in the company. This methodology is standard in financial reporting, enabling comparisons across companies and time periods, thus maintaining consistency and comparability in financial analysis.

2. Direct Materials refer to:

A. Raw materials used in office supplies

B. Materials that cannot be linked to finished products

C. Raw materials directly associated with manufacturing

D. All items purchased for manufacturing

Direct materials specifically refer to raw materials that can be directly traced to the production of finished goods. In manufacturing, these materials become a part of the final product and are essential in the production process. For instance, in the creation of a piece of furniture, the wood, screws, and fabric used are considered direct materials because they are integral to the final product and can be accurately measured and accounted for. The option that includes all items purchased for manufacturing is broader than the specific definition of direct materials. While it covers a more extensive range of items that may include indirect materials, it does not focus solely on the raw materials directly traceable to a specific product. Other choices that mention materials that cannot be linked to finished products or relate to office supplies do not align with the concept of direct materials as they do not contribute to the manufacturing of goods in a direct manner. Thus, the option referencing materials directly associated with manufacturing accurately captures the essence of what direct materials are.

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3. Which costing method allocates costs based on activities?

A. Job Order Costing

B. Process Costing

C. Activity-based costing (ABC)

D. Standard Costing

Activity-based costing (ABC) is the correct response as it specifically focuses on allocating costs to products or services based on the activities they require. Under this method, costs are traced to activities, and then those activity costs are assigned to products based on their actual usage of each activity. This allows for a more accurate reflection of the true costs of production, as it takes into account the varying demands that different products or services place on organizational resources. The essence of ABC lies in recognizing that not all overhead costs are driven by the volume of production alone; instead, many costs are influenced by specific activities such as setups, material handling, and inspection processes. This makes ABC particularly useful in complex environments where traditional costing methods might misrepresent costs by averaging them across similar outputs. In contrast, job order costing and process costing apply different principles based on either individual jobs or continuous processes, focusing more on the flow of costs rather than the underlying activities that generate those costs. Standard costing revolves around predetermined costs rather than the actual activities that drive costs. Therefore, ABC is distinct in its approach to linking costs explicitly to activities, enabling better decision-making and enhanced cost management.

4. What does a company typically use to track its financial performance over time?

A. Forecasting reports

B. Market analysis reports

C. Financial statements

D. Business plans

A company typically uses financial statements to track its financial performance over time. Financial statements, which include the income statement, balance sheet, and cash flow statement, provide a comprehensive overview of a company's financial health. The income statement shows revenues and expenses over a specific period, helping assess profitability. The balance sheet offers a snapshot of assets, liabilities, and equity at a particular point in time, allowing the company to evaluate its financial position. Lastly, the cash flow statement tracks the inflow and outflow of cash, which is crucial for understanding liquidity and cash management. While forecasting reports may help predict future performance and market analysis reports provide insights into competitive positioning, they do not serve the same primary function as financial statements in presenting historical and current financial data. Business plans are strategic documents detailing the company's direction but also do not serve as tools for monitoring financial performance over time.

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5. Which of the following is NOT among the Basic Financial Statements?

A. Income Statement

B. Balance Sheet

C. Retained Earnings Statement

D. Cash Flow Statement

The correct answer identifies that the Retained Earnings Statement is not classified among the Basic Financial Statements. Basic Financial Statements typically consist of four key components: the Income Statement, Balance Sheet, Cash Flow Statement, and Statement of Shareholders' Equity. The Income Statement provides information about a company's revenues and expenses over a specific period, leading to net income or loss. The Balance Sheet presents a snapshot of a company's assets, liabilities, and equity at a particular point in time, reflecting its financial position. The Cash Flow Statement details the inflows and outflows of cash, categorizing them into operating, investing, and financing activities, which helps assess liquidity and cash management. While the Retained Earnings Statement conveys changes in retained earnings over a period and complements the Income Statement and Balance Sheet by showing how profits are reinvested or distributed, it is not considered one of the foundational financial statements. Instead, it is often included as part of the Statement of Shareholders' Equity, illustrating a component of equity rather than standing alone as a primary financial accounting document.

6. The solvency ratio known as debt to total assets is calculated by which of the following?

A. Total assets / Total liabilities

B. Total liabilities / Total assets

C. Owner's equity / Total liabilities

D. Total liabilities / Owner's equity

The debt to total assets ratio is calculated by taking total liabilities and dividing that figure by total assets. This ratio provides insight into the financial leverage of a company, indicating what portion of the company's assets is financed through debt. A higher ratio suggests that a larger proportion of the company's assets are funded through borrowing, which may imply greater financial risk. Understanding this ratio is critical for assessing a company's solvency, as it reflects the degree to which the company relies on debt to finance its assets. A lower ratio generally indicates a more stable financial position, while a higher ratio may suggest potential risks in meeting long-term obligations. In contrast, total assets divided by total liabilities measures the inverse relationship, which does not provide the same useful insight into debt levels. Owner's equity to total liabilities and total liabilities to owner's equity also represent different financial metrics that do not directly measure the ratio of debt to total assets. Therefore, utilizing total liabilities divided by total assets accurately captures the relationship needed to assess solvency through the lens of debt financing.

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7. Which formula represents the straight-line depreciation method?

A. (Cost + Salvage Value) / Useful Life

B. (Cost - Salvage Value) / Useful Life

C. (Cost + Useful Life) / Salvage Value

D. (Cost - Useful Life) / Salvage Value

The straight-line depreciation method is commonly used in accounting to allocate the cost of a tangible asset over its useful life. The correct formula for this method is (Cost - Salvage Value) / Useful Life. In this formula, "Cost" refers to the initial purchase price of the asset, and "Salvage Value" is the estimated resale value at the end of its useful life. By subtracting the salvage value from the cost, you determine the total amount that will be depreciated over the asset's lifespan. Dividing this figure by the "Useful Life" of the asset, which is the estimated duration the asset will be in service, gives you the annual depreciation expense. This method is straightforward and easy to apply, making it a popular choice among businesses. It assumes that the asset will lose value evenly over time, which fits standard accounting practices. The other formulas do not convey this fundamental approach to calculating depreciation properly.

8. Which of the following calculations is used to assess a company's liquidity?

A. Return on Investment

B. Gross Margin Ratio

C. Current Ratio

D. Debt to Equity Ratio

The Current Ratio is a financial metric specifically designed to assess a company's liquidity, which refers to its ability to meet short-term obligations. This ratio is calculated by dividing a company's current assets by its current liabilities. A higher Current Ratio indicates that the company has more assets readily available to cover its liabilities, suggesting a stronger liquidity position. Liquidity is critical for a business, as it ensures that the company can pay off its short-term debts and continue operations without financial stress. A Current Ratio of less than 1 may signify potential liquidity problems, while a ratio above 1 generally indicates that a company can comfortably pay its bills. In contrast, other metrics mentioned serve different purposes. Return on Investment focuses on profitability rather than liquidity, measuring the efficiency of an investment. The Gross Margin Ratio assesses the profitability of a company relative to its sales. The Debt to Equity Ratio evaluates a company's financial leverage, not its ability to meet short-term liabilities. Each of these metrics provides valuable insights, but the Current Ratio is the specific calculation tailored for analyzing liquidity.

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9. The Economic Entity Assumption allows for what in accounting?

A. The separation of a company's financials from its owner's personal finances

B. The inclusion of all transactions regardless of currency exchange

C. The grouping of all economic entities into one financial report

D. The evaluation of economic transactions over longer periods

The Economic Entity Assumption is a fundamental principle in accounting that provides a clear framework for distinguishing between the financial activities of a business and those of its owners or other businesses. This assumption asserts that a company's financial statements should reflect only the transactions and events that pertain to the business itself, without any mixing of the owner's personal financial affairs. This separation is crucial because it ensures that the financial performance and position of the business can be assessed independently of the owner's personal finances. This clarity is important for investors, creditors, and other stakeholders who rely on the accuracy and integrity of the financial information provided, as it facilitates an unbiased evaluation of the business's financial health and operational efficacy. Other choices do not align with the core tenet of the Economic Entity Assumption, as they pertain instead to broader concepts in accounting, such as currency handling or multi-entity reporting, which are not directly related to the separation of business and personal finances.

10. What is a trial balance used for in accounting?

A. To prepare tax returns

B. To verify that total debits equal total credits

C. To analyze cash flow

D. To assess market trends

A trial balance is a critical tool in accounting primarily used to verify that the total debits equal total credits. This balancing act is essential for ensuring the accuracy of the ledger accounts before proceeding to create financial statements. By listing all of the general ledger accounts and their balances, the trial balance provides an overview that helps accountants identify any discrepancies in the double-entry accounting system. If the debits and credits do not match, it indicates that there may be errors in the posted transactions, giving the accountant a point of reference for further investigation and correction. The other options serve different functions within the realm of accounting and financial management. Preparing tax returns involves compiling and adjusting income, expenses, and various deductions, which is a distinct process from that of balancing accounts as seen in a trial balance. Analyzing cash flow focuses on the movement of cash in and out of a business and requires a different set of financial statements—like the cash flow statement. Assessing market trends typically involves economic analysis, market research, and various financial metrics rather than a direct examination of a company's ledger accounts or overall financial situation as captured in a trial balance. Thus, the trial balance's primary objective is its role in ensuring that the fundamental principle of double-entry accounting—where total deb

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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://peregrineaccounting.examzify.com

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

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