PSIA ACCOUNTING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://psiaaccounting.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 9

Explanations 11

Next Steps 16

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. Distinguish between accrued revenue and unearned revenue: which statement is true?

A. Accrued revenue is revenue earned but not yet billed or collected; unearned revenue is cash received before goods/services are delivered.

B. Accrued revenue is cash received in advance.

C. Unearned revenue is revenue earned but not billed.

D. Accrued revenue and unearned revenue are the same.

2. Immediately after issuing $100 of debt to buy $100 of Short-Term Securities, which statements change and how?

A. Income Statement: No changes; Cash Flow from Investing decreases by $100; Cash Flow from Financing increases by $100; Cash at bottom unchanged; Balance Sheet: Short-Term Securities up $100 and Debt up $100

B. Income Statement: $100 expense; Cash Flow from Investing increases by $100; Balance Sheet: Short-Term Securities up $100 and Debt up $100

C. Income Statement: No changes; Cash Flow from Investing increases by $100; Balance Sheet: Short-Term Securities up $100 and Debt up $100

D. Income Statement: No changes; Cash Flow from Financing decreases by $100; Balance Sheet: Short-Term Securities up $100 and Debt up $100

3. In a service contract with multiple performance obligations and variable consideration, what is the proper revenue recognition approach?

A. Recognize revenue upfront for all obligations and adjust later for variable consideration.

B. Recognize only when the contract is fully satisfied; ignore variable consideration.

C. Allocate price to one dominant obligation and recognize all revenue then.

D. Identify obligations, allocate transaction price to each obligation, recognize revenue as each obligation is satisfied, applying the constraint to variable consideration.

4. Goodwill in this scenario is best described as the excess of purchase price over which figure?

A. Seller's Liabilities

B. Seller's Assets

C. Seller's Equity (Book Value)

D. Purchase Price

SAMPLE

5. What is the purpose of a bank reconciliation and what are typical reconciling items?

A. To adjust the company's records to match market rates; reconciling items include interest income and dividends.

B. To explain differences between bank and book records; reconciling items include outstanding checks, deposits in transit, bank charges, and errors.

C. To forecast cash needs; reconciling items include projected receipts and payments.

D. To record all cash transactions in real time; reconciling items include petty cash adjustments and float.

6. At the end of Year 1, after earning interest and paying interest and repaying debt principal, what is the Net Income change?

A. Net Income increases by $3

B. Net Income increases by $6

C. Net Income decreases by $3

D. Net Income unchanged

7. Which formula correctly computes Accounts Receivable Days?

A. Accounts Receivable Days = Accounts Receivable / Revenue × 365

B. Accounts Receivable Days = Accounts Receivable / COGS × 365

C. Accounts Receivable Days = Revenue / Accounts Receivable × 365

D. Accounts Receivable Days = (Accounts Receivable + Revenue) / 365

8. Where is non-controlling interest shown in consolidated financial statements?

A. As a liability

B. In the equity section as a separate line only

C. As a separate component of equity and in the consolidated net income attributed to NCI

D. Not disclosed in consolidated statements

9. Depreciation is a non-cash expense; its effect on the balance sheet is to:

A. Reduce PP&E and increase cash flow

B. Increase PP&E and reduce cash flow

C. Increase cash and increase liabilities

D. Reduce cash and increase equity

SAMPLE

10. Which revenue projection approach is generally more common and reliable, and why?

A. Bottoms-Up, because estimating big-picture numbers is almost impossible.

B. Tops-Down, because it starts with market size and market share.

C. They are equally common.

D. Neither method is used.

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Distinguish between accrued revenue and unearned revenue: which statement is true?

A. Accrued revenue is revenue earned but not yet billed or collected; unearned revenue is cash received before goods/services are delivered.

B. Accrued revenue is cash received in advance.

C. Unearned revenue is revenue earned but not billed.

D. Accrued revenue and unearned revenue are the same.

The idea here is recognizing revenue based on when it's earned, not when cash changes hands. Accrued revenue happens when you've actually earned the revenue by delivering the goods or performing the service, but you haven't billed the customer yet or haven't collected the cash. In accounting terms, you record revenue and an asset representing the amount you expect to receive (a receivable). Unearned revenue is the opposite: cash is received before you've delivered the goods or performed the service, so you record a liability (unearned revenue) because you still owe the customer either the service or the product. When you later fulfill the obligation, you move the amount from unearned revenue to actual revenue. So, the true statement is that accrued revenue is revenue earned but not yet billed or collected, while unearned revenue is cash received before delivery. The other descriptions mix up the timing of revenue recognition and cash receipts.

2. Immediately after issuing $100 of debt to buy $100 of Short-Term Securities, which statements change and how?

A. Income Statement: No changes; Cash Flow from Investing decreases by $100; Cash Flow from Financing increases by $100; Cash at bottom unchanged; Balance Sheet: Short-Term Securities up $100 and Debt up $100

B. Income Statement: $100 expense; Cash Flow from Investing increases by $100; Balance Sheet: Short-Term Securities up $100 and Debt up $100

C. Income Statement: No changes; Cash Flow from Investing increases by $100; Balance Sheet: Short-Term Securities up $100 and Debt up $100

D. Income Statement: No changes; Cash Flow from Financing decreases by $100; Balance Sheet: Short-Term Securities up $100 and Debt up $100

Issuing debt to buy assets affects financing and investing activities but does not change the income statement. When you issue $100 of debt, cash inflows under financing activities rise by $100. When you use that cash to purchase $100 of short-term securities, investing activities show an outflow of $100. The net effect on cash is zero, so the cash balance at the bottom remains unchanged. On the balance sheet, the short-term securities asset increases by $100 and the debt liability increases by $100, with no change to recorded income. That's why the best description is no income statement impact, investing cash flow decreases by $100, financing cash flow increases by $100, cash remains the same, and the balance sheet reflects higher short-term securities and higher debt. The other descriptions would imply an expense, an investing cash inflow, or a financing cash outflow, which doesn't match how this transaction unfolds.

SAMPLE

3. In a service contract with multiple performance obligations and variable consideration, what is the proper revenue recognition approach?

A. Recognize revenue upfront for all obligations and adjust later for variable consideration.

B. Recognize only when the contract is fully satisfied; ignore variable consideration.

C. Allocate price to one dominant obligation and recognize all revenue then.

D. Identify obligations, allocate transaction price to each obligation, recognize revenue as each obligation is satisfied, applying the constraint to variable consideration.

When a contract has multiple performance obligations and variable consideration, you recognize revenue as you satisfy each promised service or good, not all at once. The process starts with identifying each obligation separately and determining the total transaction price, which includes fixed amounts plus an estimate of variable consideration. Importantly, you apply a constraint to the variable portion: you only include as revenue the amount of variable consideration that is highly probable not to be reversed later. Then you allocate the transaction price to each obligation based on stand-alone selling prices (or an appropriate method) and recognize revenue for each obligation as it is satisfied, which could be over time if control transfers gradually or at a point in time if control passes at a specific moment. This approach ensures revenue reflects the transfer of each promised right and avoids overstating income due to premature recognition or ignores of the variability.

4. Goodwill in this scenario is best described as the excess of purchase price over which figure?

A. Seller's Liabilities

B. Seller's Assets

C. Seller's Equity (Book Value)

D. Purchase Price

Goodwill represents the premium a buyer pays over the net asset value of the company being acquired. In acquisition accounting, you first allocate the purchase price to the identifiable assets and liabilities at their fair values, and the difference between the purchase price and the net identifiable assets is recorded as goodwill. In many introductory contexts, that net asset base is proxied by the seller's equity (book value). So, goodwill is the excess of the purchase price over the seller's equity (book value). For example, if the purchase price is 1,000 and the seller's equity (book value) is 600, the goodwill would be 400. The other options don't represent the net asset base against which the purchase price is compared to determine goodwill.

SAMPLE

5. What is the purpose of a bank reconciliation and what are typical reconciling items?

A. To adjust the company's records to match market rates; reconciling items include interest income and dividends.

B. To explain differences between bank and book records; reconciling items include outstanding checks, deposits in transit, bank charges, and errors.

C. To forecast cash needs; reconciling items include projected receipts and payments.

D. To record all cash transactions in real time; reconciling items include petty cash adjustments and float.

Bank reconciliation explains the differences between the company's cash records and the bank statement and updates the books so the two balances line up. The goal is to bring the company's cash balance in its records into agreement with the bank's balance and to reveal timing differences or errors. Typical reconciling items include outstanding checks (payments issued but not yet cleared by the bank), deposits in transit (receipts recorded by the company but not yet by the bank), bank charges or service fees, and any errors found in either the bank or the company's records. Understanding these items helps you see why the balances differ and how to adjust the books accordingly.

6. At the end of Year 1, after earning interest and paying interest and repaying debt principal, what is the Net Income change?

A. Net Income increases by $3

B. Net Income increases by $6

C. Net Income decreases by $3

D. Net Income unchanged

Net income is driven by revenues and expenses recognized in the period. Interest income increases net income, while interest expense decreases it. Repayment of debt principal affects the balance sheet and cash flow, but it does not change net income. In this scenario, you earn 6 in interest and pay 3 in interest. The net effect on net income from these two items is +$3. The debt principal repayment doesn't alter net income, so the overall net income change is an increase of $3.

7. Which formula correctly computes Accounts Receivable Days?

A. Accounts Receivable Days = Accounts Receivable / Revenue × 365

B. Accounts Receivable Days = Accounts Receivable / COGS × 365

C. Accounts Receivable Days = Revenue / Accounts Receivable × 365

D. Accounts Receivable Days = (Accounts Receivable + Revenue) / 365

This question measures how long, on average, it takes to collect from customers—Days Sales Outstanding. The idea is to compare the amount tied up in accounts receivable with the speed of sales, using the ratio of receivables to credit sales, then scale to a year by multiplying by 365. When you approximate average accounts receivable with the ending balance and annual revenue with net credit sales, the correct expression is Accounts Receivable Days = Accounts Receivable ÷ Revenue × 365. If more money is owed to you relative to how quickly you generate sales, it takes longer to collect, so the days outstanding increases. Using cost of goods sold would not reflect cash collections from sales, since COGS pertains to production costs rather than sales on credit. Reversing the ratio would invert turnover, not measure days to collect. Adding revenue to receivables has no basis in this turnover calculation.

SAMPLE

8. Where is non-controlling interest shown in consolidated financial statements?

A. As a liability

B. In the equity section as a separate line only

C. As a separate component of equity and in the consolidated net income attributed to NCI

D. Not disclosed in consolidated statements

Non-controlling interest represents the portion of a subsidiary owned by other shareholders, not by the parent. In consolidated financial statements this interest is shown as a separate component of equity in the balance sheet, reflecting the ownership rights of those other shareholders. At the same time, the consolidated income statement presents the group's total profit but includes a line for the portion of net income attributable to non-controlling interests, so readers can see how much profit belongs to those minority owners. This dual treatment—as a distinct equity item and as a share of consolidated net income—keeps the parent's control and the minority interest clearly visible.

9. Depreciation is a non-cash expense; its effect on the balance sheet is to:

A. Reduce PP&E and increase cash flow

B. Increase PP&E and reduce cash flow

C. Increase cash and increase liabilities

D. Reduce cash and increase equity

Depreciation is a non-cash expense, so it lowers reported income without using cash. The balance sheet effect comes from accumulated depreciation, a contra-asset account that increases over time and reduces net PP&E. So net PP&E decreases. At the same time, the depreciation deduction reduces taxable income, lowering taxes and boosting cash flow from operations, which increases the cash the company holds. Put together, depreciation reduces PP&E (net) and increases cash flow, which is the best description of its balance sheet and cash flow impact.

10. Which revenue projection approach is generally more common and reliable, and why?

A. Bottoms-Up, because estimating big-picture numbers is almost impossible.

B. Tops-Down, because it starts with market size and market share.

C. They are equally common.

D. Neither method is used.

Bottoms-up builds revenue from concrete sales drivers, starting with expected unit volumes and price per unit and then aggregating to total revenue. This anchors the projection in what the business can actually produce and sell, making the numbers more realistic and harder to inflate with guesswork. Because of that grounding in observable activity, this approach is generally more common and reliable than starting from a large market size and assumed market share, which relies on broader, more uncertain assumptions. Top-down can be useful for quick sanity checks or scenario framing, but it tends to be less dependable as the primary forecast.

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://psiaaccounting.examzify.com

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

SAMPLE