REG CERTIFIED PUBLIC ACCOUNTANT (CPA) 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 are potential penalties for failing to file a tax return?

A. A fixed fee for every month late

B. A percentage of unpaid taxes for each month late

C. Only criminal charges

D. No penalties apply

2. What is a "K-1" form used for?

A. To report individual income tax

B. To report partnership and S corporation income

C. To apply for a tax exemption

D. To report estate income

3. What is one of the criteria for eligibility for the earned income tax credit (EITC)?

A. Filing status must be single

B. Must have multiple sources of income

C. Based on earned income and number of qualifying children

D. Only applicable to homeowners

4. Under what condition can taxpayers deduct charitable contributions?

A. When they do not itemize deductions

B. When donations are made to personal acquaintances

C. When donations are made to qualified charitable organizations

D. When they file a short form return

5. Which of the following forms is specifically designed for sole proprietors to report business income?

A. Form 1040

B. Form 1065

C. Schedule C

D. Form W-2

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6. What is considered a taxable event in relation to cryptocurrency?

A. Holding cryptocurrency

B. Airdrops of cryptocurrency

C. A sale or exchange of cryptocurrency for cash or property

D. Buying cryptocurrency

7. What is the limit for charitable contributions for long-term capital gain property for individuals?

A. 100% of AGI

B. 30% of AGI

C. 50% of AGI

D. 20% of AGI

8. In the context of real defenses, which determination is made about the statute of limitations?

A. It has a universal time limit of 5 years

B. It varies by the type of instrument

C. It is indefinite and unbounded

D. It applies only to notes, not drafts

9. What documentation is necessary to support a dependency exemption claim?

A. Only proof of income

B. Specific documents proving relationship and residency

C. Tax returns from the past three years

D. Testimonials from neighbors

10. Under what circumstance is a child's age relevant for dependent claims?

A. If the child is over 21 years old

B. If the child is under 19 years old

C. If the child is under 18 years old

D. If the child is married

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Answers

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

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Explanations

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1. What are potential penalties for failing to file a tax return?

A. A fixed fee for every month late

B. A percentage of unpaid taxes for each month late

C. Only criminal charges

D. No penalties apply

The potential penalties for failing to file a tax return are primarily based on the percentage of unpaid taxes owed for each month the return is late. This penalty serves as a way to encourage timely filing and compliance with tax obligations. Specifically, the IRS imposes a failure-to-file penalty, which is calculated as a percentage of the outstanding tax debt. This penalty typically starts at 5% of the unpaid tax amount for each month (or part of a month) the return is overdue, and it can increase the longer the return remains unfiled. This method of assessment reflects the IRS's focus on ensuring that taxpayers meet their filing responsibilities and pay any taxes owed, rather than imposing a fixed fee, which may not appropriately account for the size of the tax debt being reported. Furthermore, criminal charges are generally not the first recourse for failing to file a tax return; these are reserved for more severe failures to comply with tax laws, particularly in instances of willful tax evasion or fraud. Lastly, stating that no penalties apply is incorrect, as the IRS has established clear penalties for late filings to promote accountability among taxpayers.

2. What is a "K-1" form used for?

A. To report individual income tax

B. To report partnership and S corporation income

C. To apply for a tax exemption

D. To report estate income

The K-1 form is specifically utilized to report income, deductions, and credits from partnerships and S corporations to their respective partners or shareholders. When a partnership or S corporation generates income, this income is not taxed at the business level; instead, it passes through to the individual partners or shareholders. The K-1 form provides each stakeholder with their share of the entity's financial results for the tax year, which they then report on their individual tax returns. This mechanism ensures that income is only taxed once at the individual level, adhering to the pass-through taxation principle associated with these structures. While other forms serve different purposes in tax reporting, such as individual income tax returns or estate income reports, the K-1 is distinct in its role regarding the distribution of income from specific business entities not subject to corporate tax. It plays a crucial role in how the IRS tracks the income that is reported by partners and shareholders, thereby helping ensure accurate tax compliance.

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3. What is one of the criteria for eligibility for the earned income tax credit (EITC)?

A. Filing status must be single

B. Must have multiple sources of income

C. Based on earned income and number of qualifying children

D. Only applicable to homeowners

One of the key criteria for eligibility for the earned income tax credit (EITC) is indeed based on earned income and the number of qualifying children. The EITC is designed to provide financial relief to low-to-moderate-income working individuals and families, particularly those with children. To qualify for the EITC, taxpayers must have earned income from employment or self-employment, and the amount of the credit can vary depending on the number of qualifying children they have. The presence of qualifying children can significantly increase the amount of the credit available, as the EITC is intended to lift families out of poverty by supplementing their earnings. Having multiple sources of income or a particular filing status does not determine eligibility; rather, it is the combination of earned income and the number of qualifying children that directly impacts the credit's applicability. Additionally, being a homeowner is not a requirement for receiving the EITC, as the credit is focused solely on earned income and the taxpayers' dependent status.

4. Under what condition can taxpayers deduct charitable contributions?

A. When they do not itemize deductions

B. When donations are made to personal acquaintances

C. When donations are made to qualified charitable organizations

D. When they file a short form return

Taxpayers can deduct charitable contributions when they are made to qualified charitable organizations. This is in accordance with IRS guidelines, which require that donations must be made to organizations that have been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The contributions must be made with the intention of supporting the charitable mission of the organization. This deduction helps to incentivize charitable giving and allows taxpayers to offset their taxable income by the amount donated, thereby potentially reducing their overall tax burden. It is important to ensure that the organization to which donations are made is recognized as a qualified charitable entity and that appropriate documentation, such as receipts, is maintained for tax filing purposes. Donations to individuals, such as friends or relatives, do not qualify for this deduction, regardless of the intent behind the gift, nor do contributions made to non-qualified organizations. Furthermore, taxpayers must itemize their deductions to benefit from these contributions, meaning that simply filing a short form return does not influence the ability to make a deduction for charitable contributions if other criteria are not met.

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5. Which of the following forms is specifically designed for sole proprietors to report business income?

A. Form 1040

B. Form 1065

C. Schedule C

D. Form W-2

Sole proprietors use Schedule C to report their business income and expenses as part of their individual income tax return. Schedule C, titled "Profit or Loss from Business," is specifically designed for individuals operating a business as a sole proprietorship. When filing their annual Form 1040, sole proprietors attach Schedule C to detail their business revenues, allowable deductions, and ultimately their net profit or loss, which is then transferred to Form 1040. While Form 1040 is the main individual tax return where all income must be reported, it is not exclusive to sole proprietors and encompasses all types of income. Form 1065 is used for partnerships, and Form W-2 reports wages paid to employees by employers, which does not apply in the case of a sole proprietor reporting their business income. Thus, Schedule C is the correct choice for sole proprietors to accurately reflect their business income.

6. What is considered a taxable event in relation to cryptocurrency?

A. Holding cryptocurrency

B. Airdrops of cryptocurrency

C. A sale or exchange of cryptocurrency for cash or property

D. Buying cryptocurrency

A taxable event in relation to cryptocurrency occurs when there is a realization of gain or loss, which typically happens during a sale or exchange of cryptocurrency for cash or property. This means that when you sell cryptocurrency for fiat currency, exchange it for another cryptocurrency, or use it to purchase goods or services, the transaction must be reported for tax purposes. The Internal Revenue Service (IRS) views such transactions as capital gains or losses, necessitating appropriate reporting on your tax return. Holding cryptocurrency, performing airdrops, or simply buying cryptocurrency do not constitute taxable events. Holding does not trigger a tax liability as there is no sale or exchange. Airdrops may have implications, but simply receiving them may not necessarily result in immediate tax liability until the cryptocurrency is sold or exchanged. Buying cryptocurrency also does not create a taxable event, as you have not realized any gain or loss at that moment; the tax implication arises when you engage in transactions involving that cryptocurrency. Therefore, the sale or exchange of the cryptocurrency is the clear taxable event recognized under current tax law.

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7. What is the limit for charitable contributions for long-term capital gain property for individuals?

A. 100% of AGI

B. 30% of AGI

C. 50% of AGI

D. 20% of AGI

The limit for charitable contributions of long-term capital gain property for individuals is indeed 30% of adjusted gross income (AGI). This rule applies to property that has been held for more than one year and has appreciated in value, allowing the donor to deduct the fair market value of the property at the time of donation. When individuals contribute such assets to qualified charitable organizations, the IRS encourages charitable giving but places a cap on the deduction to prevent excessive tax avoidance strategies. The 30% limit specifically applies to gifts of capital gain property, while cash contributions and certain other property types can have different deduction limits. Understanding this limitation is crucial for tax planning, as contributing long-term capital gain property not only offers a charitable deduction based on fair market value but also avoids capital gains taxes that would have arisen had the property been sold. Thus, knowing the deduction limit helps taxpayers strategize their charitable giving in a tax-efficient manner.

8. In the context of real defenses, which determination is made about the statute of limitations?

A. It has a universal time limit of 5 years

B. It varies by the type of instrument

C. It is indefinite and unbounded

D. It applies only to notes, not drafts

The determination regarding the statute of limitations in the context of real defenses is that it varies by the type of instrument. Different types of financial instruments, such as notes, drafts, and guarantees, can have different specific time limits set by law for bringing forward claims or defenses. For example, a promissory note may have a distinct statute of limitations compared to a mortgage or a bond, with each jurisdiction potentially having varied statutes defining these periods. Understanding this variability is important for parties involved in financial transactions, as it affects their rights and the timeframe within which they can seek enforcement of those rights or defenses. Therefore, recognizing that the statute of limitations can differ based on the instrument type is essential for accurately navigating legal responsibilities and defenses related to financial agreements.

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9. What documentation is necessary to support a dependency exemption claim?

A. Only proof of income

B. Specific documents proving relationship and residency

C. Tax returns from the past three years

D. Testimonials from neighbors

To support a dependency exemption claim, it is essential to provide specific documents that prove the relationship and residency of the dependent. This is crucial because the IRS has established clear criteria for what constitutes a qualifying dependent, which includes both familial relationships and the requirement that the dependent must reside with the taxpayer for more than half of the year. For instance, acceptable documentation could include birth certificates, adoption papers, or any legal documentation that verifies the relationship between the taxpayer and the dependent. Additionally, proof of residency can be demonstrated through documents such as school records, medical records, or even utility bills showing the dependent's address. The other options lack the necessary documentation required by the IRS. For example, simply providing proof of income does not establish the dependent's relationship or residency. Tax returns from previous years might not be relevant to the current claim of dependency. Meanwhile, testimonials from neighbors do not provide the official, verifiable proof required under IRS guidelines for supporting dependency claims. Thus, the importance of providing specific documents verifying both the relationship and the residency cannot be overstated, making that the correct choice.

10. Under what circumstance is a child's age relevant for dependent claims?

A. If the child is over 21 years old

B. If the child is under 19 years old

C. If the child is under 18 years old

D. If the child is married

A child's age is particularly relevant for determining dependent claims because the tax code provides specific age thresholds that affect eligibility for claiming a child as a dependent. A child must be under 19 years old at the end of the tax year to qualify as a qualifying child for dependent status unless they are a full-time student or have a disability. Claiming a child under 19 allows the taxpayer to take advantage of various tax benefits such as the Child Tax Credit and the Earned Income Tax Credit. If the child is 19 or older, they would not qualify as a dependent child unless they are a full-time student under the age of 24. The situation also varies if the child is totally and permanently disabled. The significance of these age limits is crucial in ensuring the taxpayer meets the requirements set by the Internal Revenue Service (IRS) for tax benefits. Therefore, understanding the importance of a child's age in context helps navigate the regulations surrounding dependent claims effectively.

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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://regcpa.examzify.com

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

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