STATE BPA FUNDAMENTAL ACCOUNTING PRACTICE EXAM (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. In what type of account is the owner's withdrawal recorded?

A. Asset account

B. Liability account

C. Capital account

D. Withdrawal account

2. What type of account is typically credited when a company earns revenue?

A. Asset Account

B. Liability Account

C. Revenue Account

D. Expense Account

3. What are the main financial statements used in accounting?

A. The Income Statement, Statement of Changes in Equity, and Cash Flow Statement

B. The Income Statement, Balance Sheet, and Cash Flow Statement

C. The Balance Sheet, Statement of Comprehensive Income, and Statement of Cash Flows

D. The Income Statement, Budget Report, and Statement of Financial Position

4. What is closed into the income summary at the end of a fiscal period?

A. Expense accounts

B. Revenue accounts

C. Asset accounts

D. Liability accounts

5. What does the business entity concept state?

A. That businesses can commingle personal assets

B. That personal and business finances are separate

C. That liabilities can be transferred between entities

D. That financial records should align with tax laws

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6. If the total of the income statement debit column is greater than the credit column, what can be concluded?

A. The company earned net income

B. The company incurred a net loss

C. The records are incorrect

D. More revenue was recorded

7. What method records income when earned and expenses when incurred?

A. Cash Basis Accounting

B. Accrual Basis of Accounting

C. Modified Cash Basis

D. Hybrid Accounting

8. What is the main function of the statement of cash flows?

A. To calculate net income for the accounting period

B. To provide insights into cash inflows and outflows

C. To summarize balance sheet information

D. To project future financial performance

9. The concept that financial statements should be prepared using consistent evaluation methods is known as?

A. Consistency principle

B. Objectivity principle

C. Accrual principle

D. Materiality concept

10. What characterizes a closing entry in accounting?

A. An entry made to change expenses

B. An entry that moves temporary account balances to permanent accounts

C. A record of customer payments

D. A budget estimate for the next period

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Answers

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

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Explanations

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1. In what type of account is the owner's withdrawal recorded?

A. Asset account

B. Liability account

C. Capital account

D. Withdrawal account

The owner's withdrawal is recorded in a withdrawal account, typically classified under the capital account. This account specifically tracks any distributions or withdrawals made by the owner from the business. These withdrawals reduce the equity of the owner in the business, directly affecting the overall capital position. Recording withdrawals in a designated account helps to clearly differentiate them from regular business expenses or liabilities. This enables a clear understanding of how much the owner has taken out of the business, which is crucial for maintaining accurate financial records and determining the net worth of the owner's investment in the business. The use of a withdrawal account also allows for easy tracking of equity changes resulting from owner transactions.

2. What type of account is typically credited when a company earns revenue?

A. Asset Account

B. Liability Account

C. Revenue Account

D. Expense Account

When a company earns revenue, it typically credits a revenue account. This is because revenue accounts represent the income generated from normal business operations, such as sales of goods or services. When revenue is earned, it increases the equity of the business, which is reflected by crediting the revenue account. In accounting, revenue is recognized when it is earned, regardless of when the cash is received. Crediting the revenue account increases the amount of revenue reported on the income statement, which ultimately affects the net income reported on the company's financial statements. This practice aligns with the accrual basis of accounting, emphasizing the matching of revenue with expenses incurred to generate that revenue. Understanding this concept is crucial for grasping how financial transactions impact the fundamental accounting equation: Assets = Liabilities + Equity. Revenue affects equity by increasing it, thereby supporting the overall financial health of the business.

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3. What are the main financial statements used in accounting?

A. The Income Statement, Statement of Changes in Equity, and Cash Flow Statement

B. The Income Statement, Balance Sheet, and Cash Flow Statement

C. The Balance Sheet, Statement of Comprehensive Income, and Statement of Cash Flows

D. The Income Statement, Budget Report, and Statement of Financial Position

The main financial statements used in accounting are the Income Statement, Balance Sheet, and Cash Flow Statement. Each of these statements serves a specific purpose and provides critical information about a company's financial performance and position. The Income Statement reflects a company's performance over a specific period, detailing revenues and expenses to determine net income or loss. This statement is vital for understanding how effectively a company is generating profit from its operations. The Balance Sheet provides a snapshot of a company's financial position at a particular point in time, outlining its assets, liabilities, and equity. This statement is essential for stakeholders to assess the company's financial health and how well it is managing its resources. The Cash Flow Statement tracks the inflow and outflow of cash within a business over a period, categorized into operating, investing, and financing activities. This statement is crucial for evaluating the company's liquidity and its ability to generate cash to meet obligations. Together, these statements offer a comprehensive view of a company's financial status, performance over time, and liquidity, making them foundational elements of financial accounting. Other options include statements that are relevant but do not represent the primary financial statements used universally in accounting.

4. What is closed into the income summary at the end of a fiscal period?

A. Expense accounts

B. Revenue accounts

C. Asset accounts

D. Liability accounts

At the end of a fiscal period, the income summary is used as part of the closing process to summarize and transfer the balances of temporary accounts to retained earnings. The revenue accounts are closed into the income summary to reflect the total income earned during that period. When revenue accounts are closed, their balances are zeroed out, and the totals are aggregated into the income summary. This allows for a clear calculation of net income or loss for the period, as the income summary will contain both the total revenues and total expenses, enabling the calculation of net income (revenues minus expenses). By closing revenue accounts into the income summary, the financial statements can accurately reflect the company's performance over the fiscal period when they are ultimately prepared. This is a key part of the accounting cycle, helping to prepare the accounts for the next period by resetting temporary accounts.

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5. What does the business entity concept state?

A. That businesses can commingle personal assets

B. That personal and business finances are separate

C. That liabilities can be transferred between entities

D. That financial records should align with tax laws

The business entity concept is fundamental in accounting and ensures that the financial activities of a business are distinct from the personal financial activities of its owners or any other entities. This concept asserts that the business is viewed as a separate legal entity, which means that the personal assets and liabilities of the owners should not be mixed with those of the business. This principle is essential for accurate financial reporting, as it helps in obtaining a clear picture of the business's financial position without personal influences. For example, if an owner uses personal funds to pay for business expenses or vice versa, it complicates the financial records and can lead to misinterpretation of the company's performance. By maintaining separate personal and business finances, stakeholders can better assess the company's profitability, financial health, and obligations. The other options do not accurately reflect the essence of the business entity concept. For instance, commingling personal and business assets contradicts the entity's premise, and transferring liabilities between entities is not a foundational principle of accounting. While aligning financial records with tax laws is important, it is not specific to the separation of business and personal financial matters as dictated by the business entity concept.

6. If the total of the income statement debit column is greater than the credit column, what can be concluded?

A. The company earned net income

B. The company incurred a net loss

C. The records are incorrect

D. More revenue was recorded

When the total of the income statement debit column exceeds the total of the credit column, it indicates that expenses and losses have outpaced revenues for the period. In accounting, the income statement summarizes a company's revenues and expenses; revenues are recorded as credits and expenses are recorded as debits. If the debit total is greater, it means that the total expenses are higher than the total revenues, resulting in a net loss for the company during that specific reporting period. This conclusion reflects that the company did not generate enough income to cover its expenses, leading to a negative financial outcome. Therefore, it is appropriate to characterize this situation as a net loss.

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7. What method records income when earned and expenses when incurred?

A. Cash Basis Accounting

B. Accrual Basis of Accounting

C. Modified Cash Basis

D. Hybrid Accounting

The accrual basis of accounting is a method that recognizes income when it is earned and expenses when they are incurred, regardless of when the cash transactions occur. This approach aligns with the realization principle and the matching principle, both of which are fundamental to generally accepted accounting principles (GAAP). Under accrual accounting, revenue is recorded when a business delivers goods or services, reflecting the true financial position and performance of the company during a specific period. Similarly, expenses are recorded when the obligation to pay arises, which may occur before or after cash is exchanged. This method provides a more accurate picture of a company's financial health, as it accounts for all resources that are generated and used in operations, thus allowing for better financial planning and analysis. In contrast to this method, other alternatives like cash basis accounting recognize income and expenses only when cash is received or paid, which may lead to distortions in financial reporting, particularly in businesses that have fluctuating cash flows. Modified cash basis and hybrid accounting combine elements of both accrual and cash basis, but do not fully adhere to the approach of recording income and expenses based on their earning and incurring, respectively.

8. What is the main function of the statement of cash flows?

A. To calculate net income for the accounting period

B. To provide insights into cash inflows and outflows

C. To summarize balance sheet information

D. To project future financial performance

The statement of cash flows primarily serves to provide insights into cash inflows and outflows for a business over a specific accounting period. This financial statement is crucial because it highlights how cash is generated and utilized in operating, investing, and financing activities. Understanding cash flow is vital for assessing a company's liquidity, financial flexibility, and overall financial health. Through this statement, stakeholders can identify how well a company can generate cash to fund its operations, pay debts, and invest in future growth. It complements the income statement and balance sheet by focusing specifically on cash movements, which are essential for evaluating the company's operational efficiency and short-term viability. This function underscores the importance of cash management in maintaining business solvency and planning for future funding needs.

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9. The concept that financial statements should be prepared using consistent evaluation methods is known as?

A. Consistency principle

B. Objectivity principle

C. Accrual principle

D. Materiality concept

The concept that financial statements should be prepared using consistent evaluation methods is known as the consistency principle. This principle is essential in accounting as it ensures that the same financial reporting methods are applied from one accounting period to the next. By adhering to consistent evaluation methods, financial statements become more comparable over time, which aids users in analyzing trends, making forecasts, and understanding the financial position of the entity. Overall, consistency enhances the reliability and integrity of financial reports, thus fostering trust among investors, creditors, and other stakeholders. The other principles mentioned serve different purposes. The objectivity principle emphasizes the need for financial reporting to be based on unbiased and verifiable evidence. The accrual principle pertains to recognizing revenues and expenses when they occur, regardless of cash transactions. The materiality concept relates to the significance of information in influencing the decisions of users of financial statements. Each of these principles plays a vital role in accounting, but none address the consistency required in evaluation methods like the consistency principle does.

10. What characterizes a closing entry in accounting?

A. An entry made to change expenses

B. An entry that moves temporary account balances to permanent accounts

C. A record of customer payments

D. A budget estimate for the next period

A closing entry in accounting is specifically designed to move the balances from temporary accounts, such as revenues and expenses, to permanent accounts, typically reflected in retained earnings. This process is crucial at the end of an accounting period as it ensures that the temporary accounts start with a zero balance in the new period, allowing for a clear distinction between fiscal years. By transferring these balances, the closing entry helps to summarize the financial performance of the business for the period just ended and integrates that performance into the overall equity of the company. The other choices do not accurately reflect the purpose and nature of a closing entry. Changing expenses does not involve the systematic closing of accounts, customer payment records pertain to cash flow management rather than account balancing, and budget estimates are more about future planning than accounting practices at period-end. Thus, focusing on how temporary account balances are transitioned into permanent accounts defines the essence of a closing entry.

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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://bpa-fundamentalaccounting.examzify.com

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

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