

TEXAS A&M UNIVERSITY (TAMU) ACCT 209 SURVEY OF ACCOUNTING PRINCIPLES EXAM 1 PRACTICE (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.

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!

Questions

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- 1. Which financial statement would you consult to assess liquidity and debt levels at a point in time?**
 - A. Income Statement
 - B. Statement of Retained Earnings
 - C. Statement of Cash Flows
 - D. Balance Sheet
- 2. Which of the following accounts is classified as an asset?**
 - A. Accounts Payable
 - B. Wages Payable
 - C. Supplies
 - D. Common Stock
- 3. Which statement reports a company's financial position as of a specific date?**
 - A. Income Statement
 - B. Balance Sheet
 - C. Statement of Retained Earnings
 - D. Statement of Cash Flows
- 4. Accounts Receivable is categorized under which general ledger category?**
 - A. Asset
 - B. Liability
 - C. Equity
 - D. Revenue
- 5. Which statement best describes the effect of revenue on stockholders' equity?**
 - A. Revenue decreases stockholders' equity
 - B. Revenue increases stockholders' equity
 - C. Revenue has no effect on stockholders' equity
 - D. Revenue increases liabilities

6. Which statement shows the primary effect of recognizing revenue?

- A. Balance Sheet
- B. Statement of Retained Earnings
- C. Cash Flow Statement
- D. Income Statement

7. Which is an equity account?

- A. Common Stock
- B. Taxes Payable
- C. Interest Payable
- D. Bonds Payable

8. Which statement shows the profitability for a period?

- A. Balance Sheet
- B. Income Statement
- C. Statement of Retained Earnings
- D. Cash Flow Statement

9. Dividends have which normal balance?

- A. Debit
- B. Credit
- C. None
- D. Debit (dividends)

10. Which of the following is a liability?

- A. Land
- B. Wages Payable
- C. Office Furniture
- D. Prepaid Expenses

Answers

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

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Explanations

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1. Which financial statement would you consult to assess liquidity and debt levels at a point in time?

- A. Income Statement
- B. Statement of Retained Earnings
- C. Statement of Cash Flows
- D. Balance Sheet**

Assessing liquidity and debt levels at a specific moment comes from a snapshot of the company's financial position. The Balance Sheet shows assets, liabilities, and shareholders' equity as of a given date, making it the primary source to gauge both liquidity and leverage. Liquidity is about the ability to meet short-term obligations, which you see through current assets and current liabilities and measures like working capital. Debt levels are reflected in the total liabilities and the mix of debt relative to equity. The other statements don't provide that point-in-time picture. The Income Statement summarizes performance over a period (revenues and expenses), not the exact balances on a specific date. The Statement of Retained Earnings shows changes in retained earnings over a period, not the current financial position. The Statement of Cash Flows tracks cash receipts and payments over a period, not the asset and liability balances at a moment in time.

2. Which of the following accounts is classified as an asset?

- A. Accounts Payable
- B. Wages Payable
- C. Supplies**
- D. Common Stock

Assets are resources a business owns that are expected to provide future economic benefits. Supplies fit this because they are items the company possesses and will use in its operations, such as paper or pens. They are resources that will help generate future benefits and are reported as an asset on the balance sheet (typically a current asset since they are used within a year). When these supplies are consumed, they become an expense and their carrying amount is reduced. In contrast, accounts payable and wages payable are obligations the company owes to others (liabilities), and common stock represents the owners' claim to the business (equity). So supplies is the asset among the options.

3. Which statement reports a company's financial position as of a specific date?

- A. Income Statement
- B. Balance Sheet**
- C. Statement of Retained Earnings
- D. Statement of Cash Flows

The main idea here is that the balance sheet shows the company's financial position at a specific moment in time. It provides a snapshot of what the company owns (assets), what it owes (liabilities), and the residual interest of owners (equity) as of a given date. Other statements summarize activities over a period—revenues and expenses on the income statement, cash inflows and outflows on the statement of cash flows, and changes in retained earnings over a period on the statement of retained earnings—so they aren't tied to a single date. That point-in-time nature is what makes the balance sheet the correct choice.

4. Accounts Receivable is categorized under which general ledger category?

- A. Asset**
- B. Liability
- C. Equity
- D. Revenue

Accounts Receivable belongs in the asset category on the general ledger. It represents the amount customers owe the company for goods or services already delivered, a future cash inflow the company expects to realize. Because it signifies resources controlled by the business that will bring economic benefits, it fits the definition of an asset. It's typically shown as a current asset since collection is expected within a year or the operating cycle. It increases when sales are made on credit and decreases when customers pay or when amounts are written off or adjusted for doubtful collections. It's not a liability (an obligation to others), not equity (owner's claim on assets), and not revenue (income from operations). In practice, there may be a contra-asset account like allowance for doubtful accounts that reduces Accounts Receivable to net realizable value.

5. Which statement best describes the effect of revenue on stockholders' equity?

- A. Revenue decreases stockholders' equity
- B. Revenue increases stockholders' equity**
- C. Revenue has no effect on stockholders' equity
- D. Revenue increases liabilities

Revenue increases stockholders' equity because earning revenue boosts net income, and net income adds to retained earnings, which is a component of stockholders' equity. When a business makes sales, it typically receives or expects to receive cash (an asset), and the accounting entry credits revenue. The flip side is that the cumulative net income raises retained earnings in the equity section. Over time, these earnings accumulate to raise the owners' claim on the company, unless dividends or losses offset them. So, the activity of generating revenue ultimately leads to higher stockholders' equity.

6. Which statement shows the primary effect of recognizing revenue?

- A. Balance Sheet
- B. Statement of Retained Earnings
- C. Cash Flow Statement
- D. Income Statement**

Recognizing revenue records the earnings for the period, and the primary place this shows is the income statement. Revenue that is earned increases the top line on the income statement, and after subtracting expenses it flows into net income. That is the main effect of revenue recognition. The balance sheet and cash flow statement reflect secondary consequences: higher net income boosts retained earnings in shareholders' equity, and revenue earned on account increases assets like accounts receivable (or cash if collected). But the most direct and immediate impact of recognizing revenue is on the income statement.

7. Which is an equity account?

- A. Common Stock
- B. Taxes Payable
- C. Interest Payable
- D. Bonds Payable

The main idea is distinguishing equity from liabilities. Equity accounts represent the owners' claim on the company's assets, reflecting contributed capital and retained earnings. Common Stock shows the capital owners have invested in the company and represents ownership interests, so it sits in the shareholders' equity section. The other items are obligations the company must pay in the future (liabilities): taxes payable is what the company owes to the government, interest payable is the owed interest, and bonds payable is debt issued to lenders. Because they are debts rather than ownership interests, they belong in liabilities, not equity. On the balance sheet, assets equal liabilities plus equity, which is why common stock is categorized as equity.

8. Which statement shows the profitability for a period?

- A. Balance Sheet
- B. Income Statement
- C. Statement of Retained Earnings
- D. Cash Flow Statement

Profitability over a period is shown on the income statement. It summarizes revenues and expenses for a specific time frame—such as a month, quarter, or year—and reports net income or net loss for that period. This focus on performance during the interval is what makes it the go-to source for judging how profitable the entity was. The balance sheet reflects what the company owns and owes at a moment in time, not how it performed during the period. The cash flow statement tracks actual cash receipts and payments, highlighting liquidity rather than overall profitability. The statement of retained earnings shows how retained earnings changed during the period (including net income and dividends) but doesn't present the full profit picture in the same way the income statement does.

9. Dividends have which normal balance?

- A. Debit
- B. Credit
- C. None
- D. Debit (dividends)

Dividends reduce stockholders' equity, so the account that records them carries a debit balance. When dividends are declared and paid, you debit Dividends (increasing that account) and credit Cash or Dividends payable. At period end, dividends are closed to Retained Earnings by debiting Retained Earnings and crediting Dividends, which lowers Retained Earnings by the amount of the distribution. That's why the normal balance for this account is a debit, and the standard way to reflect it is the Debit (dividends) option.

10. Which of the following is a liability?

- A. Land
- B. Wages Payable**
- C. Office Furniture
- D. Prepaid Expenses

A liability is a present obligation to transfer assets or provide services in the future, arising from past events. Wages payable fits this because it represents wages earned by employees but not yet paid, creating a current obligation to payout cash. That's why it appears on the balance sheet as a current liability. The other items are not liabilities: land is an asset because it will provide future benefits to the company; office furniture is also an asset for the same reason. Prepaid expenses are assets too, since they represent payments made in advance for goods or services that will be consumed later.

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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://tamu-acct209exam1.examzify.com>

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

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