UNLV ACCOUNTING COMPETENCY 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. What needs to be adjusted when dealing with discounted notes receivable?

A. Subtracted from the total of notes receivable

B. Added as a separate asset

C. Reflected only as an expense

D. Added back to the cash flow statement

2. Which of the following best describes the concept of equity?

A. The total liabilities of a company

B. The value of the company's assets after liabilities are deducted

C. The revenue earned by the company in a given period

D. The cash flow from operating activities

3. Which of the following statements about financial reports is correct?

A. They are primarily for internal stakeholders only

B. They present a comprehensive view of a company's financial health

C. They only include revenue and expense figures

D. They are solely used for tax purposes

4. Which statement best describes financial audits?

A. Evaluations of historical financial performance

B. Reviews of financial statements for accuracy and compliance

C. Assistance with tax preparation

D. Reviews aimed at predicting future cash flows

5. Which group of users is most likely concerned with short-term financial information?

A. Investors

B. Employees

C. Suppliers and trade creditors

D. Long-term lenders

6. What does the term "liquidity" refer to in accounting?

A. The profit margin of a company

B. The ability of a company to meet its short-term obligations

C. The total value of a company's assets

D. The long-term financial stability of a business

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7. How are dividends treated in accounting?

A. Dividends increase retained earnings

B. Dividends are considered a liability until paid

C. Dividends do not affect the net income

D. Dividends reduce retained earnings

8. Which type of account typically has a credit balance?

A. Assets

B. Expenses

C. Liabilities

D. Withdrawals

9. What constitutes cash in accounting?

A. Only physical currency in hand

B. Funds in banks and petty cash

C. Only securities easily convertible to cash

D. Corporate bonds held by the company

10. In accounting, what does the face value of notes receivable commonly indicate?

A. The minimum amount a business will receive

B. The total liabilities of a business

C. The maximum limit for future borrowing

D. The preferred amount of sales revenue

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Answers

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

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Explanations

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1. What needs to be adjusted when dealing with discounted notes receivable?

A. Subtracted from the total of notes receivable

B. Added as a separate asset

C. Reflected only as an expense

D. Added back to the cash flow statement

When dealing with discounted notes receivable, it is essential to subtract the discount from the total of notes receivable to accurately reflect their present value. Discounted notes receivable represent the amount that is less than the face value, as they are sold at a discount to face value prior to maturity. This discount reflects the interest cost of obtaining cash before the note's maturity date. By subtracting this discount, the accounting records provide an accurate representation of the collectible amount expected from the note. This adjustment is vital for ensuring that the financial statements represent a true and fair view of the entity's financial position, as it accounts for the time value of money. Treating the discounted amount properly ensures that stakeholders have a clear understanding of the actual value of the receivables, conforming with accounting principles such as the matching principle.

2. Which of the following best describes the concept of equity?

A. The total liabilities of a company

B. The value of the company's assets after liabilities are deducted

C. The revenue earned by the company in a given period

D. The cash flow from operating activities

The concept of equity is best described as the value of the company's assets after liabilities are deducted. This representation of equity reflects the residual interest in the assets of a company once all its obligations have been settled. In accounting terms, equity is often seen in the balance sheet as a crucial part of the accounting equation, which is Assets = Liabilities + Equity. In this framework, equity essentially represents what shareholders own in the company after claims from creditors have been satisfied. This understanding is fundamental for analyzing a company's financial health, as it helps investors and managers gauge the net worth and overall financial position of the business. Recognizing equity as the difference between total assets and total liabilities allows stakeholders to see how much value remains for shareholders, which is critical for investment decisions and assessing company performance over time.

3. Which of the following statements about financial reports is correct?

A. They are primarily for internal stakeholders only

B. They present a comprehensive view of a company's financial health

C. They only include revenue and expense figures

D. They are solely used for tax purposes

Financial reports are essential tools that provide a comprehensive overview of a company's financial health. They encompass a wide range of financial information, including balance sheets, income statements, cash flow statements, and statements of changes in equity. These reports are designed to give stakeholders—both internal and external—insight into the organization's performance, profitability, and financial position. The comprehensive nature of financial reports allows users to analyze not just revenue and expenses, but also assets, liabilities, and equity, which are crucial for making informed decisions. Investors, creditors, management, and regulatory agencies rely on this information to assess the company's viability and make strategic choices. Other choices, such as focusing solely on internal stakeholders or limiting the reports to revenue and expense figures, misrepresent the purpose and utility of financial reports. Additionally, the idea that financial reports are only used for tax purposes overlooks their broader applications, such as investment analysis, performance assessment, and financial planning.

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4. Which statement best describes financial audits?

A. Evaluations of historical financial performance

B. Reviews of financial statements for accuracy and compliance

C. Assistance with tax preparation

D. Reviews aimed at predicting future cash flows

Financial audits are primarily concerned with the accuracy and compliance of financial statements. This process involves an independent evaluation of an organization's financial reports and records, ensuring that they present a true and fair view of its financial position and performance in line with applicable accounting standards. During a financial audit, auditors examine the financial statements, assess the internal controls, and verify the accuracy of the information reported. The goal is to provide an opinion on whether the financial statements are free from material misstatement, whether due to fraud or error. This level of scrutiny is essential for maintaining the integrity of financial reporting, which is crucial for stakeholders, including investors, creditors, and regulatory bodies. While the other options touch on relevant aspects of financial reporting or other financial services, they do not encapsulate the primary focus of financial audits as effectively as the understanding of compliance and accuracy in financial statement reviews. Evaluating historical performance and assisting with tax preparation are important but are not the main objectives of a financial audit. Similarly, predicting future cash flows falls outside the scope of what a financial audit entails, as audits focus on historic transactions and their reporting.

5. Which group of users is most likely concerned with short-term financial information?

A. Investors

B. Employees

C. Suppliers and trade creditors

D. Long-term lenders

Suppliers and trade creditors are indeed the group most likely to be concerned with short-term financial information. Their primary interest revolves around understanding a company's liquidity and ability to meet its short-term obligations. This is crucial for suppliers and creditors who extend credit terms and need assurance that they will be paid in a timely manner. Short-term financial information, such as balance sheets highlighting current assets and liabilities and income statements reflecting recent performance, provides insights into cash flows and overall operational efficiency. Suppliers want to ensure that the company can fulfill its payment obligations for goods and services provided, while trade creditors need to assess the creditworthiness of the entity to determine the level of risk involved in providing short-term financing. On the other hand, while investors may have interest in short-term performance, their focus is often broader, incorporating both short and long-term metrics to assess overall financial health and growth potential. Employees might seek information relevant to their job security and compensation rather than just short-term financial results. Long-term lenders tend to focus more on the long-term viability and stability of the company, including its long-term assets and strategic plans, rather than short-term financial data alone.

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6. What does the term "liquidity" refer to in accounting?

A. The profit margin of a company

B. The ability of a company to meet its short-term obligations

C. The total value of a company's assets

D. The long-term financial stability of a business

Liquidity in accounting refers to the ability of a company to meet its short-term obligations, which include liabilities that are typically due within one year. This concept is crucial for assessing a company's financial health because it indicates how easily a company can convert its assets into cash to pay off debts and cover operational expenses. When a company has high liquidity, it means that it possesses sufficient cash or easily convertible assets, like marketable securities or accounts receivable, to address short-term financial commitments. This ability ensures that the company can continue its operations without facing financial distress, especially during times of low revenue or unexpected expenses. In contrast, the other options focus on different aspects of a company's financial performance or structure. The profit margin relates to profitability rather than liquidity. The total value of a company's assets is a measure of its resources but does not directly reflect how quickly these assets can be turned into cash. Long-term financial stability deals with a company's overall solvency and its capacity to sustain operations over an extended period, which is different from the immediate needs addressed by liquidity.

7. How are dividends treated in accounting?

A. Dividends increase retained earnings

B. Dividends are considered a liability until paid

C. Dividends do not affect the net income

D. Dividends reduce retained earnings

Dividends are distributions of a company's earnings to its shareholders, typically paid in cash or additional shares. When dividends are declared, they are recorded as a reduction in retained earnings. This is because retained earnings represent the portion of a company's profit that has not been distributed to shareholders and can be reinvested in the business or kept as reserve funds. By declaring dividends, a company is signaling that it is returning a portion of its profits back to shareholders, which directly diminishes the retained earnings. Essentially, the action moves money from the equity section of the balance sheet to the shareholders, leading to a decrease in total retained earnings. This fundamental accounting treatment reflects the movement of financial performance results toward shareholders while therefore impacting the company's equity position. While dividends do not affect net income as they are not considered an expense, and they are not recorded as liabilities until declared, the primary focus here is that the declaration and payment of dividends lead to a reduction in retained earnings. This is crucial for understanding how shareholder distributions influence a company's financial standing.

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8. Which type of account typically has a credit balance?

A. Assets

B. Expenses

C. Liabilities

D. Withdrawals

Liability accounts are typically characterized by having a credit balance, which is integral to the double-entry accounting system. This system maintains that every transaction affects at least two accounts, with debits equaling credits. When a company incurs a liability, such as taking out a loan or purchasing goods on credit, it records a credit in the liability account to reflect the obligation to pay in the future. In contrast, asset accounts, which reflect resources owned by the company, usually have a debit balance. When assets increase, they are debited, and when they decrease, they are credited. Expense accounts, which track costs incurred by the business, also have a debit balance since expenses reduce equity. Similarly, withdrawal accounts, which represent amounts taken out of the business by owners, also maintain a debit balance. Understanding the nature of liability accounts and their role in the broader accounting equation—Assets = Liabilities + Equity—clarifies why liabilities have a credit balance, as they signify obligations rather than resources owned or consumed.

9. What constitutes cash in accounting?

A. Only physical currency in hand

B. Funds in banks and petty cash

C. Only securities easily convertible to cash

D. Corporate bonds held by the company

In accounting, cash encompasses various forms of currency and funds that are readily available for transactions. The correct choice identifies that cash includes not only physical currency on hand but also funds deposited in banks and petty cash reserves. This broader definition is crucial for accurate financial reporting and liquidity analysis. Funds in banks are immediately accessible for withdrawal or transfer, making them equivalent to physical cash in terms of utility. Petty cash, a small amount of cash kept on hand for minor expenses, also functions as cash because it can be used directly for immediate obligations without needing to convert other assets into cash. This comprehensive understanding is essential as it reflects the liquidity available to a business, which is critical for managing daily operations, meeting obligations, and making strategic financial decisions. In contrast, physical currency alone does not capture the full spectrum of liquid assets a company might have. Other choices misleadingly narrow the definition, excluding significant components that are essential for an accurate understanding of cash in an accounting context.

10. In accounting, what does the face value of notes receivable commonly indicate?

A. The minimum amount a business will receive

B. The total liabilities of a business

C. The maximum limit for future borrowing

D. The preferred amount of sales revenue

The face value of notes receivable represents the principal amount that a borrower is obligated to pay back to the lender when the note matures. This value typically indicates the minimum amount a business expects to receive from the borrower, as it reflects the agreed-upon amount that comprises the loan or credit extended to the borrower. In many cases, the face value does not include interest or other factors that might impact the actual cash flow, but it serves as a baseline amount. If the notes are held to maturity and all terms are met by the borrower, the business will receive at least this amount. Thus, the face value is foundational for understanding the business's expected cash inflows from notes receivable.

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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://unlvaccountingcompetency.examzify.com

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

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