XERO ADVISOR CERTIFICATE 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 is reconciliation across two currencies?

A. Reconcile foreign currency balances using revaluation; translation differences are recognized in the appropriate accounts.

B. Ignore currency differences.

C. Reconcile only the base currency and not the foreign balances.

D. Use only cash accounts for multi-currency reconciliation.

2. Which method is used to record intercompany loans or transfers?

A. Reconciling bank statements

B. Adjusting tax codes

C. Journals in separate Xero organizations

D. Invoicing customers

3. How do you process a cash refund?

A. Invoices > select the payment

B. Invoices > select the payment > refund

C. Invoices > refund cash

D. Invoices > issue payment

4. How to assign a billable expense?

A. Business > Bills > new bill > assign to a customer > select add items when invoicing the customer

B. Billing > Invoices > new item > attach to vendor

C. Settings > Bills > billable options > enable

D. Reports > Billable items > assign

5. How do you attach files to transactions such as invoices, bank reconciliation, or contacts?

A. Open the attachments tab in the transaction and click Attach.

B. Email the file to the transaction's address.

C. Select rectangle top right, choose the setting button of the chosen file.

D. Drag the file into the transaction.

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6. Where do you enter the conversion date in Xero?

A. Accounting > conversion balances > conversion date > save

B. Accounting > advanced > conversion balances > conversion date > save

C. Accounting > conversion balances > enter conversion date

D. Accounting > settings > bank accounts > conversion date

7. Where do you find transactions to recode?

A. Accounting > advanced > find and recode > choose conditions > search

B. Reports > Recode History

C. Projects > Activity > Recode

D. Settings > Recode

8. How do you manage security for external accountants or bookkeepers in Xero?

A. Create a single shared account with full access for the external user.

B. Provide access to all organizations and modules.

C. Disable audit trails for ease of access.

D. Create separate user accounts with appropriate roles, provide access only to necessary organizations and modules, and enable audit trails.

9. Which screen would you use to review discrepancies between online bank balance and statement balance?

A. Reconciliation dashboard

B. Bank rules

C. Cash coding

D. Statement exceptions screen

10. What is the conversion date in Xero?

A. The date when the business starts using Xero for everyday transactions.

B. The date you import the trial balance into Xero.

C. The date when you archive the uncleared items account.

D. The date you set monthly closing.

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Answers

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

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Explanations

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1. What is reconciliation across two currencies?

A. Reconcile foreign currency balances using revaluation; translation differences are recognized in the appropriate accounts.

B. Ignore currency differences.

C. Reconcile only the base currency and not the foreign balances.

D. Use only cash accounts for multi-currency reconciliation.

Reconciling across two currencies means adjusting balances in a foreign currency to reflect the current exchange rate and capturing the resulting translation differences. In practice, you revalue foreign currency balances using the latest rate, and any difference that arises from this revaluation is posted to the appropriate foreign-exchange (FX) gain or loss accounts. This keeps both currencies aligned in your records and shows the impact of exchange-rate movements on your balances. Ignoring currency differences would leave those fluctuations hidden and your books inaccurate. Reconciling only the base currency neglects the foreign balances altogether, which is not correct in a multi-currency setup. Limiting reconciliation to cash accounts ignores other foreign-currency balances (like payables, receivables, or non-cash assets) that also need revaluation.

2. Which method is used to record intercompany loans or transfers?

A. Reconciling bank statements

B. Adjusting tax codes

C. Journals in separate Xero organizations

D. Invoicing customers

When recording a loan or transfer between two related entities, each organization must reflect the transaction in its own books. The way this is done in Xero is by posting journals in the separate Xero organizations involved. In the lending entity, you would debit a loan receivable (an asset) and credit cash (or bank) to show the outflow of funds. In the borrowing entity, you would debit cash (to show the inflow) and credit a intercompany loan payable (a liability) to reflect the amount owed to the other entity. The entries should be for the same amount and posted on the same date so the intercompany balances stay synchronized. This approach keeps both sides of the intercompany arrangement visible and reconciled within their respective books, making it clear who owes what and enabling proper reporting across the group. The other options describe activities that don't create the necessary cross-entity records: reconciling bank statements is about matching bank activity to recorded transactions, adjusting tax codes handles tax treatment, and invoicing customers is for external revenue, not internal financing.

3. How do you process a cash refund?

A. Invoices > select the payment

B. Invoices > select the payment > refund

C. Invoices > refund cash

D. Invoices > issue payment

To issue a cash refund correctly, you reverse the specific payment tied to the invoice. In Xero, you start from the invoice, open its payments, and select the payment that was received. From there, you initiate the refund. This makes the refund directly linked to that original payment, so the cash/bank account and the accounts receivable balance are updated consistently, and the customer's balance reflects the refunded amount. If you try to refund without selecting the particular payment or use a separate "refund cash" path, the return may not be linked to the original payment, which can mess up reconciliation.

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4. How to assign a billable expense?

A. Business > Bills > new bill > assign to a customer > select add items when invoicing the customer

B. Billing > Invoices > new item > attach to vendor

C. Settings > Bills > billable options > enable

D. Reports > Billable items > assign

Understanding billable expenses means linking an incurred cost to a specific customer so you can recover it later on an invoice. The proper flow is to create the bill, assign it to the customer you're billing, and then, when you create the invoice for that customer, choose to add those billable items so they appear on the invoice. This sequence—new bill, assign to a customer, then add items when invoicing—captures the billable expense and ties it to the right customer for invoicing. Enabling the feature or dealing with vendor assignments isn't sufficient for recovering costs from a customer, and using reports doesn't perform the assignment either. The key step is linking the expense to the customer and then including it in the invoice.

5. How do you attach files to transactions such as invoices, bank reconciliation, or contacts?

A. Open the attachments tab in the transaction and click Attach.

B. Email the file to the transaction's address.

C. Select rectangle top right, choose the setting button of the chosen file.

D. Drag the file into the transaction.

Attaching a file to a transaction is done through the file's own options, ensuring the document is linked to the specific record you're viewing (invoice, bank reconciliation, or contact). In the Files area, locate the file you want, click the rectangle at the top right to open its menu, then click the settings/gear button for that file and choose to attach it to the transaction. This method directly ties the document to the chosen transaction so it stays with that record. Other approaches like emailing the file to a transaction address or dragging it into the transaction don't establish that direct link within the transaction itself, and using a separate attachments tab is a different path rather than the streamlined file-options method.

6. Where do you enter the conversion date in Xero?

A. Accounting > conversion balances > conversion date > save

B. Accounting > advanced > conversion balances > conversion date > save

C. Accounting > conversion balances > enter conversion date

D. Accounting > settings > bank accounts > conversion date

When setting up historical data in Xero, the conversion date is part of configuring opening balances. You enter it in the Conversion balances area, which is found under Accounting > Advanced. So navigate to Accounting, choose Advanced, then Conversion balances, enter the conversion date, and click Save. This date defines the starting point for your opening balances and ensures the migrated data aligns correctly. Other paths place you in unrelated sections (like bank settings) and won't update the correct conversion date, and skipping Save would mean the date isn't stored.

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7. Where do you find transactions to recode?

A. Accounting > advanced > find and recode > choose conditions > search

B. Reports > Recode History

C. Projects > Activity > Recode

D. Settings > Recode

When you need to fix or move already posted transactions, you use the Find and Recode tool. It's designed to locate transactions based on specific criteria and then apply the desired recoding in one place. The correct path is Accounting, then Advanced, then Find and Recode, set your conditions (for example date range, type, accounts, or other filters), and click Search to view the transactions that match. From there you can recode them to the correct account or tax code. This workflow—filtering to identify transactions, viewing the results, then applying the recode—is how you accurately adjust postings. The other options don't fit: a Recode History view shows past changes, not how to locate new transactions to recode; Projects isn't the standard place to recode general transactions; and Settings isn't used for locating or applying recodes.

8. How do you manage security for external accountants or bookkeepers in Xero?

A. Create a single shared account with full access for the external user.

B. Provide access to all organizations and modules.

C. Disable audit trails for ease of access.

D. Create separate user accounts with appropriate roles, provide access only to necessary organizations and modules, and enable audit trails.

The key idea is to apply least-privilege access with clear accountability. For external accountants or bookkeepers, you should set up separate user accounts for each person, assign them the appropriate roles that match what they need to do, and restrict their access to only the specific organizations and modules they require. Keeping audit trails enabled is essential because it records who did what and when, giving you visibility and a trail for accountability or investigation. This approach minimizes risk by ensuring no one sees data they don't need and by making it possible to attribute actions to a specific user. Sharing a single full-access account is risky because you can't tell who performed actions, and it leaves the data open to misuse. Granting access to all organizations and modules is overly permissive and increases the chance of exposing sensitive information. Disabling audit trails eliminates a critical line of defense for security and governance.

9. Which screen would you use to review discrepancies between online bank balance and statement balance?

A. Reconciliation dashboard

B. Bank rules

C. Cash coding

D. Statement exceptions screen

Discrepancies between the online bank balance and the statement balance are best reviewed on the statement exceptions screen. This screen is specifically designed to surface items that don't align between what the bank shows online and what's posted in your books, so you can investigate timing differences, fees, or errors and resolve them. The reconciliation dashboard gives an overall view of reconciled versus unreconciled items, but it doesn't isolate the balance mismatch itself. Bank rules automate matching processes, and cash coding is for manually coding cash transactions, not for reviewing balance discrepancies.

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10. What is the conversion date in Xero?

A. The date when the business starts using Xero for everyday transactions.

B. The date you import the trial balance into Xero.

C. The date when you archive the uncleared items account.

D. The date you set monthly closing.

The conversion date is the date you start using Xero for everyday transactions. It marks the live start of recording day-to-day activity in Xero and is the point from which opening balances are carried forward into the system. Data before this date is treated as historical and loaded as opening balances, while transactions from this date onward are the ongoing books. Importing a trial balance is a setup step to establish the opening balances, but it isn't what defines the switch to daily use. The monthly closing date and archiving uncleared items are separate tasks that don't establish when you begin operating in Xero.

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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://xeroadvisor.examzify.com

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

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