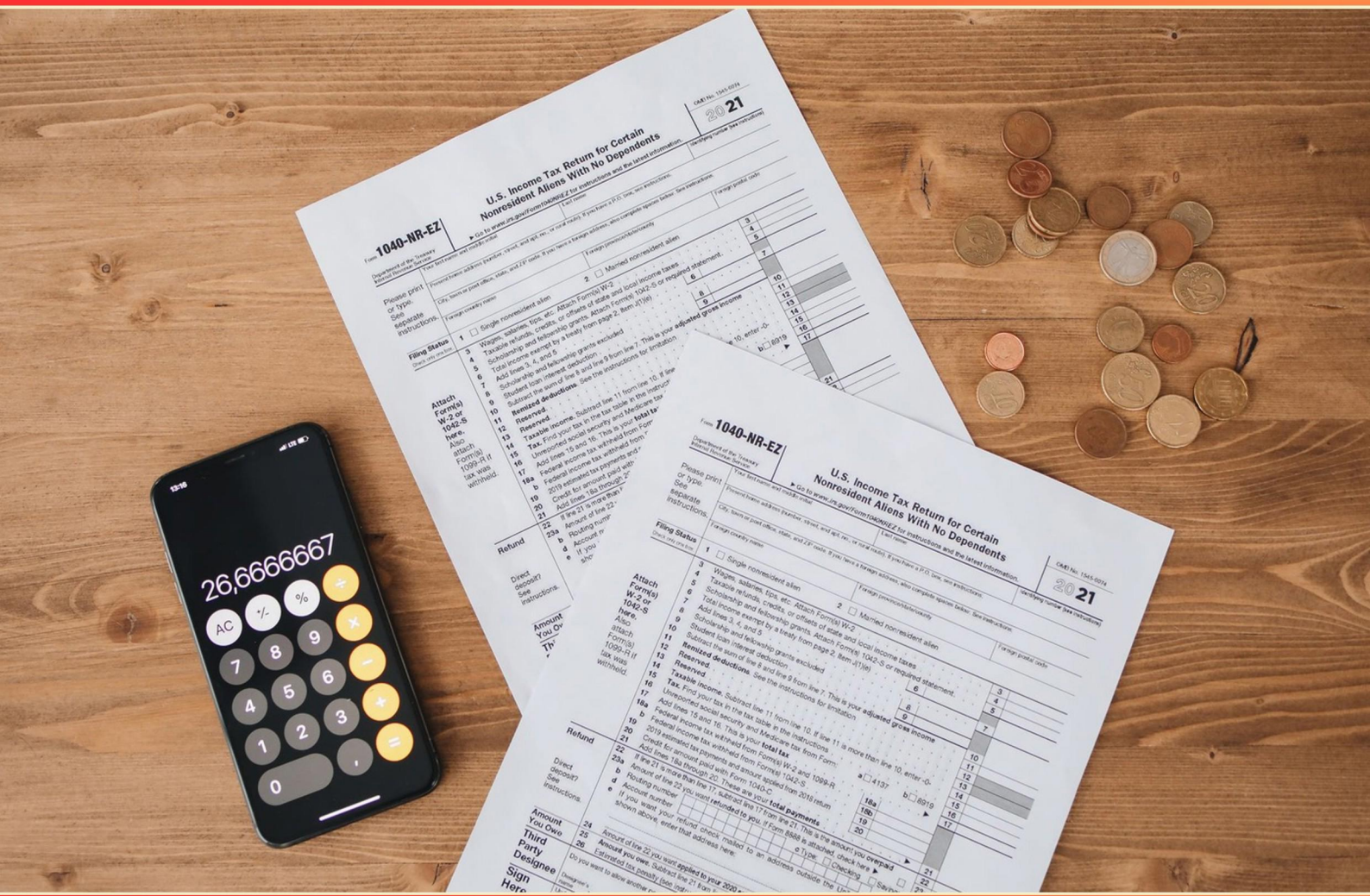
XERO LEVEL 1 ASSOCIATE PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://xerolevel1associate.examzify.com

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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. A bill vs a payment describes which of the following?

A. Money paid to the supplier.

B. What the business owes a supplier.

C. Money received from the customer.

D. A credit note from supplier.

2. Which statement contrasts a customer invoice and a supplier bill?

A. A supplier bill is used to order goods.

B. Both are issued by the business to its customers.

C. A customer invoice is a credit note.

D. A customer invoice is issued to collect payment from a customer, while a supplier bill is received from a supplier.

3. During bank reconciliation, a bank payment to a supplier may be matched to which transaction?

A. A customer invoice.

B. A payroll deduction.

C. The relevant supplier payment or bill-related transaction.

D. A tax payment.

4. Which term describes the amount of money shown as being held in a bank account; Xero can display bank balances through connected bank accounts?

A. Income

B. Bank balance

C. Revenue

D. Outstanding invoice

5. What is a Customer invoice?

A. A bill received from a supplier.

B. A credit note that reduces an amount.

C. An invoice issued by the business to a customer.

D. An offer or estimate of goods and their price before the customer commits to the purchase.

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6. Which statement about tax rates is true?

A. The correct tax rate affects tax reporting.

B. Tax rates are optional and have no impact.

C. Tax rates only affect discounts.

D. Tax rates determine payment terms.

7. Which statement about a Supplier bill is true?

A. A bill received from a supplier for goods or services purchased by the business.

B. It records an amount the business owes to a customer.

C. An invoice issued to a customer.

D. It is a document used to order goods.

8. What does reconcile mean in the context of bank statements in Xero?

A. To confirm that a bank statement line has been correctly accounted for in Xero.

B. To link a bank statement line to an existing transaction in Xero.

C. To find an existing transaction in Xero that corresponds to a bank statement line and match them.

D. To create a new transaction during reconciliation.

9. What is a Quote?

A. A document used to record/order goods or services from a supplier before the purchase is completed; it is not a bill.

B. An offer or estimate of goods and their price before the customer commits to the purchase.

C. A credit note from supplier.

D. An invoice to customer.

10. What is the effect of recording a payment against an invoice?

A. Reduces the customer's outstanding balance; invoice becomes paid when fully paid.

B. Increases the amount owed by the customer.

C. Has no effect on the balance.

D. Only affects bank balance, not customer balance.

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Answers

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

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Explanations

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1. A bill vs a payment describes which of the following?

A. Money paid to the supplier.

B. What the business owes a supplier.

C. Money received from the customer.

D. A credit note from supplier.

The main idea is the difference between a bill and a payment in supplier transactions. A bill represents money the business owes to a supplier; it's recorded as a liability (accounts payable) until it's paid. When you make a payment, you're settling that obligation and decreasing both your cash and the liability. So describing a bill vs a payment is about the amount the business owes to a supplier. That's why the statement best describing this is "what the business owes a supplier." The other options describe actions or receipts that aren't the general description of a bill vs a payment: paying money to a supplier is a payment, money received from a customer relates to revenue, and a credit note from a supplier is a reduction of what you owe but not the overall concept of a bill versus payment.

2. Which statement contrasts a customer invoice and a supplier bill?

A. A supplier bill is used to order goods.

B. Both are issued by the business to its customers.

C. A customer invoice is a credit note.

D. A customer invoice is issued to collect payment from a customer, while a supplier bill is received from a supplier.

Understanding the flow of documents between buyers and sellers helps you see the contrast here. A customer invoice is the bill you issue to a customer to request payment for goods or services you provided; it records revenue and creates accounts receivable for your business. A supplier bill is the document you receive from a supplier listing what you owe them for goods or services you've received; it creates a liability (accounts payable) and tracks expenses. So the statement that best contrasts the two is that a customer invoice is issued to collect payment from a customer, while a supplier bill is received from a supplier. Why the other ideas don't fit: a supplier bill isn't used to order goods—that role is filled by a purchase order. Both documents aren't issued by your business to customers—the supplier bill comes from the supplier, not from you. A customer invoice isn't a credit note—credit notes are separate documents used to reduce amounts owed on a previously issued invoice.

3. During bank reconciliation, a bank payment to a supplier may be matched to which transaction?

A. A customer invoice.

B. A payroll deduction.

C. The relevant supplier payment or bill-related transaction.

D. A tax payment.

When reconciling the bank, a payment to a supplier is matched to the supplier's payment record or the bill it settles in your accounts payable. This linkage ties the cash outflow on the bank statement to the exact liability reduction you recorded for that supplier bill, showing that the bank payment corresponds to paying that invoice. Other items don't fit this match because they represent different cash flows: a customer invoice is money you're owed, not money you're paying to a supplier; a payroll deduction relates to employee pay; and a tax payment is a separate tax liability payment.

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4. Which term describes the amount of money shown as being held in a bank account; Xero can display bank balances through connected bank accounts?

A. Income

B. Bank balance

C. Revenue

D. Outstanding invoice

Bank balance is the amount of cash actually held in the bank account at a given moment. In Xero, connecting a bank feed lets the system display this current balance as reported by the bank, reflecting the funds available after posted transactions. This is different from income or revenue, which are earnings from selling goods or services, and from an outstanding invoice, which is money that's due but not yet received. Seeing the bank balance helps you understand your real cash position and supports reconciling Xero with the bank statement.

5. What is a Customer invoice?

A. A bill received from a supplier.

B. A credit note that reduces an amount.

C. An invoice issued by the business to a customer.

D. An offer or estimate of goods and their price before the customer commits to the purchase.

A customer invoice is the document a business sends to a customer to request payment for goods or services that have been delivered. It itemizes what was sold, the quantities, prices, any taxes, and the total amount due, along with terms like the due date and payment method. This is the description that matches an invoice issued by the business to a customer, which is why it's the correct answer. The other options describe different documents: a bill from a supplier is a purchase invoice the business owes; a credit note reduces an amount already billed; and a offer or estimate is a quote provided before the sale.

6. Which statement about tax rates is true?

A. The correct tax rate affects tax reporting.

B. Tax rates are optional and have no impact.

C. Tax rates only affect discounts.

D. Tax rates determine payment terms.

Tax rates are what determine how much tax is charged on a transaction and, crucially, how that tax is recorded and reported to tax authorities. When you apply the correct rate in an invoicing or accounting system, the tax amount goes into the appropriate tax liability accounts and appears in your tax reports and returns. If the rate is wrong, the reported tax payable will be incorrect, which can lead to compliance issues and financial misstatements. The other ideas don't fit because tax rates aren't optional and do have a real impact on what you owe or report. They aren't about discounts, and they don't set payment terms—that's about when a customer pays, not the amount of tax due.

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7. Which statement about a Supplier bill is true?

A. A bill received from a supplier for goods or services purchased by the business.

B. It records an amount the business owes to a customer.

C. An invoice issued to a customer.

D. It is a document used to order goods.

A supplier bill represents the amount you owe a supplier for goods or services your business has purchased on credit. It creates a liability (accounts payable) and records the associated expense or asset, reflecting money you owe to external parties after receiving the goods or services. It's not about what you owe to a customer (that would be an invoice you issue to a customer), nor is it a document used to order goods (that would be a purchase order), nor an invoice issued to a customer. So the statement describing a bill as a document you receive from a supplier for goods or services purchased by the business is the correct understanding.

8. What does reconcile mean in the context of bank statements in Xero?

A. To confirm that a bank statement line has been correctly accounted for in Xero.

B. To link a bank statement line to an existing transaction in Xero.

C. To find an existing transaction in Xero that corresponds to a bank statement line and match them.

D. To create a new transaction during reconciliation.

Reconciling is about making sure each bank statement line is reflected in Xero. When you reconcile, you verify that a bank transaction shown by the bank matches something in your Xero records and is recorded in the correct accounts with the right date and amount. The goal is to ensure the balance shown in Xero aligns with the bank balance, keeping your books accurate and up to date. In practice, that means confirming that a bank line has been accounted for in Xero so your cash balance is trustworthy; if needed you can link it to an existing transaction or create a missing one, then mark it as reconciled.

9. What is a Quote?

A. A document used to record/order goods or services from a supplier before the purchase is completed; it is not a bill.

B. An offer or estimate of goods and their price before the customer commits to the purchase.

C. A credit note from supplier.

D. An invoice to customer.

A quote is an offer or estimate of goods and their price given before the customer commits to buy. It outlines what would be supplied, the quantities, the price, terms, and often a validity period. It serves as a price proposal rather than a bill, so it doesn't request payment. If the customer accepts, you typically convert the quote into an invoice or a sales order to start the billing process. It isn't a credit note, which adjusts amounts already owed, nor an invoice, which is a request for payment after goods or services have been provided.

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10. What is the effect of recording a payment against an invoice?

A. Reduces the customer's outstanding balance; invoice becomes paid when fully paid.

B. Increases the amount owed by the customer.

C. Has no effect on the balance.

D. Only affects bank balance, not customer balance.

Recording a payment against an invoice reduces what the customer still owes. It matches the cash received to the outstanding receivable, so the accounts receivable balance for that customer goes down. If the payment equals the full invoice amount, the invoice is marked as paid; if only part is paid, the remaining balance stays on the invoice (often shown as partially paid). At the same time, the cash or bank balance increases by the payment amount, reflecting the actual inflow of money. This is why the correct choice describes both decreasing the outstanding balance and the invoice becoming paid when fully paid.

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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://xerolevel1associate.examzify.com

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

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