YOUSCIENCE ACCOUNTING 1 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. Office supplies are typically classified as which type of account on the balance sheet prior to use?

A. Revenue

B. Liability

C. Asset

D. Equity

2. Permanent accounts are closed at the end of each accounting year.

A. True

B. Sometimes

C. Not closed

D. False

3. Which account typically has a credit balance?

A. Accounts Receivable

B. Prepaid Insurance

C. Supplies

D. Accounts Payable

4. Which action should be taken when a check has an error and needs to be corrected?

A. Void The Check Only

B. Void The Stub Only

C. Void Both The Check And The Stub, And Prepare A New Check

D. Keep The Check And Rewrite The Stub

5. Which account is classified as an asset?

A. Accounts Payable

B. Accounts Receivable

C. Sales

D. Owner's Drawing

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6. Which accounts are considered nominal accounts?

A. Revenue and Expenses

B. Assets

C. Liabilities

D. Owner's Equity

7. In common banking terms, which statement about voided checks is accurate?

A. A check that has not been issued.

B. A check that can't be processed because the business has made the check invalid.

C. A check that is in transit.

D. A check that has already been deposited.

8. What is the purpose of the chart of accounts in financial record-keeping?

A. The chart of accounts lists all accounts used by the company, organized by type to standardize recording and reporting.

B. It tracks daily sales.

C. It shows the company's financial ratios.

D. It is used only for large corporations.

9. What are the three sections of the statement of cash flows and the function of each?

A. Operating activities (cash from core operations), Investing activities (long-term asset purchases/sales), Financing activities (borrowing, debt/equity changes). Indirect method is common for Operating.

B. Operating includes financing; Investing includes operating; Financing includes taxes.

C. There are four sections including equity.

D. Investing activities only relate to income from investments.

10. Which account would typically carry a credit balance?

A. Asset

B. Expense

C. Revenue

D. Prepaid Insurance

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Answers

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

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Explanations

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1. Office supplies are typically classified as which type of account on the balance sheet prior to use?

A. Revenue

B. Liability

C. Asset

D. Equity

Office supplies are a resource the business owns that will provide benefits in the future, such as enabling daily operations. Because they are owned and expected to be used, they sit on the balance sheet as an asset, specifically a current asset, until they are consumed. They're not revenue, which comes from selling goods or services; they're not a liability, which is an obligation to pay; and they're not equity, which represents the owner's claim after liabilities. When supplies are used, the asset is reduced and an expense (supplies expense) is recognized. So, before they are used, office supplies are classified as an asset.

2. Permanent accounts are closed at the end of each accounting year.

A. True

B. Sometimes

C. Not closed

D. False

The main idea is that permanent accounts are not closed at year end. Permanent accounts—such as assets, liabilities, and most equity accounts—carry their ending balances into the next accounting period, so their balances remain open. The closing process, by contrast, targets temporary accounts (revenues, expenses, and dividends or withdrawals), transferring their results to retained earnings to start the new period with zero balances for those accounts. This keeps the financial position carried forward intact while resetting the income statement accounts for the new year. So the statement that permanent accounts are closed at the end of the year is false.

3. Which account typically has a credit balance?

A. Accounts Receivable

B. Prepaid Insurance

C. Supplies

D. Accounts Payable

Understanding normal balances helps you see how increases and decreases flow in and out of accounts. Assets like Accounts Receivable, Prepaid Insurance, and Supplies normally carry debit balances, because increases are recorded with debits and decreases with credits. Accounts Payable, on the other hand, is a liability—the company owes money to others. Liability accounts typically have credit balances, since credits increase what is owed and debits decrease it. When a payable is created, you credit Accounts Payable and debit the related expense or asset; when you pay it, you debit Accounts Payable and credit Cash. So, of the options, Accounts Payable is the one that typically has a credit balance. The other three are assets and have normal debit balances.

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4. Which action should be taken when a check has an error and needs to be corrected?

A. Void The Check Only

B. Void The Stub Only

C. Void Both The Check And The Stub, And Prepare A New Check

D. Keep The Check And Rewrite The Stub

When a check contains an error, you must cancel the original payment and fix the records before issuing the corrected payment. Voiding both the physical check and the accounting stub ensures the bank won't cash an erroneous payment and the books won't show a payment that didn't happen. If only the check is voided, the stub would still reflect a processed payment, creating a mismtach between the ledger and bank activity. If only the stub is voided, the bank still has a negotiable check that could be presented for payment, risking duplicate or unauthorized payment. Keeping the check and rewriting the stub would leave an invalid instrument in circulation. The proper path is to void both, then prepare a new check for the corrected amount or payee and record the new payment accordingly.

5. Which account is classified as an asset?

A. Accounts Payable

B. Accounts Receivable

C. Sales

D. Owner's Drawing

Assets are resources the business controls that are expected to bring future economic benefits. Accounts receivable fits this because it's money owed to the business by customers who purchased on credit, representing a future inflow of cash. It's typically reported as a current asset on the balance sheet since it's expected to be collected within a short period. In contrast, accounts payable is a liability—the amounts the business must pay to others—sales is revenue that increases equity, and owner's drawing is a withdrawal that decreases the owner's equity. So accounts receivable is the asset.

6. Which accounts are considered nominal accounts?

A. Revenue and Expenses

B. Assets

C. Liabilities

D. Owner's Equity

Nominal accounts are temporary accounts used to measure performance over a specific period. They track revenues and expenses (and related items) and are closed at the end of the period to reset to zero, with their net result (net income or net loss) flowing into equity for the next period. This temporary nature is what defines them as nominal: their balances do not carry forward. Permanent accounts, by contrast, keep their ending balances into the next period. These include assets, liabilities, and the long-running components of owner's equity, which reflect the ongoing financial position rather than a single period's performance. So revenues and expenses fit the description of nominal accounts because they are used to compute the period's net income and are closed out at period end.

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7. In common banking terms, which statement about voided checks is accurate?

A. A check that has not been issued.

B. A check that can't be processed because the business has made the check invalid.

C. A check that is in transit.

D. A check that has already been deposited.

Voiding a check means making it invalid so it cannot be processed. A voided check is the one that the issuer has marked to prevent payment, typically by writing VOID across the check, so it can't be cashed even if someone tries. This is common when setting up direct deposits or automated payments, since the check's routing and account numbers are needed, but the check itself won't be paid. The essence is that the check has been issued but made invalid to stop any payment. The option that describes a check being invalid because the business has made it so best captures this idea. The other scenarios—a check not yet issued, a check in transit, or a check already deposited—describe different states and aren't what "voided" means.

8. What is the purpose of the chart of accounts in financial record-keeping?

A. The chart of accounts lists all accounts used by the company, organized by type to standardize recording and reporting.

B. It tracks daily sales.

C. It shows the company's financial ratios.

D. It is used only for large corporations.

The chart of accounts is a structured list of every account a company uses in its accounting system. It groups accounts by type—such as assets, liabilities, equity, revenues, and expenses—and assigns codes to them. This organization standardizes how transactions are recorded and how financial information is reported, making it easy to classify, total, and compare amounts across periods and departments. With a chart of accounts, every journal entry can be posted to the correct account, the general ledger stays organized, and financial statements show consistent, comparable data. It also helps with budgeting and internal controls by clearly mapping where different kinds of transactions belong and preventing arbitrary creation of accounts. Daily sales tracking is handled by sales records, not the COA. Financial ratios come from analyzing financial statements, not from the COA itself. And the chart of accounts is used by businesses of all sizes, not just large corporations.

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9. What are the three sections of the statement of cash flows and the function of each?

A. Operating activities (cash from core operations), Investing activities (long-term asset purchases/sales), Financing activities (borrowing, debt/equity changes). Indirect method is common for Operating.

B. Operating includes financing; Investing includes operating; Financing includes taxes.

C. There are four sections including equity.

D. Investing activities only relate to income from investments.

The statement of cash flows groups cash movements into three activities to show how cash flows through the business. Operating activities cover the cash effects of the company's core operations—cash received from customers and cash paid to suppliers, employees, and others as part of running the business. Investing activities track cash used for and generated by buying and selling long-term assets and investments, such as equipment or securities. Financing activities reflect cash transactions with owners and creditors, including borrowing, repaying debt, issuing stock, and paying dividends. The indirect method is commonly used for operating activities because it starts with net income and adjusts for non-cash items and changes in working capital to convert accrual-based income into cash from operations. Other choices blend activities incorrectly or propose additional sections; investing relates to asset purchases and sales, not income, and there are only three sections, not four.

10. Which account would typically carry a credit balance?

A. Asset

B. Expense

C. Revenue

D. Prepaid Insurance

Revenue is the account that would typically carry a credit balance. In double-entry accounting, accounts have normal balances based on their type: assets and expenses normally show debit balances, while revenues, liabilities, and equity normally show credit balances. Revenue increases the owners' equity, so it is increased with a credit. For example, when you earn revenue, you credit the revenue account (and debit cash or accounts receivable). Prepaid Insurance and other assets have debit normal balances, and expenses also carry debit balances, so they wouldn't normally have a credit balance.

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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://yousciencеaccounting1.examzify.com

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

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