

AAT Level 2 Introduction to Bookkeeping Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

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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. What happens if output VAT collected exceeds input VAT suffered?**
 - A. A net amount is payable to HMRC**
 - B. A net amount is reclaimed from HMRC**
 - C. VAT is refunded to customers**
 - D. VAT is carried forward to the next period**

- 2. If the debit total is greater, which side contains the carried down balance for the next period?**
 - A. Debit side**
 - B. Credit side**
 - C. Neither side**
 - D. Both sides**

- 3. A Current Asset is best described as which?**
 - A. A short term asset that will be owned less than a year. For example stock**
 - B. An asset owned for more than a year**
 - C. A liability**
 - D. Income from sales**

- 4. Which item indicates when payment is due on a sales invoice?**
 - A. Net amount**
 - B. Invoice number**
 - C. Payment terms**
 - D. VAT registration number**

- 5. How do you obtain the net value from a 20% gross value?**
 - A. Value / 1.2**
 - B. Value * 1.2**
 - C. Value / 0.8**
 - D. Value / 0.95**

- 6. Which statement is true about cheque payments?**
- A. A cheque must be signed to be valid**
 - B. The payee name must always be different from the account holder**
 - C. The cheque date is optional**
 - D. Amount in words is irrelevant**
- 7. Trade receivables are money owed to the business by whom?**
- A. A credit customer who owes the business money**
 - B. A supplier who is owed money by the business**
 - C. A bank account held by the business**
 - D. The owner of the business**
- 8. If the debit total is higher than the credit total, what balance is carried down at the end of the period?**
- A. The Debit amount**
 - B. The Credit amount would be carried down at the end of an accounting period**
 - C. The Balance**
 - D. The Difference**
- 9. Income is best described as which statement?**
- A. Money received to the business from sales. This may be from physical goods or services**
 - B. Costs incurred by the business**
 - C. Assets owned by the business**
 - D. Loans owed to the bank**
- 10. If posting to the general ledger with a cash book that is a book of prime entry and isn't part of a double-entry system, what will be credited?**
- A. Bank**
 - B. Revenue**
 - C. Expenses**
 - D. Purchases**

Answers

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

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Explanations

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1. What happens if output VAT collected exceeds input VAT suffered?

- A. A net amount is payable to HMRC**
- B. A net amount is reclaimed from HMRC**
- C. VAT is refunded to customers**
- D. VAT is carried forward to the next period**

In VAT accounting, you compare the VAT you've charged on your sales (output VAT) with the VAT you've paid on your purchases (input VAT). When you complete the VAT return, you subtract input VAT from output VAT. If the result is positive, you have a net liability and must pay that amount to HMRC in the period. If the result were negative, you'd reclaim from HMRC or carry the credit forward to future periods. So, when output VAT collected exceeds input VAT suffered, the business owes HMRC a net amount.

2. If the debit total is greater, which side contains the carried down balance for the next period?

- A. Debit side**
- B. Credit side**
- C. Neither side**
- D. Both sides**

When you finish a period and tally the trial balance, if the debit total is higher, that means the accounts collectively show a debit balance. To carry this balance forward to the next period, you place the balancing figure on the opposite side—the credit side—so the two sides balance. This balancing figure is shown as balance c/d on the credit side and then appears as balance b/d on the credit side at the start of the next period. So the carried down balance sits on the credit side.

3. A Current Asset is best described as which?

- A. A short term asset that will be owned less than a year. For example stock**
- B. An asset owned for more than a year**
- C. A liability**
- D. Income from sales**

Current assets are resources the business expects to turn into cash or use up within one year (or its normal operating cycle). A short-term asset that will be owned for less than a year fits this idea, and stock (inventory) is a common example because it's typically sold or converted to cash within the year. The other options describe items that aren't current assets: an asset held for more than a year is a long-term asset, a liability is not an asset, and income from sales is revenue. So, describing a short-term asset like stock as a current asset is the best match.

4. Which item indicates when payment is due on a sales invoice?

- A. Net amount**
- B. Invoice number**
- C. Payment terms**
- D. VAT registration number**

The due date for payment is shown in the payment terms. Payment terms specify how long you have to pay after the invoice date and may include any early payment discounts (for example, Net 30 means payment is due 30 days from the invoice date, while 2/10 net 30 means you can take a 2% discount if paid within 10 days). Other items don't indicate when payment is due: the net amount is the price before tax, the invoice number is just a reference, and the VAT registration number identifies the supplier for tax purposes.

5. How do you obtain the net value from a 20% gross value?

- A. Value / 1.2**
- B. Value * 1.2**
- C. Value / 0.8**
- D. Value / 0.95**

When you have a gross value that includes 20% VAT, the net value is the amount before VAT. The relationship is $\text{gross} = \text{net} \times 1.20$, so to obtain the net from the gross you divide by 1.20. For example, if the gross amount is 120, the net is $120 \div 1.20 = 100$. Multiplying by 1.2 would give the gross from the net, not the net from the gross, and dividing by 0.8 or 0.95 would reflect other VAT rates (25% or 5%), not 20%.

6. Which statement is true about cheque payments?

- A. A cheque must be signed to be valid**
- B. The payee name must always be different from the account holder**
- C. The cheque date is optional**
- D. Amount in words is irrelevant**

Signing the cheque is the key requirement for validity. The drawer's signature authorizes the bank to transfer the specified funds to the named payee, so without a signature there's no signed instruction for the bank to act on. That's why this statement is true: a cheque must be signed to be valid. Think about the other points to see why they don't hold as general rules. The payee can be the account holder or someone else—the payee name does not have to be different from the account holder. The date should normally be written on a cheque to show when it was issued and to avoid confusion or delays; a blank date isn't standard practice. The amount written in words is important, not irrelevant—it serves as a check against tampering with the numeric amount and helps confirm the intended sum.

7. Trade receivables are money owed to the business by whom?

- A. A credit customer who owes the business money**
- B. A supplier who is owed money by the business**
- C. A bank account held by the business**
- D. The owner of the business**

Trade receivables are money owed to the business by customers who have bought goods or services on credit. They appear as a current asset on the balance sheet because the business expects to be paid soon. For example, if a customer buys £500 on credit, that amount becomes a trade receivable until payment is received. This is different from money the business owes to others (trade payables), or from cash in the bank, or from the owner's equity. So trade receivables specifically refer to amounts customers owe the business after credit sales.

8. If the debit total is higher than the credit total, what balance is carried down at the end of the period?

- A. The Debit amount**
- B. The Credit amount would be carried down at the end of an accounting period**
- C. The Balance**
- D. The Difference**

When closing a single ledger account, you carry forward the amount that remains after balancing the two sides. If the debit total is higher than the credit total, the account has a debit balance. The amount carried down to the next period appears on the debit side and equals the difference between the debit and credit totals (debit total minus credit total). So the balance carried forward is a debit balance, not a credit amount. The other descriptions are less precise because they don't explicitly state that the carried-forward figure is the difference and sits on the side of the larger total.

9. Income is best described as which statement?

- A. Money received to the business from sales. This may be from physical goods or services**
- B. Costs incurred by the business**
- C. Assets owned by the business**
- D. Loans owed to the bank**

Income is the money a business earns from its ordinary activities, mainly by selling goods or providing services. It represents the inflow of economic benefits and increases the business's equity, coming from customers as payment for what the business offers. In practical terms, income includes money received from customers for goods sold or services performed, whether paid immediately or billed and collected later. This reflects earnings from core operations rather than outside sources of funds. The other statements describe different concepts: costs are expenses that reduce profit, assets are resources owned by the business, and loans owed to the bank are liabilities. So income best matches money received from customers for goods or services.

10. If posting to the general ledger with a cash book that is a book of prime entry and isn't part of a double-entry system, what will be credited?

A. Bank

B. Revenue

C. Expenses

D. Purchases

When a cash book is used as a book of prime entry and isn't part of a double-entry system, posting to the general ledger records only the effect of cash movements on the cash/bank balance. A cash payment reduces the bank balance, so the bank account is shown on the credit side of the ledger posting. The accompanying debit would go to the relevant expense or purchases account to reflect what was paid for. So, the credit entry is Bank because cash leaving the business lowers the bank balance. If you were recording a cash receipt, Bank would be debited instead.

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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://aatlvl2introtobookkeeping.examzify.com>

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

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