

# AAT Level 2 Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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. Why is the sales day book referred to as the book of prime entry?**
  - A. It is where all transactions are summarized**
  - B. It is where invoices are first recorded**
  - C. It contains only discount transactions**
  - D. It is used for recording bank transactions**
  
- 2. What does the term "double entry system" refer to?**
  - A. Recording transactions once**
  - B. Recording transactions repeatedly**
  - C. Recording transactions twice**
  - D. Only tracking cash transactions**
  
- 3. What is a disadvantage of operating as a partnership?**
  - A. Partners have joint liability for the debts of the business**
  - B. Partners receive tax breaks on profits**
  - C. Partners can opt out of financial responsibility**
  - D. Partners can easily dissolve the business**
  
- 4. What is the definition of a credit in accounting?**
  - A. An amount that increases what is owed**
  - B. An amount that decreased what is owed**
  - C. A payment made to suppliers**
  - D. An expense on the income statement**
  
- 5. How many people typically own a partnership?**
  - A. 1 person**
  - B. 2-20 people**
  - C. Over 20 people**
  - D. Only family members**
  
- 6. Which of the following accounts would you typically find in the purchase ledger?**
  - A. Accounts for cash sales**
  - B. Accounts for suppliers**
  - C. Accounts for equity investors**
  - D. Accounts for fixed assets**

- 7. Why is single entry bookkeeping considered less useful?**
- A. It shows incomplete financial records**
  - B. It requires more complex analysis**
  - C. It can lead to fewer errors**
  - D. It highlights cash sales only**
- 8. Which entity is considered a limited company?**
- A. A business with unlimited liability**
  - B. A company that limits the owner's liability to their investment in the business**
  - C. A sole proprietor running a business**
  - D. A business formed by two individuals with equal shares**
- 9. What is the primary role of a bookkeeper?**
- A. A person who prepares tax returns**
  - B. A professional who audits financial statements**
  - C. Someone who records all the financial transactions of a business**
  - D. A consultant providing financial advice**
- 10. Who does the payee refer to on a cheque?**
- A. The bank**
  - B. The person who the cheque is for**
  - C. The drawer**
  - D. The bank's customer**

## **Answers**

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

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## **Explanations**

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**1. Why is the sales day book referred to as the book of prime entry?**

- A. It is where all transactions are summarized**
- B. It is where invoices are first recorded**
- C. It contains only discount transactions**
- D. It is used for recording bank transactions**

The sales day book is referred to as the book of prime entry because it serves as the initial point of recording all sales transactions, specifically those that involve sales made on credit. Invoices issued to customers are first recorded in this book before any further processing occurs in the accounting system. This process allows businesses to maintain an organized record of sales activity, which is crucial for tracking sales performance and managing receivables. The term "prime entry" highlights the significance of this book as the first step in the accounting cycle where financial data is entered. By capturing detailed information about each sale, such as the customer name, date, and amount, the sales day book ensures that all transactions are accurately logged, thus aiding in error prevention and ensuring that financial statements reflect true operational performance.

**2. What does the term "double entry system" refer to?**

- A. Recording transactions once**
- B. Recording transactions repeatedly**
- C. Recording transactions twice**
- D. Only tracking cash transactions**

The term "double entry system" refers to the accounting method where each transaction is recorded in at least two different accounts. This approach ensures that the accounting equation (assets = liabilities + equity) always remains balanced. Each entry consists of a debit and a corresponding credit, meaning that for every financial transaction, there are equal and opposite effects recorded. This method provides a comprehensive view of a company's financial position and reduces errors, as the total debits must equal the total credits. In contrast, options that suggest recording transactions once or only tracking cash transactions do not accurately capture the essence of double entry accounting. The idea of recording transactions repeatedly is also not aligning with the principle of double entry, which focuses on the dual aspect of each transaction rather than redundancy in recording. Thus, the correct understanding of the double entry system is that it involves recording transactions twice to maintain balanced financial records.

### 3. What is a disadvantage of operating as a partnership?

- A. Partners have joint liability for the debts of the business**
- B. Partners receive tax breaks on profits**
- C. Partners can opt out of financial responsibility**
- D. Partners can easily dissolve the business**

Operating as a partnership involves several characteristics, one of which is that partners share joint liability for the debts and obligations of the business. This means that if the partnership incurs debt or legal liabilities, each partner can be held personally responsible for those obligations. This joint liability can pose a significant disadvantage, particularly if the business encounters financial difficulties, as the personal assets of each partner may be at risk to satisfy business debts. In contrast, options regarding tax breaks or the ability to opt out of financial responsibilities do not accurately characterize partnerships, as partners are generally responsible for profits, which are taxed on their personal tax returns without special tax breaks specifically for partnerships. Additionally, while partnerships can dissolve more easily than some other business forms, the process is not straightforward and can involve legal and financial complexities, unlike the implication in the option about easy dissolution. Therefore, the joint liability of partners stands out as a critical disadvantage when considering the structure of a partnership.

### 4. What is the definition of a credit in accounting?

- A. An amount that increases what is owed**
- B. An amount that decreased what is owed**
- C. A payment made to suppliers**
- D. An expense on the income statement**

In accounting, a credit refers to an amount that decreases what is owed. This is grounded in the double-entry bookkeeping system, where every financial transaction impacts at least two accounts. When a credit is recorded in an account, it usually indicates a decrease in assets or an increase in liabilities or equity, depending on the nature of the account. For example, if a business pays off a liability, it credits the liability account, reducing the amount owed. Similarly, when a customer pays for their purchase, the business recognizes a credit in its revenue accounts while recording a debit in cash, which increases the cash balance. Thus, understanding that a credit signifies a reduction in obligations or an increase in equity is fundamental for accurate financial reporting.

**5. How many people typically own a partnership?**

- A. 1 person
- B. 2-20 people**
- C. Over 20 people
- D. Only family members

A partnership is a business structure where two or more individuals share ownership and management responsibilities. Typically, partnerships consist of 2 to 20 people. This range allows for a manageable number of partners, ensuring that decision-making can be efficient while also providing the benefit of shared resources and expertise. Having more than 20 partners would likely complicate management and decision-making processes, which is why larger collaborations are usually organized as corporations rather than partnerships. Furthermore, while family members can certainly form a partnership, ownership is not limited solely to relatives; partnerships can include individuals from outside the family as well. This flexibility in membership further supports the understanding that a partnership generally involves a small, defined group of individuals.

**6. Which of the following accounts would you typically find in the purchase ledger?**

- A. Accounts for cash sales
- B. Accounts for suppliers**
- C. Accounts for equity investors
- D. Accounts for fixed assets

In the purchase ledger, you would typically find accounts related to suppliers. This ledger is specifically used to keep track of all the transactions made with suppliers, including details of purchase orders, payments, and outstanding amounts owed. The primary function of the purchase ledger is to manage accounts payable, which includes recording purchases made on credit and ensuring that payments to suppliers are processed correctly. Other options refer to different types of accounts that do not belong in the purchase ledger. For example, accounts for cash sales pertain to sales transactions and would be recorded in the sales ledger. Accounts for equity investors relate to ownership interests in the company and are recorded in the equity section of financial statements, not in the purchase ledger. Meanwhile, accounts for fixed assets involve long-term tangible assets owned by the business and are recorded in a separate asset ledger. Since the purchase ledger specifically records details related to supplier transactions, accounts for suppliers is indeed the correct choice.

## 7. Why is single entry bookkeeping considered less useful?

- A. It shows incomplete financial records**
- B. It requires more complex analysis**
- C. It can lead to fewer errors**
- D. It highlights cash sales only**

Single entry bookkeeping is considered less useful primarily because it shows incomplete financial records. This method only records cash transactions and does not maintain a double-sided accounting system, which means that certain financial aspects, such as accounts receivable, accounts payable, and inventory, may not be accurately tracked. As a result, the financial picture of a business can be distorted, making it challenging for stakeholders to obtain a comprehensive understanding of the company's financial health and performance. In contrast to robust systems that provide detailed insights into both income and expenses, single entry systems may lead to incomplete assessments of business operations, making it harder to identify trends or areas that need attention. This lack of thoroughness means that decision-makers might rely on incomplete data, potentially jeopardizing business strategies and financial planning. Other options, while they reflect certain considerations of accounting practices, do not capture the fundamental issue with single entry bookkeeping as clearly as the one related to incomplete financial records.

## 8. Which entity is considered a limited company?

- A. A business with unlimited liability**
- B. A company that limits the owner's liability to their investment in the business**
- C. A sole proprietor running a business**
- D. A business formed by two individuals with equal shares**

A limited company is defined as a business structure that limits the financial liability of its owners to the amount they have invested in the company. This means that personal assets of the owners or shareholders are protected; if the company incurs debts or faces legal issues, the owners are only responsible for the company's debts up to the amount they invested. This structure is designed to separate personal finances from business liabilities, providing a safety net for individual investors. The correct answer reflects this principle of limited liability that is fundamental to the concept of a limited company. In contrast, the other options describe businesses that do not offer this level of protection or have different organizational characteristics. For example, a business with unlimited liability exposes owners to risk beyond their investment, a sole proprietor has full personal responsibility for the business's debts, and a business formed by two individuals with equal shares could either be a partnership or another form of ownership but does not inherently imply limited liability without the specific structure of a limited company.

**9. What is the primary role of a bookkeeper?**

- A. A person who prepares tax returns**
- B. A professional who audits financial statements**
- C. Someone who records all the financial transactions of a business**
- D. A consultant providing financial advice**

The primary role of a bookkeeper is to record all the financial transactions of a business. This includes documenting sales, purchases, receipts, and payments, which forms the foundation of the organization's financial records. Accurate bookkeeping is crucial as it ensures that all financial data is tracked systematically, allowing for the preparation of financial statements, monitoring of cash flow, and ultimately aiding in business decision-making. While tax preparation, auditing, and financial consulting are important financial functions, they typically fall under different professional roles. A bookkeeper focuses specifically on maintaining accurate records of day-to-day financial transactions, which is essential for the business's financial health. This foundational work allows for more complex financial analysis and auditing to take place by accountants or auditors later on.

**10. Who does the payee refer to on a cheque?**

- A. The bank**
- B. The person who the cheque is for**
- C. The drawer**
- D. The bank's customer**

The payee on a cheque refers to the person or entity who is receiving the payment. When a cheque is issued, it is made out specifically for this individual or organization, indicating that they are the designated recipient of the funds when the cheque is presented for payment. This means the cheque is written to them and they are the ones who can cash or deposit it. Understanding the role of the payee is crucial in the context of financial transactions, as they are the party entitled to receive the amount specified on the cheque. In practice, the clarity of who the payee is serves to ensure proper handling of the cheque and that funds go to the correct person or organization. In contrast, the bank is the institution facilitating the transaction, the drawer has written and issued the cheque, and the bank's customer refers to someone who may have an account with the bank but is not necessarily the payee. Therefore, the correct identification of the payee as the person for whom the cheque is made ensures a clear understanding of who is meant to receive the funds.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://aatlevel2.examzify.com>**

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