

ACA Principles of Tax 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. 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

- 1. When are the quarterly instalments due for large corporations following the start of their accounting period?**
 - A. 1st, 4th, 7th, and 10th months**
 - B. 7th, 10th, 13th, and 16th months**
 - C. 1st, 2nd, 3rd, and 4th months**
 - D. 5th, 8th, 11th, and 14th months**
- 2. When calculating indexation allowance, which RPI value do you use if the asset was acquired before January 1, 2018?**
 - A. RPI from December 2018**
 - B. RPI from the month of acquisition**
 - C. RPI from December 2017**
 - D. RPI from January 2018**
- 3. For a director to qualify for job-related accommodation, what is one requirement?**
 - A. Own at least 10% of shares in the company**
 - B. Be employed part-time**
 - C. Be a full-time working director**
 - D. Hold a management position**
- 4. What is the main purpose of tax treaties in international taxation?**
 - A. To increase domestic tax rates**
 - B. To simplify tax regulations**
 - C. To prevent double taxation**
 - D. To restrict foreign investment**
- 5. What should businesses maintain in relation to client documents during a money laundering investigation?**
 - A. Destroy all documents after one year**
 - B. Maintain documents for 5 years**
 - C. Only keep documents required by law**
 - D. Share documents with other clients**

- 6. From when does interest run on additional tax due from a discovery assessment?**
- A. The day the assessment is raised**
 - B. The annual submission date to the day before payment is made**
 - C. From the payment date onwards**
 - D. Immediately upon submission of the tax return**
- 7. What is the maximum amount of underpaid tax that can be collected using a coding notice?**
- A. £1000**
 - B. £2000**
 - C. £3000**
 - D. £4000**
- 8. What should a company do if it's not large but its profits are projected to exceed £10 million in the next accounting period?**
- A. Apply to be classified as large**
 - B. Immediately begin paying tax in instalments**
 - C. Maintain their current payment plan**
 - D. Seek further tax advice**
- 9. Which scenario best describes double taxation?**
- A. Income taxed at both the federal and state levels**
 - B. Income taxed at different rates in multiple states**
 - C. Income taxed upon earning and again upon distribution**
 - D. Income subject to local and national taxes**
- 10. Taxpayers can make a claim for overpayment relief within what timeframe?**
- A. 2 years**
 - B. 3 years**
 - C. 4 years**
 - D. 5 years**

Answers

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

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Explanations

- 1. When are the quarterly instalments due for large corporations following the start of their accounting period?**
- A. 1st, 4th, 7th, and 10th months**
 - B. 7th, 10th, 13th, and 16th months**
 - C. 1st, 2nd, 3rd, and 4th months**
 - D. 5th, 8th, 11th, and 14th months**

Large corporations are required to make quarterly estimated tax payments based on their income. The due dates for these quarterly installments follow a specific schedule that is linked to the corporation's accounting period. For corporations whose fiscal year aligns with the calendar year, the quarterly installments typically fall on the 15th day of the 4th, 6th, 9th, and 12th months after the start of the accounting period. However, if we specifically analyze the correct answer choice, it indicates due dates for the payments as occurring in the 7th, 10th, 13th, and 16th months. This pattern reflects a different fiscal year timeline, often applicable to corporations that may have diverse accounting periods. Understanding these timelines is crucial because the format and timing of tax payments can vary significantly based on a corporation's specific circumstances and fiscal calendar. Knowing this structure helps businesses manage their tax liabilities effectively and ensures compliance with the tax regulations established for corporations. As a result, recognizing the accurate months for installment payments is essential for financial planning and maintaining good standing with tax authorities.

- 2. When calculating indexation allowance, which RPI value do you use if the asset was acquired before January 1, 2018?**
- A. RPI from December 2018**
 - B. RPI from the month of acquisition**
 - C. RPI from December 2017**
 - D. RPI from January 2018**

The correct choice involves using the Retail Price Index (RPI) from December 2017 when calculating the indexation allowance for assets acquired before January 1, 2018. This is because the indexation allowance is designed to account for the inflationary increase in the cost of an asset over the time it has been held. For assets acquired prior to this date, the RPI in December 2017 serves as a benchmark for the value of the asset at the point of acquisition, allowing for a precise calculation of how inflation has affected the asset's value since then. By using the RPI from December 2017, taxpayers can ensure that they are accurately reflecting the economic conditions at the time of acquisition, thus maintaining a fair method of calculating allowances due to inflation. Using the RPI from December 2018 or January 2018 would not correctly reflect the values pertinent to the acquisition date, as these reflect periods post-acquisition. Similarly, the RPI from the month of acquisition does not apply when considering the indexation allowance after the significant change in rules that occurred at the beginning of 2018. Therefore, the indexation allowance correctly aligns with the RPI from December 2017 for assets acquired before January 1,

3. For a director to qualify for job-related accommodation, what is one requirement?

- A. Own at least 10% of shares in the company**
- B. Be employed part-time**
- C. Be a full-time working director**
- D. Hold a management position**

To qualify for job-related accommodation, one of the key requirements is that an individual must be a full-time working director. This is essential because job-related accommodations are generally designed to assist employees who have disabilities or specific needs directly related to their job responsibilities. Full-time employment status often indicates that the individual is actively engaged in their role on a regular basis, and this engagement legitimizes the request for accommodations that would enable them to perform their duties effectively. Part-time employment or holding a management position alone may not necessarily provide the same level of justification for needing accommodations specifically linked to job performance, as not all roles may have the same requirements or impact on an organization's operational functionality. Therefore, being a full-time working director underscores the necessity for accommodations that support the fulfillment of their responsibilities in the organization, making it a crucial criterion for qualification.

4. What is the main purpose of tax treaties in international taxation?

- A. To increase domestic tax rates**
- B. To simplify tax regulations**
- C. To prevent double taxation**
- D. To restrict foreign investment**

The main purpose of tax treaties in international taxation is to prevent double taxation. Tax treaties are agreements between two or more countries that outline how taxing rights are allocated. They aim to ensure that individuals and corporations do not pay tax on the same income in more than one jurisdiction, which could otherwise lead to significant financial burdens for taxpayers engaged in cross-border activities. By specifying which country has taxing rights over various types of income, such as dividends, interest, and royalties, tax treaties make it easier for taxpayers to navigate complex international tax obligations. This can enhance cross-border trade and investment by making the tax environment more predictable and fair. Through provisions like reduced withholding tax rates and exemptions, tax treaties also promote international economic activity and cooperation, ultimately supporting global economic growth. The other choices do not capture the fundamental purpose of tax treaties, which is centered around mitigating the issue of double taxation rather than altering domestic tax rates, simplifying regulations broadly, or restricting investment.

5. What should businesses maintain in relation to client documents during a money laundering investigation?

- A. Destroy all documents after one year**
- B. Maintain documents for 5 years**
- C. Only keep documents required by law**
- D. Share documents with other clients**

Businesses should maintain documents for 5 years during a money laundering investigation to comply with anti-money laundering (AML) regulations. This duration is typically mandated by laws and regulations in many jurisdictions, ensuring that records are available for review by authorities if necessary. Retaining these documents helps in providing a clear and transparent record of business activities, allowing law enforcement to trace suspicious transactions and assess compliance with relevant financial regulations. The requirement to maintain records for 5 years serves not only as a protective measure for the business, but also as a means to support broader efforts in combating financial crime. Regulations often specify the types of documents that should be kept, which may include transaction records, client identification, and due diligence documentation. This long retention period is essential for maintaining transparency and accountability, especially when a business is under scrutiny for potential money laundering activities. The incorrect responses reflect a misunderstanding of the legal standards related to AML compliance. For instance, destroying documents after one year would not satisfy legal requirements and could leave the business vulnerable to scrutiny. Only keeping documents required by law may overlook the comprehensive nature of AML obligations that dictate broader documentation standards. Lastly, sharing documents with other clients could compromise confidentiality and violate privacy regulations. Thus, maintaining documents for 5 years is the most prudent and

6. From when does interest run on additional tax due from a discovery assessment?

- A. The day the assessment is raised**
- B. The annual submission date to the day before payment is made**
- C. From the payment date onwards**
- D. Immediately upon submission of the tax return**

The correct answer is that interest runs on additional tax due from a discovery assessment from the annual submission date to the day before payment is made. This means that the interest accumulates from the official deadline for the tax return until the taxpayer has fully settled the additional amount owed. This approach reflects a fundamental principle within tax law that ensures taxpayers are accountable for timely payments. The annual submission date serves as a key reference point, highlighting that if additional tax is assessed after the return has been filed, the taxpayer is liable for interest accrued from that deadline. It encourages prompt payment as well by ensuring that the longer a taxpayer delays in settling the tax, the more they will owe due to accruing interest. The other options do not align with this principle. For instance, starting from the day the assessment is raised may not account for the period before the assessment was issued, which is critical for determining tax liability. Similarly, stating interest runs from the payment date onwards would imply that no interest is owed until payment is made, which does not reflect the continuous responsibility to pay taxes accurately and on time. Lastly, stating that interest begins immediately upon the submission of the tax return ignores the specific role of the annual submission date in establishing the timeline for interest calculations.

7. What is the maximum amount of underpaid tax that can be collected using a coding notice?

- A. £1000
- B. £2000
- C. £3000**
- D. £4000

The maximum amount of underpaid tax that can be collected using a coding notice is indeed £3000. A coding notice is typically issued by tax authorities to adjust an individual's tax code, enabling them to collect additional tax through the individual's pay or pension. This practice allows for the collection of underpaid tax efficiently through the payroll system, ensuring that individuals do not have to make separate arrangements for tax repayment. The limit of £3000 is significant because it balances the need for the tax authority to recover unpaid taxes while also considering the financial impact on the taxpayer. Amounts exceeding this limit would typically require different methods of recovery, such as direct billing or potentially more significant collection actions. Understanding this limit is crucial for taxpayers to know how their tax liabilities can be managed and adjusted through coding notices, creating an avenue for them to resolve smaller amounts of underpayment efficiently.

8. What should a company do if it's not large but its profits are projected to exceed £10 million in the next accounting period?

- A. Apply to be classified as large
- B. Immediately begin paying tax in instalments**
- C. Maintain their current payment plan
- D. Seek further tax advice

The appropriate action for a company anticipating profits exceeding £10 million in the next accounting period is to immediately begin paying tax in instalments. This is a requirement under the current tax regime for companies that meet or exceed this profit threshold. When a company's profits surpass £10 million, they typically enter a category that changes the way their tax obligations are managed. To avoid potential penalties or cash flow issues, it is essential to adjust the tax payment schedule to align with these new requirements. Paying tax in instalments helps the company manage its tax liabilities more effectively, ensuring compliance and preventing any end-of-year tax burden that could strain financial resources. The other options may not properly address the immediate compliance requirements associated with the increase in projected profits. Applying to be classified as large may not be necessary, as the company already meets the criteria based on its projected profits. Maintaining the current payment plan would not suffice given the increased tax liability. Seeking further tax advice, while generally beneficial for understanding the broader implications of the situation, does not directly ensure compliance with immediate tax payment requirements.

9. Which scenario best describes double taxation?

- A. Income taxed at both the federal and state levels**
- B. Income taxed at different rates in multiple states**
- C. Income taxed upon earning and again upon distribution**
- D. Income subject to local and national taxes**

Double taxation refers to a situation where the same income is taxed multiple times by different entities. The scenario of income being taxed upon earning and again upon distribution accurately captures this concept, as it typically occurs in the context of corporations. A corporation pays taxes on its profits at the corporate tax rate. When these profits are distributed to shareholders as dividends, the shareholders must pay taxes on that income again at their personal tax rates, hence experiencing double taxation. Other scenarios, such as income being taxed at both federal and state levels or being subject to local and national taxes, illustrate multiple layers of taxation but do not represent true double taxation. These situations involve different jurisdictions taxing the same income but do not imply that the same taxable event is being taxed twice. Additionally, different rates in multiple states may create a heavy tax burden, but this scenario does not constitute double taxation in the classic sense since each state is taxing income earned within its jurisdiction independently rather than the same income being taxed twice for the same purpose.

10. Taxpayers can make a claim for overpayment relief within what timeframe?

- A. 2 years**
- B. 3 years**
- C. 4 years**
- D. 5 years**

Taxpayers can make a claim for overpayment relief within a timeframe of four years from the end of the tax year in which the overpayment occurred. This period allows individuals and businesses enough time to review their tax situations and to gather relevant documentation before filing a claim. Under this provision, it is vital for taxpayers to be aware of this limitation, as any claims submitted after the four-year period may be rejected. Understanding this timeframe helps taxpayers effectively manage their tax liability and ensures they take appropriate steps to recover any overpaid taxes. This principle is rooted in tax laws designed to provide a balance between providing relief for taxpayers and ensuring the timely resolution of tax matters by the tax authorities.

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://acapprinciplesoftax.examzify.com>

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