# ACCOUNTANCY READINESS TEST 1 PRACTICE (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.

# 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. **Which statement defines Sole Proprietorship?**

   A. It is the simplest form of business owned and managed by only one person.

   B. It is owned and operated by two or more persons called partners.

   C. It is a corporation with shareholders.

   D. It is a cooperative owned by its members.

2. **In accounting history, what is the meaning of the Latin term Debere?**

   A. Havere

   B. Debtor

   C. Debere

   D. Credere

3. **Which organization created the Accounting Standards Council (ASC)?**

   A. BOA

   B. PICPA

   C. FRSC

   D. IASB

4. **Which statement defines Non-Current Assets?**

   A. Those assets that do not meet the criteria for current assets.

   B. Those assets that are cash and cash equivalents.

   C. Those assets held for sale in the ordinary course of business.

   D. Those assets expected to be realized within twelve months.

5. **Going concern is an underlying assumption. Which option best describes it?**

   A. It presumes continuation; if not valid, disclosure and different reporting basis required.

   B. It assumes the entity will cease operations.

   C. It dictates tax year selection.

   D. It requires liquidation in all cases.

**6. What is the purpose of the accounting assumption?**

A. To guarantee profits.

B. To prevent misunderstanding of the use of financial statements.

C. To ensure tax rates are fixed.

D. To ensure managers receive bonuses.

**7. Which statement best describes manufacturing firms?**

A. They buy raw materials, convert them into finished products, and sell to other companies or individual customers.

B. They provide only professional services to clients.

C. They focus exclusively on the cultivation of crops.

D. They import finished goods for resale without processing.

**8. Under the Matching Principle, expenses are recognized on the basis of:**

A. The timing of cash payments

B. A direct association between costs incurred and the earning of specific items of income

C. The period of asset replacement

D. The overall annual budget

**9. R.A. 3883 is the law governing which of the following?**

A. The law governing the registration of business names.

B. The tax code for small businesses.

C. The environmental compliance act for manufacturers.

D. The law governing trade tariffs.

**10. Tax Evasion is described in the material as:**

A. They invest in tax-exempt bonds.

B. Some accountants create illegal tax shelters to hide company's income.

C. They report all income accurately.

D. They optimize fuel expenses.

# Answers

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

# Explanations

## 1. Which statement defines Sole Proprietorship?

A. It is the simplest form of business owned and managed by only one person.

B. It is owned and operated by two or more persons called partners.

C. It is a corporation with shareholders.

D. It is a cooperative owned by its members.

*A sole proprietorship is defined by single ownership and control. It's the simplest business form because there is no separation between the owner and the business: one person owns the business, runs it, and receives all profits while personally bearing all losses and liabilities. It's usually unincorporated, making setup quick and straightforward. This is why the statement describing it as the simplest form of business owned and managed by only one person fits best. In contrast, descriptions of two or more partners point to a partnership, a corporation with shareholders describes a corporation, and a cooperative owned by members describes a cooperative. Taxes typically pass through to the owner's personal return, reflecting the lack of a separate legal entity.*

## 2. In accounting history, what is the meaning of the Latin term Debere?

A. Havere

B. Debtor

C. Debere

D. Credere

*Debere means to owe. In early double-entry accounting, Latin verbs labeled what the business owes (the debit side) and what it is owed (the credit side). Habere means to have or hold, not the act of owing. Credere means to entrust or believe, used for the credit concept. Debtor is a person who owes, not the action itself. So Debere best captures the idea of owing money.*

## 3. Which organization created the Accounting Standards Council (ASC)?

A. BOA

B. PICPA

C. FRSC

D. IASB

*In accounting practice, professional bodies often take the lead in developing and coordinating standards to keep financial reporting consistent. The Accounting Standards Council was created by the Philippine Institute of Certified Public Accountants, the main professional group for CPAs. PICPA organized the ASC to bring practitioners together to discuss, develop, and promote accounting standards for the country. This reflects how a professional association drives standard setting, rather than a regulatory licensing body or an international board. Over time, standard-setting responsibilities in the Philippines moved toward other structures, but the ASC's origin lies with PICPA.*

## 4. Which statement defines Non-Current Assets?

A. Those assets that do not meet the criteria for current assets.

B. Those assets that are cash and cash equivalents.

C. Those assets held for sale in the ordinary course of business.

D. Those assets expected to be realized within twelve months.

*Non-current assets are items a business expects to use or hold for more than one year, not to be realized as cash within the near term. They're not part of the short-term liquidity pool and include things like machinery, buildings, intangible assets, and long-term investments. The statement that best defines this is that these assets do not meet the criteria for current assets—they're not expected to be realized within the next twelve months. The other descriptions describe current assets (cash and cash equivalents) or special classifications like assets held for sale, which are generally treated as current if they're to be sold within a year, or simply assets expected to be realized within twelve months, which are by definition current.*

## 5. Going concern is an underlying assumption. Which option best describes it?

A. It presumes continuation; if not valid, disclosure and different reporting basis required.

B. It assumes the entity will cease operations.

C. It dictates tax year selection.

D. It requires liquidation in all cases.

*Going concern means financial statements are prepared on the assumption that the entity will continue to operate for the foreseeable future. Under this assumption, assets and liabilities are reported with the expectation of ongoing business, not liquidation. If management concludes that this assumption is not valid, they must disclose the doubt about going concern and switch to an alternative reporting basis, typically a liquidation or break-up basis, and adjust disclosures accordingly. This is why the best description is that it presumes continuation; if that assumption is not valid, disclosure and a different reporting basis are required. It does not imply that the entity will cease operations by default, it does not determine tax year timing, and liquidation is not required in every case.*

## 6. What is the purpose of the accounting assumption?

A. To guarantee profits.

B. To prevent misunderstanding of the use of financial statements.

C. To ensure tax rates are fixed.

D. To ensure managers receive bonuses.

*Accounting assumptions establish the framework for preparing and interpreting financial statements, providing a consistent basis for recognizing, measuring, and presenting economic information. This consistency helps prevent misunderstanding about what the financial statements are showing, who they are for, and what decisions they support. Without such assumptions, numbers could be interpreted in multiple ways, making comparisons over time or across entities unreliable. For example, the time period and going concern assumptions guide how revenues, expenses, assets, and liabilities are recorded and disclosed so users can make informed judgments. Therefore, the purpose described—preventing misunderstanding of the use of financial statements—is the best fit. The other options describe outcomes not provided by these assumptions: profits aren't guaranteed, tax rates aren't fixed by accounting rules, and manager bonuses aren't determined by the framework.*

## 7. Which statement best describes manufacturing firms?

A. They buy raw materials, convert them into finished products, and sell to other companies or individual customers.

B. They provide only professional services to clients.

C. They focus exclusively on the cultivation of crops.

D. They import finished goods for resale without processing.

*Manufacturing firms transform raw materials into finished goods through a production process and then sell those products to other businesses or to consumers. This captures the essence of manufacturing as a bringing-torthrough of inputs into tangible products that can be marketed and sold. The other statements describe different kinds of activity: providing professional services is characteristic of service firms, focusing on crop cultivation is agriculture, and importing finished goods for resale without processing is trading or retailing rather than manufacturing. Hence the description of buying raw materials, converting them into finished products, and selling them best describes manufacturing firms.*

## 8. Under the Matching Principle, expenses are recognized on the basis of:

A. The timing of cash payments

B. A direct association between costs incurred and the earning of specific items of income

C. The period of asset replacement

D. The overall annual budget

*The Matching Principle requires expenses to be recognized in the same period as the revenues they help generate. This reflects the idea that costs are incurred to earn income, so they should be matched with the specific income they contribute to, even if cash paid happens later or in a different period. For example, the cost of goods sold is recognized when the sale occurs, wages are charged to the period in which workers contribute to production, and depreciation spreads the cost of an asset over the periods it helps generate revenue. Recognizing expenses only when cash is paid would reflect cash-basis accounting, not the Matching Principle. Tying expenses to the period of asset replacement or to a budget, rather than to the revenue they help produce, misaligns costs with the earnings they relate to.*

## 9. R.A. 3883 is the law governing which of the following?

A. The law governing the registration of business names.

B. The tax code for small businesses.

C. The environmental compliance act for manufacturers.

D. The law governing trade tariffs.

*R.A. 3883 governs the registration of business names, making sure every business operates under a distinct, officially recorded name. This helps keep public records clear, protects consumers, and ensures accountability by requiring the business name to be filed with the appropriate government agency (typically the Department of Trade and Industry) and renewed or amended as needed. The other topics point to different areas of law—tax codes deal with taxation, environmental compliance acts handle environmental standards, and tariff laws regulate import/export duties—so they are not what this statute covers.*

## 10. Tax Evasion is described in the material as:

A. They invest in tax-exempt bonds.

B. Some accountants create illegal tax shelters to hide company's income.

C. They report all income accurately.

D. They optimize fuel expenses.

*Tax evasion means using illegal methods to hide income or otherwise evade paying taxes. The example of accountants creating illegal tax shelters to hide the company's income fits this exactly because it involves deception and breaking the law to reduce tax liability. In contrast, investing in tax-exempt bonds is a legal way to possibly lower taxes, reporting all income accurately is required for compliance, and optimizing fuel expenses is normal cost management. So the illegal shelter scenario best illustrates tax evasion.*

# 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://accountancyreadiness1.examzify.com

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