

Accounting CBE Practice Exam (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

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- 1. Which account increases with a debit and is an asset?**
 - A. Cash**
 - B. Accounts Payable**
 - C. Service Revenue**
 - D. Utilities Expense**

- 2. Which option best describes the purpose of the four-column account compared with a traditional T account?**
 - A. It provides separate columns for assets, liabilities, equity, and revenue**
 - B. It reduces the number of transactions**
 - C. It eliminates the need for journals**
 - D. It is only used for payroll**

- 3. Is the statement 'A report form of balance sheet' true according to the material?**
 - A. True**
 - B. Sometimes**
 - C. False**
 - D. Not mentioned**

- 4. What accounting system records revenue when received and capitalizes fixed assets?**
 - A. Modified cash basis of accounting**
 - B. Accrual basis of accounting**
 - C. Cash basis accounting**
 - D. Hybrid basis**

- 5. Payroll expenditures are typically a large component of total expenditures.**
 - A. True**
 - B. False**
 - C. Not sure**
 - D. Rarely**

- 6. What is an income statement?**
- A. Balance Sheet**
 - B. An itemized statement providing information regarding the results of operations during a specified period**
 - C. Cash Flow Statement**
 - D. Statement of Changes in Equity**
- 7. Which statement best describes the processing function in accounting?**
- A. Approving large purchases**
 - B. Auditing external reports**
 - C. Recognizing the effects of transactions on financial statement elements**
 - D. Forecasting future results**
- 8. Which account would be classified as an Asset?**
- A. Wages Expense**
 - B. Advertising Expense**
 - C. Fees Earned**
 - D. Cash**
- 9. What is the journal entry to close the drawing account?**
- A. Debiting the cash account and crediting the drawing account**
 - B. Debiting revenue and crediting the drawing account**
 - C. Debiting the owner's capital account and crediting the drawing account**
 - D. Debiting the drawing account and crediting the owner's capital account**
- 10. Which amount is debited as the first quarterly workers' compensation payment expense?**
- A. 252.00**
 - B. 126.00**
 - C. 84.00**
 - D. 500.00**

Answers

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

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Explanations

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1. Which account increases with a debit and is an asset?

- A. Cash**
- B. Accounts Payable**
- C. Service Revenue**
- D. Utilities Expense**

The key idea is that assets have a normal debit balance, so debiting increases them. Cash is an asset, and when you increase the cash balance, you debit Cash. The other options aren't assets or don't increase with a debit: Accounts Payable is a liability and increases with a credit; Service Revenue is a revenue and increases with a credit; Utilities Expense is an expense and increases with a debit but it is not an asset. So Cash is the account that both increases with a debit and is an asset.

2. Which option best describes the purpose of the four-column account compared with a traditional T account?

- A. It provides separate columns for assets, liabilities, equity, and revenue**
- B. It reduces the number of transactions**
- C. It eliminates the need for journals**
- D. It is only used for payroll**

The main idea here is showing how a single transaction affects different kinds of accounts all in one view. A four-column account has separate columns for assets, liabilities, equity, and revenue, so you can record the debit side in the asset column and the credit side in the revenue or other appropriate column on the same line. This layout helps you see how the transaction impacts the accounting equation (Assets = Liabilities + Equity) at a glance, and it makes relationships between accounts more transparent than flipping through many separate T-accounts. For example, when a sale is made and cash is received, you would record the increase in the asset column (debit cash) and the increase in revenue (credit revenue) on the same line, illustrating both sides of the impact together. Over time, this format provides a clearer, consolidated picture of how transactions move balances across the major account types. The other statements aren't the purpose of this format: it doesn't aim to reduce the number of transactions, eliminate journals, or be restricted to payroll. It's about organizing the effects of each transaction across key account categories in one place.

3. Is the statement 'A report form of balance sheet' true according to the material?

- A. True**
- B. Sometimes**
- C. False**
- D. Not mentioned**

Balance sheet presentation comes in two common formats: the vertical "report form" and the horizontal "account form" (two-column). The material you're studying describes the balance sheet in the account form, with assets on one side and liabilities plus owner's equity on the other. Because of that, the statement about a report form being true isn't supported by this material. The question hinges on recognizing which format the material uses; while both formats exist in accounting, this source presents the balance sheet in the two-column form, not the vertical report form.

4. What accounting system records revenue when received and capitalizes fixed assets?

- A. Modified cash basis of accounting**
- B. Accrual basis of accounting**
- C. Cash basis accounting**
- D. Hybrid basis**

This tests understanding of the modified cash basis of accounting. Under this approach, revenue is recognized when cash is actually received, and long-term assets like fixed assets are capitalized on the balance sheet and depreciated over time rather than expensed immediately. It blends cash-based timing for revenue with accrual treatment for fixed assets, giving you revenue timing based on cash receipts while still presenting fixed assets as assets that are depreciated. Cash basis would record revenue only when cash comes in and would typically expense asset purchases, so it doesn't capitalize fixed assets. Accrual basis would recognize revenue when earned (not necessarily when cash is received) and would capitalize fixed assets. A hybrid can describe various mixtures, but the specific combination described—revenue on cash receipt plus asset capitalization—is characteristic of the modified cash basis.

5. Payroll expenditures are typically a large component of total expenditures.

- A. True**
- B. False**
- C. Not sure**
- D. Rarely**

Labor costs, captured by payroll expenditures, are typically the largest portion of a company's total expenditures. Payroll includes salaries and wages, payroll taxes, and employee benefits, and these are ongoing, essential costs that recur each period. In many organizations, especially service-oriented businesses, healthcare, education, and government sectors, people are the main resource, so payroll dominates the expense mix and can represent a substantial share of operating costs. While some industries with heavy materials or depreciation can shift the balance, payroll remains a major expense in most cases. Therefore, the statement is true.

6. What is an income statement?

- A. Balance Sheet**
- B. An itemized statement providing information regarding the results of operations during a specified period**
- C. Cash Flow Statement**
- D. Statement of Changes in Equity**

An income statement shows how profitable a business was over a defined period by detailing revenues and expenses. It subtracts expenses from revenues to arrive at net income or loss, reflecting the results of the operations during that period. This distinguishes it from the balance sheet, which captures financial position at a specific date; from the cash flow statement, which tracks actual cash movements; and from the statement of changes in equity, which shows how owners' equity changed. So the description that it is an itemized statement providing information regarding the results of operations during a specified period is the best fit.

7. Which statement best describes the processing function in accounting?

- A. Approving large purchases**
- B. Auditing external reports**
- C. Recognizing the effects of transactions on financial statement elements**
- D. Forecasting future results**

In accounting, the processing function is about capturing business events and translating them into the effects those events have on the financial statement elements. When a transaction occurs, this step determines which accounts are affected and by how much, so that assets, liabilities, equity, revenues, and expenses are updated and summarized for reporting. This is precisely what the statement describes: recognizing the effects of transactions on financial statement elements, which then feeds into the preparation of the financial statements. Approving large purchases relates to authorization and internal controls, not the processing of data into accounts. Auditing external reports is about independent verification, not recording and summarizing transactions. Forecasting future results deals with planning and budgeting, not the actual processing of business events into financial information.

8. Which account would be classified as an Asset?

- A. Wages Expense**
- B. Advertising Expense**
- C. Fees Earned**
- D. Cash**

Assets are resources controlled by the entity from which future economic benefits are expected. Cash fits this definition because it is money the business holds that can be used to pay expenses, invest, or settle obligations. Wages expense and Advertising expense are costs recorded to reflect the use of resources in earning revenue; they appear on the income statement and reduce net income, not assets. Fees earned is revenue recognized when earned and increases equity. Therefore, cash is the element that classifies as an asset.

9. What is the journal entry to close the drawing account?
- A. Debiting the cash account and crediting the drawing account
 - B. Debiting revenue and crediting the drawing account
 - C. Debiting the owner's capital account and crediting the drawing account**
 - D. Debiting the drawing account and crediting the owner's capital account

Drawings reduce the owner's equity, so at the end of the period you transfer that balance to the owner's capital account to reset the drawing to zero. Since the drawing account normally has a debit balance, the closing entry is to debit the owner's capital and credit the drawing account. This directly reduces the owner's equity by the amount withdrawn and clears the drawing for the period. For example, if drawings total 3,000, you would record: Debit Owner's Capital 3,000; Credit Drawing 3,000. This leaves the drawing account with a zero balance and reduces the owner's capital by the same amount. Other options don't fit because they either involve cash (not part of closing drawings), touch revenue (drawings are not revenue), or debit the drawing and credit the capital (that would increase the drawing balance and decrease capital, which does not close the drawing).

10. Which amount is debited as the first quarterly workers' compensation payment expense?
- A. 252.00
 - B. 126.00**
 - C. 84.00
 - D. 500.00

The amount debited is one quarter of the annual premium. When a cost covers a whole year but is paid in four quarterly installments, each quarter represents a portion of the expense for that period. For the first quarter, you recognize just 1/4 of the annual workers' compensation premium. If the annual premium is 504, the first quarterly payment is 126, so you would debit Workers' Compensation Expense for 126 and credit Cash for 126. The other options correspond to different fractions of the year or an amount not aligned with the first quarter's coverage.

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://accountingcbe.examzify.com>

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

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