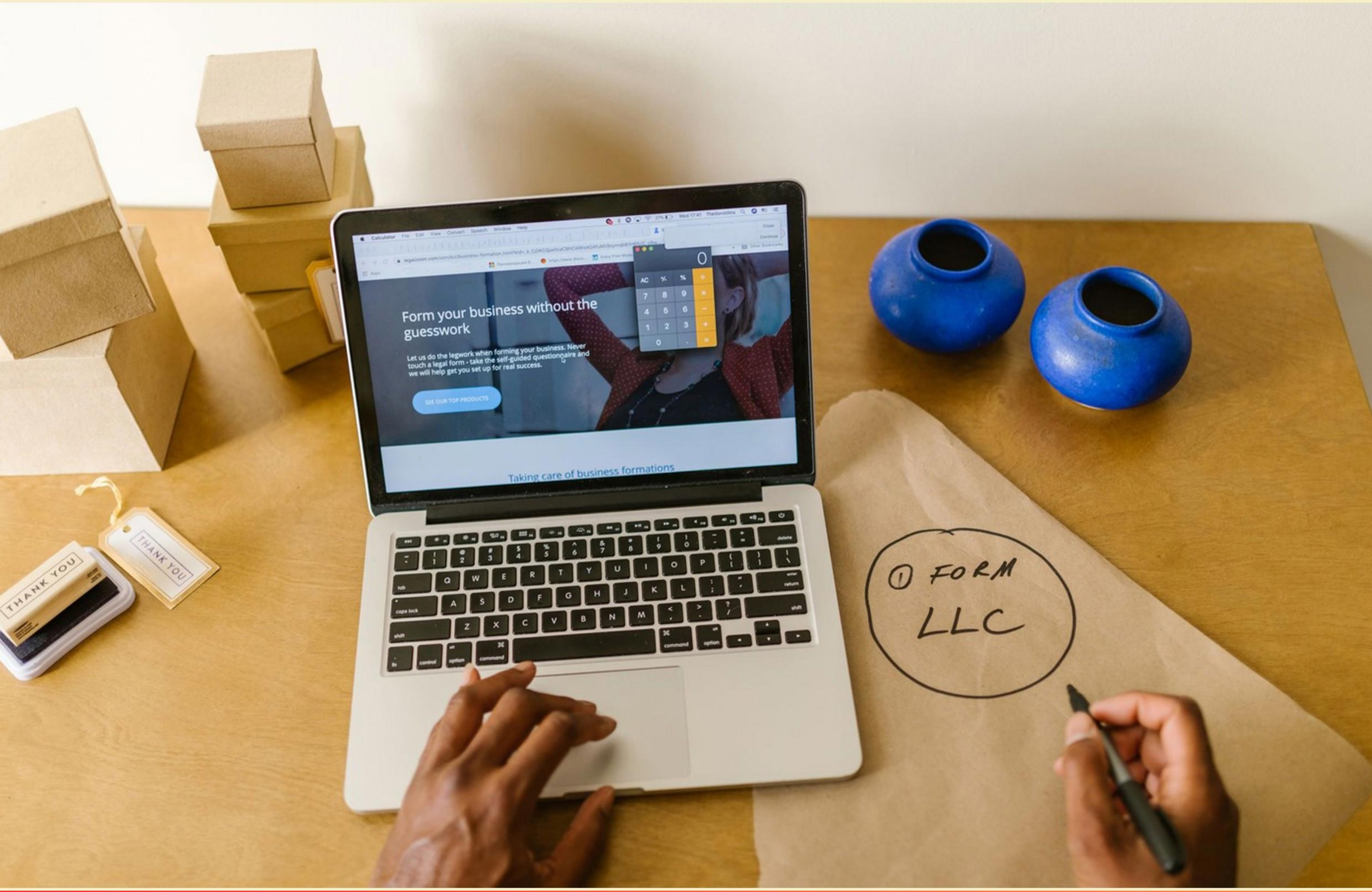
ACCOUNTING CBE PRACTICE EXAM (SAMPLE)

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. What is the processing function in accounting?

A. Recording transactions

B. Analyzing variances

C. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses.

D. Reconciliating bank statements

2. How do static and flexible budgets differ, and when is each used?

A. Flexible budgets adjust for actual activity and are used for variance analysis.

B. Static budgets are fixed for one level of activity; flexible budgets adjust for actual activity and are used for variance analysis.

C. Static budgets adjust for actual activity; flexible budgets fix one activity level.

D. Neither budget type uses variance analysis.

3. What information is disclosed under IFRS 8 segment reporting?

A. Prohibits segment information

B. Requires disclosure of segment revenues, results, assets, and other information used by management

C. Requires only segment revenue

D. Requires disclosure of geographic locations only

4. In process costing, how are costs assigned?

A. Costs are accumulated by department and then allocated by budget.

B. Costs are assigned to customers.

C. Costs are accumulated by process for a period and then averaged over units produced.

D. Costs are assigned only to direct materials.

5. P. Coyote, Drawing is classified as which?

A. P. Coyote, Drawing

B. Cash

C. Fees Earned

D. Wages Expense

6. What is the processing function in accounting?

A. Recording receipts of cash only

B. Posting to the general ledger

C. Classifying transactions by account

D. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses

7. When might a deferred tax asset be impaired or not recognized under IAS 12?

A. Recognize a DTA if it is more likely than not that taxable profits will be available; do not recognize or recognize as a valuation allowance if realization is uncertain.

B. Always recognize a DTA regardless of forecast.

C. Never recognize a DTA.

D. Recognize a DTA only when profits are guaranteed.

8. Which statement best describes how cash flows from financing activities are typically presented?

A. Cash inflows and outflows related to external financing, such as debt and equity.

B. Cash inflows and outflows related to operating activities.

C. Cash inflows and outflows from investing activities.

D. Net income plus non-cash items.

9. Which tool provides separate columns for assets, liabilities, equity, and revenue?

A. General ledger

B. Journal

C. Four-column account

D. Trial balance

10. What must every person authorized to sign checks for a business complete?

A. A bank loan agreement

B. A signature card for the bank

C. A voided check

D. A bank statement

Answers

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

Explanations

1. What is the processing function in accounting?

A. Recording transactions

B. Analyzing variances

C. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses.

D. Reconciliating bank statements

Processing in accounting means recognizing the effects of transactions on the financial statement elements—assets, liabilities, owner's equity, revenue, and expenses. When a business event occurs, you determine which accounts are affected and how they change, which in turn updates the accounting equation (A = L + OE) and sets up the debits and credits that will be recorded. This recognition step is the foundation for accurate recording and reporting, because it translates everyday transactions into the formal changes that appear on financial statements. Recording transactions is part of this process, but the essential idea of processing is identifying how each event impacts the accounts and the financial position. Variance analysis and bank reconciliations are separate activities that come later in the workflow.

2. How do static and flexible budgets differ, and when is each used?

A. Flexible budgets adjust for actual activity and are used for variance analysis.

B. Static budgets are fixed for one level of activity; flexible budgets adjust for actual activity and are used for variance analysis.

C. Static budgets adjust for actual activity; flexible budgets fix one activity level.

D. Neither budget type uses variance analysis.

Understanding how budgets respond to different activity levels is essential for meaningful variance analysis. A static budget is fixed for one expected level of activity and does not change if actual activity differs. A flexible budget, on the other hand, adjusts the projected costs and revenues to reflect the actual level of activity that occurred. In variance analysis, you want a baseline that matches what actually happened, so you can see whether spending and efficiency were good given the real activity. The flexible budget provides that alignment, showing what costs and revenues would have been at the actual activity level and allowing you to isolate performance variances from volume effects. The static budget isn't suited for this because it doesn't reflect changes in activity, making variances appear due to volume rather than performance. The statement that variance analysis isn't used is incorrect, since comparing actual results to a budget is exactly how variances are analyzed, and the flexible budget is the appropriate baseline for that purpose.

3. What information is disclosed under IFRS 8 segment reporting?

A. Prohibits segment information

B. Requires disclosure of segment revenues, results, assets, and other information used by management

C. Requires only segment revenue

D. Requires disclosure of geographic locations only

IFRS 8 focuses on information that management uses to run the business. The standard requires segment disclosures to reflect the internal reports that the chief operating decision maker reviews, so users see how the business is being managed by segment. The information disclosed for each reportable segment includes external segment revenue, the measure of segment profit or loss (or other relevant segment performance metrics), and the segment assets. In addition, any other material information that management uses to assess performance or allocate resources is disclosed. Reconciliations of the segment totals to the entity's consolidated numbers are also required, and there are entity-wide disclosures such as geographic information and major customers. That combination—segment revenues, the segment results, the segment assets, and other information used by management—is why this option is the best fit. It's not limited to revenue, nor to geographic data, and IFRS 8 does not prohibit segment information.

4. In process costing, how are costs assigned?

A. Costs are accumulated by department and then allocated by budget.

B. Costs are assigned to customers.

C. Costs are accumulated by process for a period and then averaged over units produced.

D. Costs are assigned only to direct materials.

Costs are accumulated by process for a period and then averaged over units produced. This approach fits situations where a single type of product moves through the same sequence of processes, so all costs incurred in a process (materials, labor, and overhead) are collected for that period and spread across the total units produced in that period to determine a cost per unit. Think of it as calculating the unit cost from total process costs: add up all manufacturing costs charged to the process during the period, then divide by the number of units produced in that period. If some units aren't finished at the period end, you use equivalent units to allocate costs between completed and partially completed units, ensuring the cost per unit reflects the work done in the period. This contrasts with assigning costs to customers (which is more like job costing for specific orders), allocating costs by budget (a planning activity rather than actual charging of costs to products), or assigning only direct materials (process costing includes all manufacturing costs, not just materials).

5. P. Coyote, Drawing is classified as which?

A. P. Coyote, Drawing

B. Cash

C. Fees Earned

D. Wages Expense

Drawing represents the owner's withdrawals from the business and is classified as part of the owner's equity, not an asset or an expense. It reduces the owner's stake in the company, so the drawing account appears under equity (often described as a drawing or withdrawals contra-account to the Owner's Capital). That's why the correct choice is the drawing account itself. The other options depict assets (Cash), revenue (Fees Earned), and expenses (Wages Expense), which do not reflect a reduction of the owner's equity. In a cash withdrawal, you'd typically debit Drawing and credit Cash, showing the decrease in both cash and owner's equity.

6. What is the processing function in accounting?

A. Recording receipts of cash only

B. Posting to the general ledger

C. Classifying transactions by account

D. Recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses

The processing function in accounting is about figuring out what effect every business event has on the company's financial position. It aims to translate transactions into changes in the accounts so the financial statements accurately reflect what's happened. The option describing recognizing the effects of transactions on assets, liabilities, owner's equity, revenue, and expenses best captures this purpose because it states how each event alters the fundamental elements that appear on the balance sheet and income statement. Other activities mentioned are important steps within the processing cycle—recording cash receipts, posting to the general ledger, and classifying transactions by account—but they're specific tasks rather than the overall purpose. By focusing on how each transaction changes the five major elements, you ensure the books stay balanced and the financial statements convey the true financial position and performance.

7. When might a deferred tax asset be impaired or not recognized under IAS 12?

A. Recognize a DTA if it is more likely than not that taxable profits will be available; do not recognize or recognize as a valuation allowance if realization is uncertain.

B. Always recognize a DTA regardless of forecast.

C. Never recognize a DTA.

D. Recognize a DTA only when profits are guaranteed.

Recognition of a deferred tax asset is conditional on the likelihood that future taxable profits will be available to utilize deductible temporary differences and unused tax losses. Under IAS 12, you only recognize the DTA to the extent that it is probable (more likely than not) that taxable profits will be available. If realization is probable, you recognize the asset for the portion that can be realized; if realization is uncertain, you do not recognize the asset or recognize a valuation allowance to reflect the portion unlikely to be realized. If future forecasts weaken, you adjust the recognized DTA downward to reflect impairment or the portion no longer probable. This is why the correct approach is to recognize a DTA only when future profits are probable, and to adjust or not recognize when profits are not probable.

8. Which statement best describes how cash flows from financing activities are typically presented?

A. Cash inflows and outflows related to external financing, such as debt and equity.

B. Cash inflows and outflows related to operating activities.

C. Cash inflows and outflows from investing activities.

D. Net income plus non-cash items.

The main idea is that financing activities on the cash flow statement reflect transactions with external sources of capital. These are cash inflows and outflows related to obtaining or servicing capital from outside the company, such as issuing or repaying debt and issuing or buying back equity, and paying dividends. This is why the best description is cash inflows and outflows related to external financing, such as debt and equity. Operating activities cover day-to-day business operations; investing activities involve buying and selling long-term assets and investments; net income plus non-cash items is part of the operating cash flow reconciliation when using the indirect method, not a description of financing activities.

9. Which tool provides separate columns for assets, liabilities, equity, and revenue?

A. General ledger

B. Journal

C. Four-column account

D. Trial balance

The key idea is using a ledger form that organizes posting by account type in separate columns. A four-column account is designed to show how each transaction affects assets, liabilities, equity, and revenue all on one page. This format makes it easy to see the impact on the accounting equation (Assets = Liabilities + Equity) and on income through revenue, as you post amounts directly into the corresponding column. Why this is the best fit: none of the other tools provides that built-in, multi-column view by account type. A general ledger collects individual accounts with their own debits and credits but isn't laid out in columns for each category. A journal records entries chronologically, not by the category layout. A trial balance lists ending balances to check arithmetic, not to illustrate the category-by-category effects of transactions. The four-column format directly aligns with tracking how transactions touch assets, liabilities, equity, and revenue in one consolidated view, making it the correct choice. For example, when a sale is recorded, you can see the asset increase and revenue increase in their respective columns, reinforcing how the transaction affects both sides of the equation.

10. What must every person authorized to sign checks for a business complete?

A. A bank loan agreement

B. A signature card for the bank

C. A voided check

D. A bank statement

The key idea is that the bank needs a record of who is allowed to sign checks. Every person authorized to sign must have a signature card on file with the bank. This card lists the authorized signatures and lets the bank verify that checks presented for payment match a signer on the account, which supports internal controls and prevents unauthorized disbursements. A bank loan agreement is unrelated to who can sign checks. A voided check is used to provide account details for setup or direct deposits, not to authorize signers. A bank statement is simply a record of activity and does not establish signing authority.

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!