

# Accounting Fundamentals Certification (AFC) Practice Test (Sample)

## Study Guide



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

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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>5</b>
<b>Answers</b> .....	<b>8</b>
<b>Explanations</b> .....	<b>10</b>
<b>Next Steps</b> .....	<b>16</b>

# 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 best method for determining how much a house can sell for?**
  - A. Consult an online property valuator like Zillow.com to get an estimate.**
  - B. Consult a real estate agent to assess comparable properties.**
  - C. Take what you paid for the house and add the cost of all upgrades you've made.**
  - D. Take what you paid for the house and add 10% for every year you lived there.**
- 2. Which term describes the process of allocating expenses across accounting periods?**
  - A. Matching Principle**
  - B. Revenue Recognition**
  - C. Conservatism Principle**
  - D. Prudence Principle**
- 3. What best describes the logical order during the end-of-period procedures?**
  - A. Close accounts, prepare financial statements**
  - B. Prepare worksheet, closing entries, financial statements**
  - C. Adjust entries, prepare ledger, financial statements**
  - D. Prepare worksheet, financial statements, closing entries**
- 4. What happens to the balances of temporary accounts at the end of the fiscal period?**
  - A. They are forgotten**
  - B. They are transferred to the general ledger**
  - C. They are summarized and transferred to the owner's capital account**
  - D. They are closed out with no further action**
- 5. What are Elizabeth's gross earnings for the week if her salary is 296.00 and her commission from sales of 63,255 is 1%?**
  - A. 900.00**
  - B. 928.55**
  - C. 1,050.00**
  - D. 1,200.00**

- 6. Under what classification would 'Sales' be categorized in accounting?**
- A. Asset**
  - B. Liability**
  - C. Revenue**
  - D. Expense**
- 7. In financial counseling, what is an important aspect of setting short-term goals?**
- A. They should be vague and flexible.**
  - B. They should have a defined timeframe.**
  - C. They should require significant investment.**
  - D. They should be based solely on client wishes.**
- 8. In accounting, how are accounts organized within the general ledger?**
- A. By the date of transaction**
  - B. In alphabetical order**
  - C. In accordance with their appearance in the chart of accounts**
  - D. By account balance size**
- 9. Which withdrawal would most likely increase a retired couple's household taxable income?**
- A. A \$2,000 contribution to a Roth IRA**
  - B. A \$5,000 withdrawal from a Traditional IRA**
  - C. A \$5,500 withdrawal from a Roth IRA**
  - D. A \$6,500 contribution to a Traditional IRA**
- 10. Where does the net income calculated for the income statement for a service business come from?**
- A. Only from the income statement columns**
  - B. Only from the trial balance columns**
  - C. From both trial balance and income statement columns of a worksheet**
  - D. From the cash flow statement**

## **Answers**

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

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## **Explanations**

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1. What is the best method for determining how much a house can sell for?
- A. Consult an online property valuator like Zillow.com to get an estimate.
  - B. Consult a real estate agent to assess comparable properties.**
  - C. Take what you paid for the house and add the cost of all upgrades you've made.
  - D. Take what you paid for the house and add 10% for every year you lived there.

Consulting a real estate agent to assess comparable properties is the best method for determining how much a house can sell for. Real estate agents have access to a wealth of local market data and are skilled in analyzing recent sales of similar properties, which is crucial for establishing a market-based selling price. They consider various factors, including location, size, condition, and current market trends, to provide a well-informed valuation. This method leverages the principles of comparative market analysis (CMA), where the selling prices of similar homes in the same area—often referred to as "comps"—are considered to gauge an accurate selling price for a property. This approach is more reliable than simply using estimates from online property valutors, which may not always reflect the most current market conditions or specific nuances of a property. Adding the cost of upgrades to the original purchase price or incrementally increasing the purchase price based on the duration of ownership are both overly simplistic methods. They fail to account for the dynamic nature of real estate markets, which can be influenced by numerous factors beyond personal investment.

2. Which term describes the process of allocating expenses across accounting periods?
- A. Matching Principle**
  - B. Revenue Recognition
  - C. Conservatism Principle
  - D. Prudence Principle

The term that describes the process of allocating expenses across accounting periods is the Matching Principle. This principle is a fundamental accounting concept that states that expenses should be recognized in the same period as the revenues they help to generate, ensuring that a company's financial statements reflect the true profitability of its activities during a given period. By matching expenses with related revenues, the Matching Principle promotes a more accurate portrayal of financial performance. Other options relate to different concepts in accounting. For example, Revenue Recognition focuses on the criteria for recognizing revenue when it is earned, while the Conservatism Principle emphasizes caution in reporting finances, ensuring that potential expenses and obligations are adequately recorded. The Prudence Principle, often used interchangeably with Conservatism in context, advocates for a careful approach to financial reporting. However, neither of these principles specifically addresses the allocation of expenses across periods, which is the essence of the Matching Principle.

**3. What best describes the logical order during the end-of-period procedures?**

- A. Close accounts, prepare financial statements**
- B. Prepare worksheet, closing entries, financial statements**
- C. Adjust entries, prepare ledger, financial statements**
- D. Prepare worksheet, financial statements, closing entries**

The logical order during the end-of-period procedures begins with preparing a worksheet, as this tool assists in summarizing the accounts and adjusting entries before finalizing financial statements. The worksheet provides a structured way to review the adjusted trial balance and ensures all necessary adjustments are considered in the financial reporting process. After the worksheet preparation, the next step is to prepare the financial statements. This includes the income statement, balance sheet, and cash flow statement, which are derived directly from the adjusted trial balance prepared in the worksheet. This step is crucial because financial statements provide the necessary information to stakeholders about the company's financial performance and position. Once the financial statements are complete, closing entries can be made to reset temporary accounts (like revenues and expenses) to zero for the next accounting period. This step is essential to ensure that the new accounting period reflects the correct financial activities without any carryover effects from the previous period. This comprehensive sequencing ensures accuracy and clarity in financial reporting, making it essential to follow this logical order for effective accounting practices.

**4. What happens to the balances of temporary accounts at the end of the fiscal period?**

- A. They are forgotten**
- B. They are transferred to the general ledger**
- C. They are summarized and transferred to the owner's capital account**
- D. They are closed out with no further action**

At the end of the fiscal period, the balances of temporary accounts, which include revenues, expenses, and dividends, are summarized and transferred to the owner's capital account. This process is known as closing the accounts. By doing this, the balances of temporary accounts are reset to zero for the next accounting period, allowing for a fresh start. This transfer ensures that the net income or loss for the period is reflected in the equity section of the balance sheet under the owner's capital, thereby updating the owner's stake in the business based on the performance during the fiscal period. This is a crucial aspect of the accounting cycle, as it allows for the accurate measurement of financial performance over each accounting period. Other options do not appropriately describe the process. Temporary accounts are not simply forgotten; they play a critical role in tracking income and expenses. While they are tracked in the general ledger during the period, it's not correct to say they're transferred there at the end of the period. Additionally, they are not just closed out without any action, as that would neglect the essential step of summarization and transfer to equity accounts.

5. What are Elizabeth's gross earnings for the week if her salary is 296.00 and her commission from sales of 63,255 is 1%?

- A. 900.00
- B. 928.55**
- C. 1,050.00
- D. 1,200.00

To determine Elizabeth's gross earnings for the week, you need to consider both her salary and her commission from sales. Elizabeth's salary is straightforward: she earns a fixed amount of \$296.00 for the week. Next, we need to calculate her commission. She receives 1% of her total sales, which amounts to \$63,255. To find the commission, multiply the sales amount by the commission rate:  $\text{Commission} = 63,255 \times 0.01 = 632.55$ . Now, you combine her salary and her commission to find her total gross earnings:  $\text{Gross Earnings} = \text{Salary} + \text{Commission}$   $\text{Gross Earnings} = 296.00 + 632.55 = 928.55$ . Thus, Elizabeth's total gross earnings for the week amount to \$928.55. This calculation correctly incorporates both components of her compensation, resulting in the total earnings calculated.

6. Under what classification would 'Sales' be categorized in accounting?

- A. Asset
- B. Liability
- C. Revenue**
- D. Expense

The classification of 'Sales' in accounting as revenue is based on the fundamental principles of financial reporting. Revenue represents the income generated from normal business operations, particularly from the sale of goods or services. When a company makes a sale, it increases its overall revenue, which contributes to the profitability of the business. Revenue is recorded on the income statement and indicates the company's ability to earn money through its core activities. This classification is essential for evaluating a company's performance over time and understanding its financial health. Revenue also impacts net income, which is crucial for stakeholder decision-making regarding investments and other financial activities. Understanding this classification is key for anyone studying accounting fundamentals, as it lays the groundwork for comprehending how various financial transactions affect a company's financial statements.

**7. In financial counseling, what is an important aspect of setting short-term goals?**

- A. They should be vague and flexible.**
- B. They should have a defined timeframe.**
- C. They should require significant investment.**
- D. They should be based solely on client wishes.**

Setting short-term goals is crucial in financial counseling as they provide a clear direction for clients to follow. A defined timeframe is essential because it creates a sense of urgency and accountability, helping clients stay focused and motivated. When clients have specific deadlines, they can measure their progress and make necessary adjustments to their strategies, which ultimately enhances their chances of achieving these goals. This structured approach allows for better planning and prioritization of tasks related to their financial objectives. Additionally, having a defined timeframe helps clients allocate their resources effectively, ensuring that they are working towards their short-term goals without straying too far from their long-term financial plans. It provides a practical framework for both the counselor and the client to track progress and celebrate achievements along the way.

**8. In accounting, how are accounts organized within the general ledger?**

- A. By the date of transaction**
- B. In alphabetical order**
- C. In accordance with their appearance in the chart of accounts**
- D. By account balance size**

In accounting, the organization of accounts within the general ledger follows the structure established in the chart of accounts. This means that each account in the general ledger is arranged according to a predefined numbering and categorization system that reflects the nature and purpose of the accounts. The chart of accounts provides a systematic framework for categorizing all financial transactions and helps ensure consistency in how these accounts are utilized across the organization. Accounts are typically grouped into categories such as assets, liabilities, equity, revenues, and expenses, which helps in maintaining an organized record for reporting and analysis purposes. This structured approach allows accountants to efficiently locate account information, track and report financial transactions, and prepare financial statements systematically. In contrast, organizing accounts by date, alphabetically, or by balance size would not provide an effective or practical system for financial reporting and tracking over time.

**9. Which withdrawal would most likely increase a retired couple's household taxable income?**

- A. A \$2,000 contribution to a Roth IRA**
- B. A \$5,000 withdrawal from a Traditional IRA**
- C. A \$5,500 withdrawal from a Roth IRA**
- D. A \$6,500 contribution to a Traditional IRA**

A \$5,000 withdrawal from a Traditional IRA would most likely increase a retired couple's household taxable income. Withdrawals from a Traditional IRA are considered taxable income in the year they are taken. This means that when the couple withdraws funds from this type of account, that amount is added to their total income and can push them into a higher tax bracket or increase the amount of income on which they owe taxes. In contrast, contributions to a Roth IRA are made with after-tax dollars, which means that they do not impact taxable income at the time of contribution or withdrawal. Withdrawals from a Roth IRA are generally tax-free, provided certain conditions are met, so they would not increase taxable income either. A contribution to a Traditional IRA might also lower taxable income, depending on various factors, such as whether they meet specific requirements for tax deductions. Thus, the action that directly adds to taxable income is the withdrawal from the Traditional IRA, making it the clear choice in this scenario.

**10. Where does the net income calculated for the income statement for a service business come from?**

- A. Only from the income statement columns**
- B. Only from the trial balance columns**
- C. From both trial balance and income statement columns of a worksheet**
- D. From the cash flow statement**

The net income for a service business, as calculated on the income statement, is derived from both the trial balance and the income statement columns of a worksheet. The trial balance provides the initial figures for revenues and expenses, which are crucial in determining net income. These figures are then transferred to the income statement columns to calculate the total revenues and total expenses. Subtracting total expenses from total revenues gives the net income. This process demonstrates how the worksheet serves as a comprehensive tool that integrates various financial data sources, ensuring accuracy in the financial statements. The other options do not encompass this combination of data sources or omit critical aspects of the accounting cycle involved in determining net income.

## 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://afc.examzify.com>**

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