

ACCOUNTING FUNDAMENTALS CERTIFICATION (AFC) PRACTICE TEST (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

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1. 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
2. What does a fiscal year typically refer to?
 - A. A standard calendar year
 - B. A twelve-month period that can vary by company
 - C. A month-to-month accounting period
 - D. A period defined by the government
3. Accounts Payable is classified as which type of account?
 - A. Asset Account
 - B. Liability Account
 - C. Equity Account
 - D. Revenue Account
4. Which scenario typically denotes a violation of consumer rights in lending?
 - A. Transparent loan terms
 - B. High-pressure tactics for loan signing
 - C. Provision of clear disclosures
 - D. Low interest rates offered
5. Which of the following accounts has a Credit Balance?
 - A. Cash
 - B. Wages Payable
 - C. Utilities Expense
 - D. Equipment

- 6. To calculate the component percentages on an income statement, how do you proceed?**
- A. Each account by total assets
 - B. Each account by total liabilities
 - C. Each account by total expenses
 - D. Each account by total sales
- 7. The asset account is increased by which type of journal entry?**
- A. Credit
 - B. Debit
 - C. Adjustment
 - D. Reclassification
- 8. Which accounting document is primarily used to record a debit card transaction?**
- A. Invoice
 - B. Receipt
 - C. Memo
 - D. Purchase order
- 9. What is required if a down payment of less than 20% is made on a mortgage?**
- A. Home Owner's Association Fees
 - B. Escrow Fees
 - C. Home Warranty Insurance
 - D. Mortgage Insurance
- 10. What type of account are Sales and Fees Earned both classified as?**
- A. Expense Accounts
 - B. Asset Accounts
 - C. Liability Accounts
 - D. Revenue Accounts

Answers

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

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Explanations

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1. 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.

2. What does a fiscal year typically refer to?

- A. A standard calendar year
- B. A twelve-month period that can vary by company**
- C. A month-to-month accounting period
- D. A period defined by the government

A fiscal year refers to a twelve-month period that a company or organization uses for accounting purposes. This period does not necessarily align with the standard calendar year, which runs from January 1 to December 31. Instead, companies can choose their fiscal year based on their operational needs, which allows them to better match their financial reporting and business cycles. For instance, a retail company might choose a fiscal year that ends after the holiday season to reflect its busy sales period more accurately. This flexibility is essential for companies to report their financial performance effectively and make informed decisions based on their specific activities and sales patterns throughout the year. While a standard calendar year represents a fixed period that runs from January 1 to December 31, and month-to-month accounting periods focus on shorter timeframes, a fiscal year provides the adaptability for various businesses to define their financial reporting timeline. Additionally, governmental fiscal periods may have specific implications but do not universally dictate corporate fiscal years.

3. Accounts Payable is classified as which type of account?

- A. Asset Account
- B. Liability Account**
- C. Equity Account
- D. Revenue Account

Accounts Payable is classified as a liability account because it represents an obligation that a company owes to its creditors. This account is used to track amounts that the company has purchased on credit, meaning the firm has received goods or services but has not yet paid for them. As such, it reflects future outflows of cash or services that the business is expected to surrender in the future, thus demonstrating a company's financial commitment. In a balance sheet, liabilities are listed alongside assets and equity to present a comprehensive view of the company's financial position. Understanding that Accounts Payable falls under liabilities is crucial for accounting since it helps in assessing the company's liquidity and overall financial health.

4. Which scenario typically denotes a violation of consumer rights in lending?

- A. Transparent loan terms
- B. High-pressure tactics for loan signing**
- C. Provision of clear disclosures
- D. Low interest rates offered

High-pressure tactics for loan signing typically denote a violation of consumer rights in lending because they compromise the borrower's ability to make an informed and voluntary decision. Consumers should have the time and freedom to review loan terms, ask questions, and consider their options without feeling rushed or coerced. Such tactics can lead to hasty decisions that may not align with the borrower's best interests, undermining the principle of informed consent in financial agreements. In contrast, the other scenarios involve practices that promote transparency and fairness. Transparent loan terms and the provision of clear disclosures ensure that consumers are fully informed about what they are agreeing to, while low interest rates represent a potentially beneficial offer for borrowers, assuming they are still part of ethical lending practices.

5. Which of the following accounts has a Credit Balance?

- A. Cash
- B. Wages Payable**
- C. Utilities Expense
- D. Equipment

A credit balance typically indicates that an account is a liability, equity, or revenue rather than an asset or expense. In this context, Wages Payable is a liability that represents amounts owed to employees for work performed but not yet paid. Since liabilities are recorded with a credit balance, this account is expected to reflect that type of balance. Conversely, accounts like Cash, Utilities Expense, and Equipment represent asset or expense accounts, which usually carry a debit balance. Cash is an asset and is always debited when it increases. Utilities Expense is an expense account that records costs incurred, so it always has a debit balance as well. Equipment is also an asset account, following the same debit balance structure as other asset accounts. Therefore, Wages Payable stands out as the only account in this scenario that typically maintains a credit balance, confirming its nature as a liability.

6. To calculate the component percentages on an income statement, how do you proceed?

- A. Each account by total assets
- B. Each account by total liabilities
- C. Each account by total expenses
- D. Each account by total sales**

To calculate the component percentages on an income statement, each account is expressed as a percentage of total sales. This method allows for an understanding of how each revenue and expense item contributes to total sales, providing insights into the overall profitability and cost structure of the business. Using total sales as the denominator helps identify the proportion of each item relative to the revenue generated, making it easier to analyze trends over time and compare performance with other companies. Each line item, such as gross profit, operating expenses, and net income, can be assessed for its efficiency and effectiveness in relation to sales, which is fundamental in financial analysis. This approach is particularly useful in financial statement analysis, enabling stakeholders to see which expenses are taking up larger portions of sales, thereby impacting profitability. Other options involving total assets, total liabilities, or total expenses do not provide the same clarity in relation to revenue generation, making them less appropriate for calculating component percentages on an income statement.

7. The asset account is increased by which type of journal entry?

- A. Credit
- B. Debit**
- C. Adjustment
- D. Reclassification

The asset account is increased by a debit journal entry. In accounting, assets are recorded on the balance sheet and increase in value are shown through debits. When a company acquires an asset, it is customary to debit the asset account to reflect this change. For instance, if a company purchases equipment, the equipment account would be debited, resulting in an increase in total assets on the balance sheet. Conversely, a credit entry would decrease the asset account, reflecting a reduction in the company's assets, such as when an asset is sold or disposed of. The terms adjustment and reclassification generally pertain to different accounting processes. Adjustments often involve corrections or reallocations, while reclassification changes the category of an asset on the balance sheet, neither of which inherently increases the asset account.

8. Which accounting document is primarily used to record a debit card transaction?

- A. Invoice
- B. Receipt
- C. Memo**
- D. Purchase order

The primary document used to record a debit card transaction is a receipt. A receipt serves as a proof of payment and details the transaction, including the date, the amount spent, the vendor's name, and often a description of the items purchased or services rendered. In the context of a debit card transaction, the receipt is generated at the point of sale and provides the customer with a record that the funds were transferred from their account. It is crucial for personal record-keeping, expense tracking, and potential returns or exchanges. While invoices are generally used in business transactions to request payment, and purchase orders are documents that authorize a purchase, these do not specifically serve to document the completed transaction from the consumer's standpoint. Memos can be used for internal communication regarding various transactions but lack the detailed financial record that a receipt provides.

9. What is required if a down payment of less than 20% is made on a mortgage?

- A. Home Owner's Association Fees
- B. Escrow Fees
- C. Home Warranty Insurance

D. Mortgage Insurance

When a down payment of less than 20% is made on a mortgage, mortgage insurance is typically required. This insurance protects the lender in case the borrower defaults on the loan. Since a smaller down payment indicates a higher risk for the lender, mortgage insurance helps mitigate that risk. It essentially allows lenders to offer loans to borrowers who might not have enough savings to make a larger down payment. Choosing mortgage insurance is essential for borrowers who wish to secure a mortgage with a lower down payment. This form of insurance can come in two main types: private mortgage insurance (PMI) for conventional loans and mortgage insurance premiums (MIP) for FHA loans. The requirement for mortgage insurance is a common practice in the mortgage industry to safeguard lenders against potential losses while allowing borrowers to enter the housing market with a more manageable upfront investment. Home Owner's Association fees, escrow fees, and home warranty insurance do not directly relate to down payment percentages in the same way that mortgage insurance does; they serve different purposes in the overall home buying and ownership process.

10. What type of account are Sales and Fees Earned both classified as?

- A. Expense Accounts
- B. Asset Accounts
- C. Liability Accounts

D. Revenue Accounts

Sales and Fees Earned are classified as revenue accounts because they represent the income generated from the primary activities of a business, such as selling products or providing services. Revenue accounts reflect the economic benefit received by the company in the form of cash or other assets when transactions occur. Understanding the classification of these accounts is crucial, as they play a key role in the financial statements, particularly the income statement, where they impact net income. Revenue accounts contribute to the overall financial health of the company, indicating its ability to generate income from its core operations.

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://afc.examzify.com>

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

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