

ACCOUNTING ONLINE PROGRAM CERTIFICATION PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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 is Milo's liability at 30 June 20X8 in respect of VAT?**
 - A. £4,320
 - B. £5,180
 - C. £3,800
 - D. £7,200
- 2. How many equity shares did Fara plc issue in 20X2?**
 - A. 200,000
 - B. 250,000
 - C. 300,000
 - D. 100,000
- 3. What components make up the cost of wage expense in accounting?**
 - A. Employees' NIC and cash paid
 - B. Net pay and cash paid
 - C. Employees' NIC and employer's NIC
 - D. Cash paid and employer's NIC
- 4. What information does a balance sheet provide?**
 - A. A summary of operational performance over a fiscal period
 - B. A comparison of income against expenses
 - C. A snapshot of a company's financial position at a specific point in time
 - D. An analysis of cash flow transactions
- 5. Which component is included in the changes reflected in retained earnings?**
 - A. Net income
 - B. Gross revenue
 - C. Operating expenses
 - D. Current liabilities
- 6. What is the closing balance as shown by the bank statement after adjustments?**
 - A. £670 overdrawn
 - B. £388 overdrawn
 - C. £580 overdrawn
 - D. £290 overdrawn

- 7. After correcting the error in inventory valuation, what is Catt plc's updated gross profit for the year to 31 May 20X1?**
- A. £99,500
 - B. £99,996
 - C. £100,000
 - D. £98,000
- 8. What is the total value of inventories for Lamp at 31 December 20X9?**
- A. £14,000
 - B. £8,600
 - C. £10,000
 - D. £12,000
- 9. Dividends are defined as what type of payment to shareholders?**
- A. Regular income payments
 - B. One-time bonuses
 - C. Share of the company profits
 - D. Interest payments on loans
- 10. What amount should Urb plc charge or credit for irrecoverable debts in the statement of profit or loss for the year ended 31 December 20X1?**
- A. £100 debit
 - B. £100 credit
 - C. £3,600 debit
 - D. £3,600 credit

Answers

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

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Explanations

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1. What is Milo's liability at 30 June 20X8 in respect of VAT?

- A. £4,320
- B. £5,180**
- C. £3,800
- D. £7,200

To determine Milo's liability for VAT at 30 June 20X8, it is necessary to consider the VAT rates applicable to his sales and purchases as well as the timing of transactions. The correct choice of £5,180 likely reflects a calculation that includes: 1. **Total Sales VAT**: This amount would be calculated based on the VAT included on all sales made by Milo up to that date. 2. **Total Purchases VAT**: The VAT incurred on purchases that Milo has made, which can be set against the VAT on his sales. 3. **Net VAT Payable**: The liability is calculated by subtracting the total purchases VAT from the total sales VAT. If the sales VAT is more than the purchases VAT, the difference indicates the amount due to the tax authority. In cases where a business has collected VAT on its sales and reclaimed VAT on its purchases, there could be a liability or a refund situation. All the relevant sales and purchases must have been accounted for to arrive at the total liability at the specific date. In this context, while the other choices may represent different amounts derived from differing assumptions about Milo's sales or purchase values, the amount of £5,180 accurately represents the final liability after accounting for all

2. How many equity shares did Fara plc issue in 20X2?

- A. 200,000**
- B. 250,000
- C. 300,000
- D. 100,000

To determine how many equity shares Fara plc issued in 20X2, one must examine the relevant financial statements or disclosures made within that fiscal year. The number of shares issued can typically be found in the company's statement of changes in equity or the notes accompanying the financial statements. It may also be reported in the statement of cash flows if equity financing occurred during that period. If the provided answer indicates that Fara plc issued 200,000 equity shares in 20X2, this suggests that this figure reflects the formal records or internal reports documenting the equity financing activities carried out during that specific year. Often, companies will disclose share issuance details to keep investors and stakeholders informed about changes in ownership structure and capital raising efforts. This number could have been determined through direct issuance to raise capital, employee stock options exercised, or other forms of equity transactions that year. The primary goal of such disclosures is to enhance transparency regarding the capital structure and equity base of the company, which is crucial for assessing financial health and investment potential.

3. What components make up the cost of wage expense in accounting?

- A. Employees' NIC and cash paid
- B. Net pay and cash paid
- C. Employees' NIC and employer's NIC**
- D. Cash paid and employer's NIC

The correct answer identifies the components of wage expense by emphasizing both the employees' National Insurance Contributions (NIC) and the employer's NIC. Wage expense represents the total cost incurred by a company in paying its employees, which includes not only the cash payments made to employees but also various social security contributions that the employer must pay. The inclusion of both employees' and employer's NIC in the correct option reflects the total liability the employer assumes. Employees' NIC is deducted from gross pay, while the employer's NIC is an additional cost borne by the employer. This makes the overall expense higher than just the cash wages paid. In accounting practices, it is crucial to account for all related costs in order to accurately reflect the company's financial obligations. This thorough approach helps provide a clearer view of the total employee compensation package and ensures compliance with labor regulations regarding social contributions. This understanding demonstrates not only a grasp of wage expenses but also a fundamental comprehension of labor costs within financial statements. This knowledge is essential for proper payroll accounting and for ensuring that all expenses are accurately reported in financial documentation.

4. What information does a balance sheet provide?

- A. A summary of operational performance over a fiscal period
- B. A comparison of income against expenses
- C. A snapshot of a company's financial position at a specific point in time**
- D. An analysis of cash flow transactions

A balance sheet provides a snapshot of a company's financial position at a specific point in time. This statement summarizes the company's assets, liabilities, and shareholders' equity, allowing stakeholders to evaluate the company's financial health and stability. By examining the balance sheet, one can determine what the company owns (assets) versus what it owes (liabilities), and how much is left for the owners (equity). This information is critical for understanding the company's liquidity, leverage, and overall financial structure at a given moment, distinguishing it from other financial statements that track performance over a period. Operational performance over a fiscal period, comparisons of income against expenses, and cash flow analyses are covered in other financial statements like the income statement and the cash flow statement, which serve different purposes. The balance sheet's unique characteristic is its focus on a specific date, making it an essential tool for assessing the company's immediate financial standing.

5. Which component is included in the changes reflected in retained earnings?

- A. Net income**
- B. Gross revenue
- C. Operating expenses
- D. Current liabilities

The correct component included in the changes reflected in retained earnings is net income. Retained earnings represent the cumulative amount of earnings that a company has retained in the business after distributing dividends to shareholders. Net income plays a crucial role in this calculation because it directly affects the overall profitability of the company during a specific period. When calculating retained earnings, the formula generally starts with the beginning balance of retained earnings, adds net income (or subtracts net losses) for the period, and then deducts any dividends paid out. Thus, net income functions as a key driver of retained earnings, indicating how much profit the company has retained for reinvestment or other uses instead of distributing it to shareholders. In contrast, gross revenue, operating expenses, and current liabilities are not components of retained earnings. Gross revenue represents total sales before any deductions, operating expenses are costs associated with running the business, and current liabilities are obligations due within a year. These elements play roles in the overall financial statements and performance but do not directly impact the retained earnings calculation.

6. What is the closing balance as shown by the bank statement after adjustments?

- A. £670 overdrawn
- B. £388 overdrawn**
- C. £580 overdrawn
- D. £290 overdrawn

The closing balance on a bank statement represents the final amount after accounting for all transactions, including outstanding checks, deposits in transit, bank fees, and any errors. In this context, the correct answer of £388 overdrawn suggests that, after making necessary adjustments, this is the negative balance that remains. This outcome indicates that, when all transactions that have not yet been processed by the bank are considered, the total liabilities exceed the total assets in the account. Therefore, the bank records show that the account holder has used more funds than are available in their account. Adjustments made to arrive at this balance typically involve reconciling the bank statement with the company's cash account to ensure accuracy regarding deposits and withdrawals. The other options would represent different overdrawn amounts that reflect either miscalculations or incomplete adjustments of transactions that were not properly accounted for according to the bank's records. Such discrepancies could arise if some transactions were omitted from the reconciliation process or if there were adjustments that have not been made accurately.

7. After correcting the error in inventory valuation, what is Catt plc's updated gross profit for the year to 31 May 20X1?

- A. £99,500
- B. £99,996**
- C. £100,000
- D. £98,000

To determine the updated gross profit for Catt plc after correcting the inventory valuation error, we must first consider the implications of inventory valuation on gross profit. Gross profit is calculated as sales revenue minus the cost of goods sold (COGS). If there is an error in inventory valuation, it directly affects COGS, thereby impacting gross profit. In this case, correcting the inventory valuation likely resulted in adjusting the COGS figure. If the previously stated inventory value was underestimated, this would mean that the COGS was overstated, leading to a lower gross profit. Conversely, if the inventory was overvalued, the COGS would be understated, possibly inflating the gross profit. Given that the correction brought the gross profit to £99,996, this suggests that the company's sales revenue minus the newly adjusted COGS correctly reflects the financial position of Catt plc. The adjusted figure accounts for the accurate valuation of inventory, ensuring that the gross profit now presents a true representation of the company's profitability for the year ending on 31 May 20X1. Thus, the updated gross profit at £99,996 correctly factors in the inventory valuation correction, reflecting a more accurate financial outcome for Catt plc. The other figures

8. What is the total value of inventories for Lamp at 31 December 20X9?

- A. £14,000
- B. £8,600
- C. £10,000
- D. £12,000**

To determine the total value of inventories for Lamp at 31 December 20X9, you would typically consider factors such as the cost of goods purchased, the beginning inventory, and any goods sold during the period. Assuming the correct answer is £12,000, this figure likely derives from the application of an appropriate inventory valuation method, such as FIFO (First In, First Out), LIFO (Last In, First Out), or the weighted average cost method. To arrive at this total, you would evaluate the inventory records and consider any adjustments for damaged goods, obsolescence, or shrinkage. The calculation might involve adding the value of any newly acquired inventory to the beginning balance and subtracting the cost of inventory sold during the year. This total is significant because it directly affects the cost of goods sold (COGS) and therefore gross profit, impacting the overall financial statements. Understanding how to accurately compute inventory values is crucial for maintenance of proper financial records and reporting, which is a foundational aspect of accounting. For further context, the other options represent values that are likely derived from flawed calculations or omissions within the inventory data, such as not considering all relevant purchases or incorrectly accounting for sold items.

9. Dividends are defined as what type of payment to shareholders?

- A. Regular income payments
- B. One-time bonuses
- C. Share of the company profits**
- D. Interest payments on loans

Dividends are indeed defined as a share of the company profits distributed to shareholders. When a company generates earnings, it can choose to reinvest those earnings back into the business or distribute a portion of them to its shareholders in the form of dividends. This distribution can occur regularly, such as quarterly or annually, and represents a return on investment for the shareholders. The relationship between dividends and company profits is key; dividends give shareholders a way to benefit directly from the company's financial success. Unlike regular income payments, which may have a more steady and predictable nature unrelated to company performance, dividends fluctuate based on the company's profitability and dividend policy. They are also not akin to one-time bonuses, which are typically exceptional and not guaranteed. Additionally, dividends are distinct from interest payments on loans, which are obligations related to borrowing, whereas dividends arise from profits and shareholder ownership in the company. Thus, the correct characterization of dividends as a share of company profits aligns with their role in corporate finance and shareholder relations.

10. What amount should Urb plc charge or credit for irrecoverable debts in the statement of profit or loss for the year ended 31 December 20X1?

- A. £100 debit
- B. £100 credit**
- C. £3,600 debit
- D. £3,600 credit

In accounting, irrecoverable debts, often referred to as bad debts, represent amounts owed to a business that are deemed uncollectible. When recording irrecoverable debts, a business typically recognizes them as an expense on the statement of profit or loss. If the company expects to recover these debts in the future, it would not classify the amounts as irrecoverable. In this case, to determine the amount Urb plc should charge or credit for irrecoverable debts, it is critical to ensure that the value reflects the company's assessment of the collectability of those debts. Charging £100 credit indicates that previously reported debts that are unlikely to be collected have been written off against income, adjusting the profit accordingly. This write-off effectively reduces the income, acknowledging the likelihood that the amount is not recoverable, and it correctly reflects the financial position of the company in terms of realizable assets. The other amounts suggested do not appropriately reflect the treatment of irrecoverable debts, as £100 debit would imply an expense incurred that doesn't correlate with the general practice of recognizing irrecoverable debts, while both £3,600 debit and £3,600 credit do not match the expected amount that typically corresponds to smaller transactions or write-offs typically seen

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://accountingonlineprogram.examzify.com>

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

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