

Accounting SmartBook Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1

Table of Contents 2

Introduction 3

How to Use This Guide 4

Questions 5

Answers 9

Explanations 11

Next Steps 17

SAMPLE

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

SAMPLE

- 1. Which statement about standard costs is true?**
 - A. They are preset costs for delivering a product or service under normal conditions**
 - B. They are determined after production**
 - C. They are only useful for service companies**
 - D. They have no relation to variances**

- 2. Standard costs are used for which purpose in relation to variances?**
 - A. To set the budget**
 - B. To determine wage rates**
 - C. To calculate depreciation**
 - D. To help management understand reasons for variances**

- 3. Which of the following is Step 1 in computing a standard overhead rate?**
 - A. Determine an allocation base**
 - B. Estimate total overhead for the period**
 - C. Compute the standard cost per unit**
 - D. Assess the budgeted overhead**

- 4. Compute the direct labor variance given production of 35,000 units, standard of 1 hour at \$10 per hour, and actual of 36,000 hours at \$374,400.**
 - A. \$0**
 - B. \$24,400 U**
 - C. \$14,400 U**
 - D. \$24,400 F**

- 5. The controllable variance is the difference between the actual total overhead and:**
 - A. Budgeted overhead based on a flexible budget**
 - B. Budgeted overhead based on a static budget**
 - C. Actual overhead**
 - D. Standard overhead applied**

6. A company sells a product for \$3. The company prepares a flexible budget at two sales volumes. At a sales volume of 50 units, budgeted sales will be \$____. At a sales volume of 60 units, budgeted sales will be \$.____
- A. 150; 180
 - B. 150; 240
 - C. 180; 180
 - D. 180; 210
7. A manufacturing company has the following budgeted overhead costs: Indirect materials \$0.50 per unit; Utilities \$0.25 per unit; Supervisory salaries \$60,000; Building rent \$80,000. If the company expects to produce 200,000 units using 100,000 hours of direct labor, the standard overhead rate will be \$___ per direct labor hour.
- A. \$2.50
 - B. \$2.75
 - C. \$2.90
 - D. \$3.00
8. A company budgets total overhead of \$10,400 for actual units produced. Actual total overhead is \$12,000. The controllable variance is:
- A. \$1,600 U
 - B. \$1,600 F
 - C. \$2,400 U
 - D. \$0
9. The static budget is an example of a:
- A. Fixed
 - B. Flexible
 - C. Rolling
 - D. Incremental

10. An unfavorable sales variance is most likely caused by which condition?

- A. Higher actual variable costs**
- B. Selling units for less than the budgeted price**
- C. Increased fixed costs**
- D. Production inefficiency**

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which statement about standard costs is true?

- A. They are preset costs for delivering a product or service under normal conditions**
- B. They are determined after production**
- C. They are only useful for service companies**
- D. They have no relation to variances**

Standard costs are predetermined costs per unit that reflect normal operating conditions. They're set before production, based on expected input prices, normal efficiency, and typical capacity. This creates a benchmark for planning and cost control, so managers can see how actual costs stack up against what was expected. By comparing actual costs to these standards, variances are identified—showing whether costs were higher or lower than anticipated and helping managers investigate causes such as price changes, waste, or inefficiency. Because they're established in advance, standard costs aren't determined after production. They're useful in both manufacturing and service contexts, and they inherently relate to variances, which is why the statement about them having no relation to variances is incorrect.

2. Standard costs are used for which purpose in relation to variances?

- A. To set the budget**
- B. To determine wage rates**
- C. To calculate depreciation**
- D. To help management understand reasons for variances**

Standard costs provide a benchmark for what costs should be, per unit of output, so actual costs can be compared against them. This comparison yields variances, and analyzing those variances shows why costs were different from expectations—whether due to changes in price, waste, or efficiency. That's why standard costs are used to understand reasons for variances: they translate actual performance into actionable explanations. They aren't primarily about setting wage rates or depreciation, and while budgets involve estimates, the main purpose here is explaining variances through the standard-cost framework.

3. Which of the following is Step 1 in computing a standard overhead rate?

- A. Determine an allocation base**
- B. Estimate total overhead for the period
- C. Compute the standard cost per unit
- D. Assess the budgeted overhead

Choosing the allocation base is the first move because the overhead rate is built around a specific measure of activity. The allocation base is the variable you'll use to spread overhead costs to products—things like direct labor hours, machine hours, or direct labor cost. Once you fix this base, you have a denominator to express the overhead per unit of activity. After picking the base, you estimate total overhead for the period and then divide that estimate by the chosen base to get the standard overhead rate (for example, \$ over direct labor hour). That rate is what you later apply to actual activity to assign overhead. If you don't start with the allocation base, you can't meaningfully compute the rate or apply overhead. Estimating total overhead or computing the rate relies on having a defined base, and computing the rate or applying overhead comes after that.

4. Compute the direct labor variance given production of 35,000 units, standard of 1 hour at \$10 per hour, and actual of 36,000 hours at \$374,400.

- A. \$0
- B. \$24,400 U**
- C. \$14,400 U
- D. \$24,400 F

Direct labor variance shows how much actual labor cost differs from the standard cost allowed for the actual output, and it can be broken into rate and efficiency variances. Standard hours for actual output = 35,000 units × 1 hour = 35,000 hours. Standard cost = 35,000 × \$10 = \$350,000. Actual cost = \$374,400 for 36,000 hours. Total direct labor variance = 374,400 – 350,000 = \$24,400 (unfavorable). Decomposing: - Rate variance = (Actual rate – Standard rate) × Actual hours = (374,400/36,000 – 10) × 36,000 = \$14,400 (unfavorable). - Efficiency variance = (Actual hours – Standard hours) × Standard rate = (36,000 – 35,000) × \$10 = \$10,000 (unfavorable). The sum of rate and efficiency variances equals the total direct labor variance: 14,400 + 10,000 = 24,400 unfavorable.

5. The controllable variance is the difference between the actual total overhead and:

- A. Budgeted overhead based on a flexible budget
- B. Budgeted overhead based on a static budget**
- C. Actual overhead
- D. Standard overhead applied

Controllable variance reflects what management can influence in the period by controlling costs, holding the activity level fixed at the original plan. It compares actual total overhead to the budgeted overhead from the static budget (the original plan, not adjusted for actual activity). Differences due to producing more or fewer units—the volume changes—are not part of this variance; they show up as volume variance instead. So, the controllable variance is the difference between actual overhead and budgeted overhead based on a static budget. If actual costs exceed the static-budget costs, the variance is unfavorable; if lower, it's favorable.

6. A company sells a product for \$3. The company prepares a flexible budget at two sales volumes. At a sales volume of 50 units, budgeted sales will be \$ _____. At a sales volume of 60 units, budgeted sales will be \$ _____.

- A. 150; 180**
- B. 150; 240
- C. 180; 180
- D. 180; 210

The main idea is that a flexible budget for sales revenue is simply price per unit times the planned sales volume. With a selling price of \$3 per unit, budgeted sales equal $3 \times$ volume. For 50 units: $3 \times 50 = 150$. For 60 units: $3 \times 60 = 180$. So the budgeted sales are 150 at 50 units and 180 at 60 units. The other options would require a different price per unit or inconsistent arithmetic, so they don't fit the given price.

7. A manufacturing company has the following budgeted overhead costs: Indirect materials \$0.50 per unit; Utilities \$0.25 per unit; Supervisory salaries \$60,000; Building rent \$80,000. If the company expects to produce 200,000 units using 100,000 hours of direct labor, the standard overhead rate will be \$___ per direct labor hour.
- A. \$2.50
 - B. \$2.75
 - C. \$2.90**
 - D. \$3.00

The concept here is to determine the standard overhead rate per direct labor hour by combining variable and fixed overhead costs and then allocating them over the standard direct labor hours. First, treat indirect materials and utilities as variable overhead. For 200,000 units, variable overhead equals $(0.50 + 0.25)$ per unit = 0.75 per unit, totaling $200,000 \times 0.75 = 150,000$. Fixed overhead consists of supervisory salaries and building rent, totaling $60,000 + 80,000 = 140,000$. Total overhead budget = $150,000 + 140,000 = 290,000$. Divide this total by the standard direct labor hours, which are 100,000 hours, to get the standard overhead rate per direct labor hour: $290,000 / 100,000 = 2.90$. So, the standard overhead rate is 2.90 per direct labor hour.

8. A company budgets total overhead of \$10,400 for actual units produced. Actual total overhead is \$12,000. The controllable variance is:
- A. \$1,600 U**
 - B. \$1,600 F
 - C. \$2,400 U
 - D. \$0

Controllable variance compares what actually happened with what was budgeted for the actual level of activity. It shows how well overhead costs were controlled in the period. Here, the budget for the actual units produced is 10,400, but actual overhead is 12,000. The difference is $12,000 - 10,400 = 1,600$, and since actual is higher than budgeted, this is unfavorable. So the controllable variance is 1,600 unfavorable.

9. The static budget is an example of a:

- A. Fixed**
- B. Flexible**
- C. Rolling**
- D. Incremental**

A static budget is a plan fixed for a specific level of activity and it doesn't change when actual output or sales differ. It lays out expected revenues and expenses for that one activity level, so the comparison of actual results to the plan can reveal variances, even if volume wasn't the same as planned. This is different from a flexible budget, which adjusts the budgeted numbers to match whatever actual activity occurred, giving a more meaningful apples-to-apples comparison. Rolling budgets are continuously updated to extend the planning horizon, and incremental budgets build on the prior period with small changes. Because the plan remains unchanged regardless of activity, the static budget is described as fixed.

10. An unfavorable sales variance is most likely caused by which condition?

- A. Higher actual variable costs**
- B. Selling units for less than the budgeted price**
- C. Increased fixed costs**
- D. Production inefficiency**

The key idea is how actual revenue compares to budgeted revenue. An unfavorable sales variance shows up when revenue falls short of what was planned. Revenue is affected directly by the selling price per unit, so selling units for less than the budgeted price lowers total revenue, producing the unfavorable variance. For example, budgeting 100 units at a price of 10 yields 1,000 in revenue; if the actual price drops to 9.50, revenue becomes 950, a shortfall of 50. The other options describe cost increases, not revenue, so they don't explain why sales revenue would be unfavorable.

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://accountingsmartbook.examzify.com>

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

SAMPLE