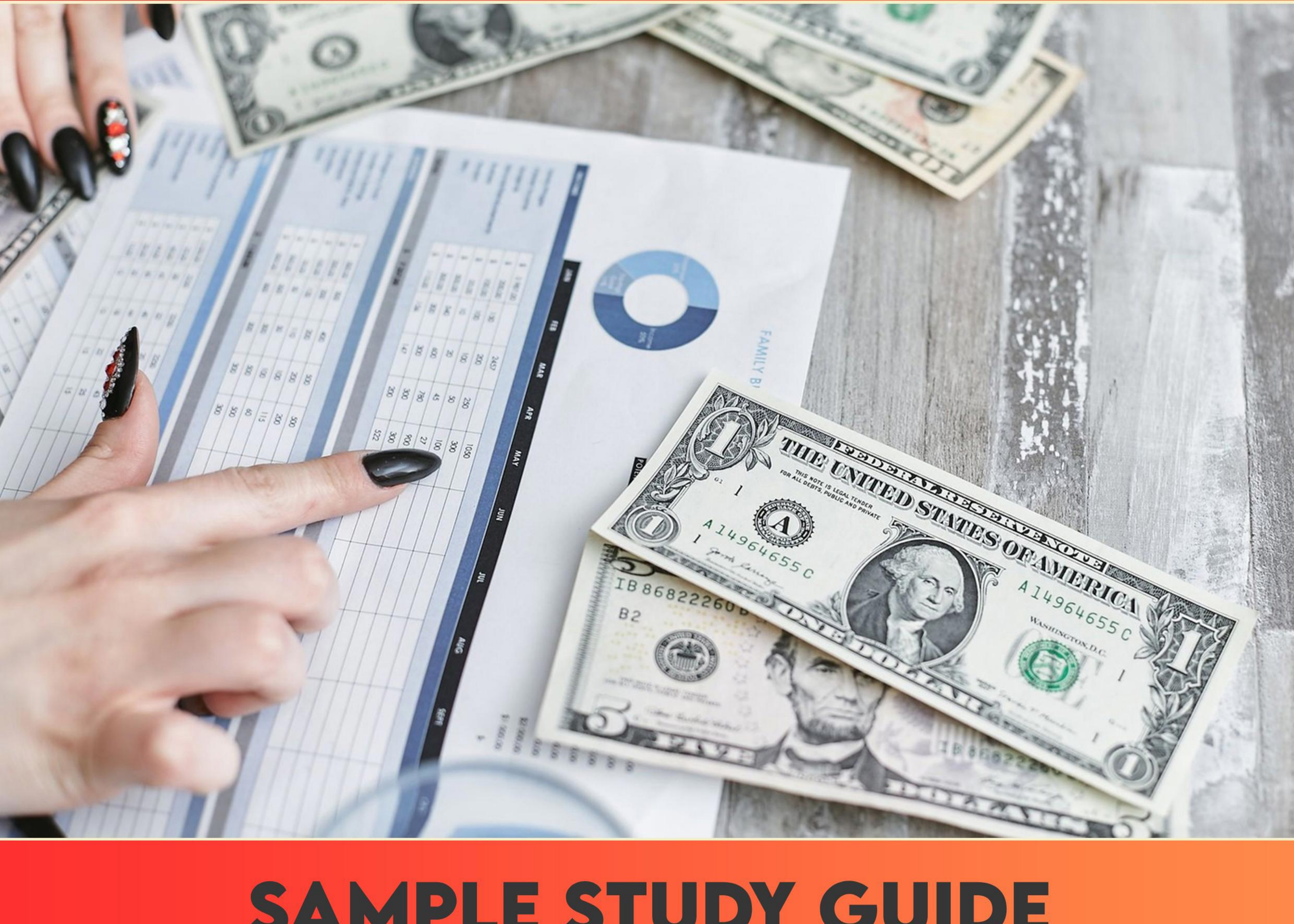
ACCOUNTING SMARTBOOK PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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https://accountingsmartbook.examzify.com

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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. **Using the same direct labor data, what is the direct labor rate variance?**
   - A. $1,000 U
   - B. $2,000 F
   - C. $0
   - D. $1,000 F

2. **XYZ Company presents the following materials data: AQ × AP = $150,000; AQ × SP = $145,000; SQ × SP = $152,000. Compute the direct materials quantity variance.**
   - A. $7,000 F
   - B. $7,000 U
   - C. $2,000 F
   - D. $0

3. **In the standard costing income statement, favorable variances are accounted for as a deduction from cost of goods sold at standard cost. Which statement best describes this treatment?**
   - A. Subtracted from
   - B. Added to
   - C. Excluded from
   - D. Ignored

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 fixed overhead spending variance is derived from these data: Actual fixed overhead cost incurred $21,000; Budgeted fixed overhead $20,000; Applied fixed overhead $24,000.**
   - A. $1,000 F
   - B. $-1,000 F
   - C. $-1,000 U
   - D. $1,000 U

6. Which operation best describes how favorable variances are treated in the standard costing presentation of cost of goods sold?

A. Added to

B. Subtracted from

C. Excluded from

D. Ignored

7. Which statement about accrual and deferral adjustments is correct?

A. Accrual adjustments recognize revenue or expense before cash is received or paid; deferral adjustments recognize revenue or expense after cash has been received or paid.

B. Accrual adjustments postpone revenues; deferral adjustments accelerate revenues.

C. Accrual adjustments only apply to taxes; deferral adjustments apply to financing.

D. Accrual and deferral adjustments are optional.

8. What was the budgeted variable overhead at hours used in the variable overhead data?

A. $61,000

B. $64,000

C. $60,000

D. $62,000

9. Management uses a(n) ______ budget to establish the standard overhead rate.

A. Flexible

B. Static

C. Master

D. Rolling

10. Which statement about goodwill and impairment testing is correct?

A. Goodwill is amortized over 10 years; impairment is not required.

B. Goodwill arises when purchase price exceeds the fair value of net assets; impairment is tested annually or when indicators exist; impairment reduces goodwill and is not amortized.

C. Goodwill is amortized over 15 years; impairment is not required.

D. Goodwill impairment is tested only if cash flows are negative.

Answers

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

Explanations

1. Using the same direct labor data, what is the direct labor rate variance?

A. $1,000 U

B. $2,000 F

C. $0

D. $1,000 F

Direct labor rate variance shows how much more (or less) you paid per hour for direct labor than the standard rate, multiplied by the actual hours worked. An unfavorable variance means actual hourly pay was higher than planned. In this case, the data yield a $1,000 unfavorable variance, meaning the actual rate exceeded the standard rate enough to generate a $1,000 shortfall. For illustration, paying $1 more per hour for 1,000 hours would create a $1,000 unfavorable variance, or paying $2 more per hour for 500 hours would do the same. The other options would require paying less than the standard rate (favorable) or no difference at all, which doesn't align with the given data.

2. XYZ Company presents the following materials data: AQ × AP = $150,000; AQ × SP = $145,000; SQ × SP = $152,000. Compute the direct materials quantity variance.

A. $7,000 F

B. $7,000 U

C. $2,000 F

D. $0

Direct materials quantity variance shows whether actual material usage was more or less than the standard amount for the actual production, valued at the standard price. It is calculated as (AQ − SQ) × SP, which you can compute using the given products: AQ × SP and SQ × SP. AQ × SP = 145,000 and SQ × SP = 152,000, so DMQV = 145,000 − 152,000 = −7,000. A negative result means you used less material than planned, which is favorable. Therefore, the direct materials quantity variance is 7,000 favorable.

3. In the standard costing income statement, favorable variances are accounted for as a deduction from cost of goods sold at standard cost. Which statement best describes this treatment?

A. Subtracted from

B. Added to

C. Excluded from

D. Ignored

In standard costing, you price and report COGS using a standard cost, then adjust for how actual costs compare to that standard. A favorable variance means actual costs were lower than the standard, so the amount is subtracted from the standard COGS to reflect the lower expense on the income statement. For example, if standard COGS is 100,000 and the favorable variance is 5,000, the COGS reported would be 95,000. If the variance were unfavorable, you would add it to COGS, increasing the expense. So the best description is that the favorable variance is subtracted from COGS.

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 fixed overhead spending variance is derived from these data: Actual fixed overhead cost incurred $21,000; Budgeted fixed overhead $20,000; Applied fixed overhead $24,000.

A. $1,000 F

B. $-1,000 F

C. $-1,000 U

D. $1,000 U

Fixed overhead spending variance shows whether actual fixed overhead costs came in higher or lower than what was budgeted, focusing only on actual vs budgeted costs rather than how much overhead was allocated to production. Here, actual fixed overhead incurred is 21,000 and budgeted fixed overhead is 20,000. The difference is 1,000, and because actual costs exceed the budget, it's unfavorable. So the spending variance is 1,000 U. The applied fixed overhead of 24,000 relates to the volume variance (how much overhead was allocated to production) and is not part of the spending variance.

6. Which operation best describes how favorable variances are treated in the standard costing presentation of cost of goods sold?

A. Added to

B. Subtracted from

C. Excluded from

D. Ignored

In standard costing, cost of goods sold is shown using standard costs, with variances used to reconcile to actual results. A favorable variance means actual costs were lower than the standard. That cost savings reduces what would be reported as COGS, so you subtract the amount of the favorable variance from the standard COGS. If the variance were unfavorable, it would increase COGS.

7. Which statement about accrual and deferral adjustments is correct?

A. Accrual adjustments recognize revenue or expense before cash is received or paid; deferral adjustments recognize revenue or expense after cash has been received or paid.

B. Accrual adjustments postpone revenues; deferral adjustments accelerate revenues.

C. Accrual adjustments only apply to taxes; deferral adjustments apply to financing.

D. Accrual and deferral adjustments are optional.

Accrual and deferral adjustments are about timing when revenue and expenses are recognized so the financial statements reflect what actually happened in the period. Accrual adjustments record revenue earned or expenses incurred before cash changes hands, ensuring those amounts appear in the period they belong. For example, services performed but not yet billed are revenue earned now, so you record a receivable and revenue. Similarly, wages earned by employees but not yet paid are expenses now, so you record a liability and expense. Deferral adjustments handle situations where cash has moved but the related revenue or expense belongs in a future period. If you've received cash in advance for a service, you record a liability (unearned revenue) and later recognize the revenue as the service is delivered. If you prepaid for a cost (like insurance or rent), you record it as an asset and gradually expense it over time as the benefit is used. This explanation aligns with accrual accounting principles, whereas statements about applying only to taxes or financing, or claiming adjustments are optional, are not correct.

8. What was the budgeted variable overhead at hours used in the variable overhead data?

A. $61,000

B. $64,000

C. $60,000

D. $62,000

The amount budgeted for variable overhead at the hours used is found by multiplying the budgeted variable overhead rate per hour by the actual hours used. This shows how much variable overhead the company planned to incur for that level of activity. From the data, the budgeted rate per hour is four dollars and the hours used are sixteen thousand, so the calculation is four dollars × sixteen thousand hours = sixty-four thousand dollars. That's why the correct result is sixty-four thousand dollars. If either the rate or the hours changed, the product would change accordingly, since variable overhead varies with activity.

9. Management uses a(n) ______ budget to establish the standard overhead rate.

A. Flexible

B. Static

C. Master

D. Rolling

The standard overhead rate is set from the master budget, which plans the period's overhead costs at the expected level of activity. You compute the rate by dividing the budgeted overhead by the budgeted activity level shown in that master (static) budget. This creates a fixed per-unit (or per-activity-unit) rate used to apply overhead to products. The flexible budget, by contrast, shows what overhead would be at actual levels of activity and is used mainly for variance analysis after the fact. Rolling budgets are continually updated forecasts and are not the basis for the standard rate.

10. Which statement about goodwill and impairment testing is correct?

A. Goodwill is amortized over 10 years; impairment is not required.

B. Goodwill arises when purchase price exceeds the fair value of net assets; impairment is tested annually or when indicators exist; impairment reduces goodwill and is not amortized.

C. Goodwill is amortized over 15 years; impairment is not required.

D. Goodwill impairment is tested only if cash flows are negative.

When a business is acquired for more than the fair value of its identifiable net assets, the excess is recorded as goodwill. Goodwill isn't amortized under modern accounting frameworks; instead, it is tested for impairment to see if its value has fallen. Impairment testing is required at least annually and also whenever indicators of decline appear. If impairment is found, the loss reduces the carrying amount of goodwill (and, if needed, other assets) rather than being expensed through amortization. This combination—goodwill arising from a purchase premium, annual or triggered impairment testing, and impairment reducing goodwill without amortization—is why this statement is correct.

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!