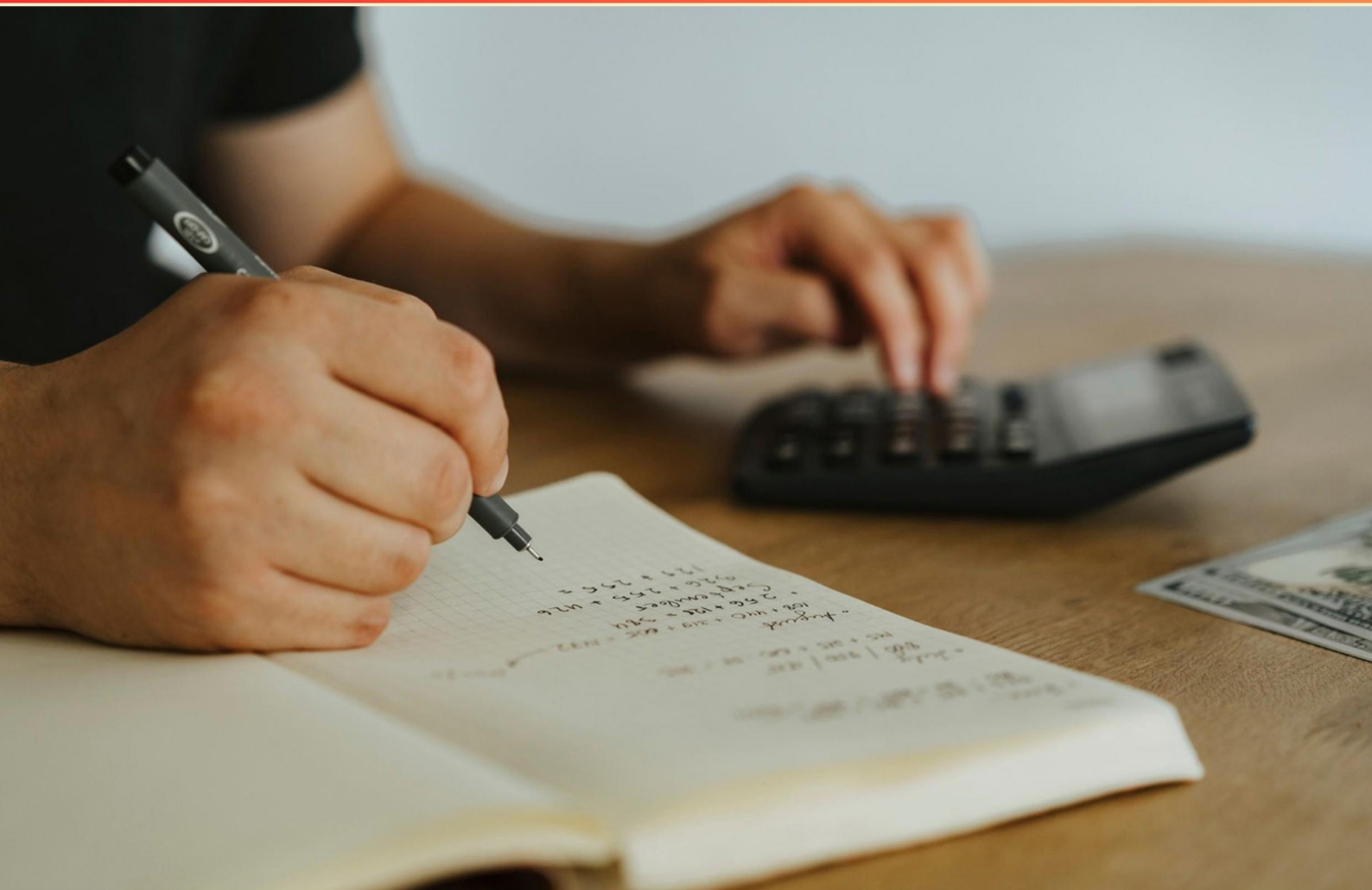


AIPB MASTERING ADJUSTING ENTRIES PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://aipbmasteradjustingentries.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

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- 1. When are accrued expenses recorded in relation to cash payment?**
 - A. Before the payment is made
 - B. At the same time as payment
 - C. After the payment is made
 - D. Accrued expenses are never recorded
- 2. If a firm pays its employees on Saturday and the accounting year ends the same day, how much salary expense is accrued?**
 - A. \$12,000
 - B. \$8,000
 - C. \$6,000
 - D. \$0
- 3. What are accrued liabilities?**
 - A. Obligations incurred but not paid or recorded
 - B. Revenue received before it is earned
 - C. Assets that are expected to bring future economic benefits
 - D. Funds allocated for future expenses
- 4. Which of the following statements about establishing a clear audit trail through adjusting entries is true?**
 - A. It is unnecessary for small businesses
 - B. It is important for transparency and accountability
 - C. It complicates the accounting process
 - D. It can only be achieved through software
- 5. What kind of account does Deferred Commissions represent?**
 - A. Asset
 - B. Liability
 - C. Expense
 - D. Revenue

6. If a company earns a commission of 10% on sales totaling \$200,000, how much additional revenue must be recorded if \$8,000 was received before the fiscal year-end?
- A. \$20,000
 - B. \$12,000
 - C. \$8,000
 - D. \$0
7. How is the Accumulated Depreciation account affected by adjusting entries?
- A. It is increased through a debit entry
 - B. It is increased through a credit entry
 - C. It is decreased through a credit entry
 - D. It is decreased through a debit entry
8. How do adjusting entries differ for tax versus book purposes?
- A. There is no difference
 - B. Adjusting entries are optional for tax purposes
 - C. Certain expenses may be deductible in different periods
 - D. Only book adjustments matter for tax
9. What would happen if a company failed to adjust its Prepaid Rent account after the rent period?
- A. Assets would be overstated
 - B. Liabilities would be overstated
 - C. Expenses would be understated
 - D. Both A and C
10. What is the most suitable date description for a profit and loss statement?
- A. As of June 30, 20XX
 - B. For the Quarter Ended June 30, 20XX
 - C. June 30, 20XX
 - D. All of the above are appropriate

Answers

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

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Explanations

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1. When are accrued expenses recorded in relation to cash payment?

- A. Before the payment is made**
- B. At the same time as payment
- C. After the payment is made
- D. Accrued expenses are never recorded

Accrued expenses are recorded before the cash payment is made. This accounting practice arises from the accrual basis of accounting, which dictates that expenses should be recognized in the period they are incurred, regardless of when the cash payment occurs. For example, if a company owes wages to employees for work performed in one accounting period but does not pay them until the following period, the company must record the wages as an accrued expense in the first period. This entry ensures that the financial statements reflect the true expenses incurred during that period, matching the expenses with the related revenues, which is a key principle of accrual accounting. This approach helps maintain accurate financial reporting and provides a clearer picture of a company's financial obligations at a given time. Thus, recording accrued expenses before payment aligns with the time period when the services were rendered or the liabilities were incurred, showcasing the true financial status of the business.

2. If a firm pays its employees on Saturday and the accounting year ends the same day, how much salary expense is accrued?

- A. \$12,000
- B. \$8,000
- C. \$6,000
- D. \$0**

In this scenario, the firm pays its employees on Saturday, which is also the last day of the accounting year. Since the payment coincides with the end of the accounting period, there is no salary expense to accrue for that day. The rationale behind this is that an accrual adjustment is necessary for expenses that have been incurred but not yet paid by the end of the accounting period. Since the employees are being paid on the same day as the accounting year ends, the salary expense is recognized at that time, resulting in no need for an additional accrual. The firm recognizes the expense when it makes the payment, thus no salary expense needs to be accrued for that day.

3. What are accrued liabilities?

- A. Obligations incurred but not paid or recorded**
- B. Revenue received before it is earned
- C. Assets that are expected to bring future economic benefits
- D. Funds allocated for future expenses

Accrued liabilities refer to obligations that a company has incurred but has not yet paid or recorded in its financial statements. This situation typically arises when a company receives goods or services but has not yet made the payment for them by the end of the accounting period. These liabilities are recognized under the accrual basis of accounting, which aims to match expenses with the revenues they help generate within the same period, enhancing the accuracy of financial reporting. For instance, if a company has employees who have worked during the last week of a reporting period but will not be paid until the following period, the company must record an accrued liability to reflect this obligation. This adjustment ensures that the expenses are recognized in the appropriate period, even if cash has not yet been disbursed. Other options do not accurately describe accrued liabilities. Revenue received before it is earned, for example, pertains to unearned revenue, while assets that are expected to bring future economic benefits describe resources owned by the company. Funds allocated for future expenses refer to budgeting and planning rather than liabilities incurred.

4. Which of the following statements about establishing a clear audit trail through adjusting entries is true?

- A. It is unnecessary for small businesses
- B. It is important for transparency and accountability**
- C. It complicates the accounting process
- D. It can only be achieved through software

Establishing a clear audit trail through adjusting entries is indeed important for transparency and accountability in financial reporting. An audit trail provides a comprehensive and traceable record of all financial transactions, including the adjustments made to the accounts at the end of an accounting period. This is essential for several reasons. Firstly, it helps ensure that all adjustments are legitimate, supported by appropriate documentation, and can be verified easily by auditors or management. This level of transparency builds trust among stakeholders, such as investors, creditors, and regulatory agencies, as they can see exactly how financial figures are derived and adjusted. Secondly, accountability is reinforced because each entry in the audit trail can be traced back to a specific event or documentation. This allows for responsibility to be assigned and ensures that all financial activities are recorded and reported accurately. An internal or external audit can easily follow the adjustments, confirming their validity, which is crucial for maintaining the integrity of the financial statements. Overall, maintaining a clear audit trail enhances the reliability of financial reporting and serves as a safeguard against errors or fraudulent activities.

5. What kind of account does Deferred Commissions represent?

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

Deferred Commissions represents a liability account because it reflects obligations to pay commissions to agents or sales representatives for sales that have already been made, but for which the payment has yet to occur. Essentially, these commissions are recognized as an expense in the income statement when the associated revenue is earned, but until that point, the company has an obligation to pay these commissions in the future. This accounting treatment ensures that expenses are matched with the revenues they help to generate, adhering to the matching principle of accounting. By recording Deferred Commissions as a liability, it accurately portrays the company's financial obligations on its balance sheet until the commission payments are actually made. This distinguishes it from asset accounts, which would represent resources owned by the company, or expense and revenue accounts, which directly affect the profit and loss statements in a different manner.

6. If a company earns a commission of 10% on sales totaling \$200,000, how much additional revenue must be recorded if \$8,000 was received before the fiscal year-end?

- A. \$20,000
- B. \$12,000**
- C. \$8,000
- D. \$0

To determine the additional revenue that must be recorded, we first need to calculate the total commission earned based on the sales figure. With sales of \$200,000 and a commission rate of 10%, the total commission would be \$20,000 (which is calculated as 10% of \$200,000). Since \$8,000 of the commission has already been received before the fiscal year-end, this amount needs to be considered when determining how much additional revenue should be recorded. The full commission amount earned is \$20,000, but since \$8,000 has already been received, the additional revenue that still needs to be recorded is the remaining balance of the total commission. Calculating this gives us: Total commission earned: \$20,000 Amount received: \$8,000 Remaining amount to be recorded: $\$20,000 - \$8,000 = \$12,000$ Thus, the additional revenue that must be recorded is indeed \$12,000. This recognition reflects the accrual accounting principle, which requires companies to record revenues when they are earned, regardless of when cash is received.

7. How is the Accumulated Depreciation account affected by adjusting entries?

- A. It is increased through a debit entry
- B. It is increased through a credit entry**
- C. It is decreased through a credit entry
- D. It is decreased through a debit entry

The correct understanding of how the Accumulated Depreciation account is affected by adjusting entries lies in the nature of this account and typical accounting practices. Accumulated Depreciation is a contra asset account, which means it offsets the value of an asset on the balance sheet. An increase in this account reflects the depreciation expenses allocated to an asset over time, thereby recognizing the wear and tear or usage of that asset. When an adjusting entry is made for depreciation, it involves recording depreciation expense for the period. This expense is recognized through a debit entry to the Depreciation Expense account, and concurrently, a credit entry is made to the Accumulated Depreciation account. By crediting the Accumulated Depreciation account, you increase its balance, which ultimately reduces the net book value of the fixed asset on the balance sheet. This practice aligns with the matching principle in accounting, ensuring that expenses are recognized in the period they relate to. Thus, it is accurate to conclude that the Accumulated Depreciation account is increased through a credit entry when making adjusting entries for depreciation.

8. How do adjusting entries differ for tax versus book purposes?

- A. There is no difference
- B. Adjusting entries are optional for tax purposes
- C. Certain expenses may be deductible in different periods**
- D. Only book adjustments matter for tax

When considering adjusting entries, the key distinction between tax purposes and book (financial reporting) purposes lies in the timing and treatment of certain expenses. Specifically, certain expenses may be deductible in different periods depending on the accounting method used for tax purposes versus financial statement preparation. For instance, some expenses might be recognized for book purposes in one period but might not be fully deductible until a later period for tax purposes. This difference is often due to tax regulations or allowable deductions, such as depreciation and pre-paid expenses, which are treated differently under the tax code compared to how they are recorded in standard financial statements. Recognizing this difference is crucial for accurate financial reporting and tax compliance. Adjusting entries are designed to align the financial statements with the accrual accounting principles, but when it comes to tax returns, these principles can be modified based on tax laws. Therefore, understanding that certain expenses may be deductible in different periods highlights the complexity of financial accounting versus tax accounting.

9. What would happen if a company failed to adjust its Prepaid Rent account after the rent period?

- A. Assets would be overstated
- B. Liabilities would be overstated
- C. Expenses would be understated
- D. Both A and C**

If a company fails to adjust its Prepaid Rent account after the rent period, it will lead to the overstatement of assets and the understatement of expenses. Prepaid Rent is classified as an asset on the balance sheet, representing rent that has been paid in advance for future periods. When the rental period has passed, the corresponding amount in the Prepaid Rent account should be moved to the Rent Expense account to accurately reflect the use of the rented property in the current period. By not making this adjustment, the asset (Prepaid Rent) remains on the balance sheet at an inflated value, as it no longer reflects the correct amount of prepaid expenses that are available for future use. This results in an overstated total for assets, as they include amounts that have already been consumed. At the same time, failing to recognize the expense leads to understated expenses in the income statement. This means that the financial performance appears better than it actually is because expenses are reported lower than they should be. This misrepresentation can impact decision-making and financial analysis by giving a distorted view of profitability. Therefore, the correct answer highlights the simultaneous impact on both the asset valuation and expense recognition, indicating that assets would be overstated while expenses would be understated.

10. What is the most suitable date description for a profit and loss statement?

- A. As of June 30, 20XX
- B. For the Quarter Ended June 30, 20XX**
- C. June 30, 20XX
- D. All of the above are appropriate

The most suitable date description for a profit and loss statement is one that reflects the period over which revenues and expenses are summarized, thereby indicating performance over a defined timeframe. Therefore, stating "For the Quarter Ended June 30, 20XX" effectively communicates that the information provided in the profit and loss statement pertains specifically to the operations during that quarter, concluding on June 30. Profit and loss statements, which may also be referred to as income statements, typically provide a summary of revenues and expenses over a particular period, and thus, the phrasing that includes "For the Quarter Ended" accurately identifies the timeframe. This is essential for stakeholders to understand the results that occurred over that specific duration rather than suggesting a point in time, which would be more suitable for balance sheets. In contrast, descriptions like "As of June 30, 20XX" or simply "June 30, 20XX" imply a snapshot or single point in time, which does not align with the nature of profit and loss statements that report on performance over a span of time. Therefore, these options do not effectively communicate the continuous aspect of the performance being reported, emphasizing why the second option is the most appropriate choice for a profit and loss statement.

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:

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

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