

BOMI Budgeting and Accounting Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. Which ratio is commonly used to determine a company's earning power?**
 - A. Earnings Per Share**
 - B. Return On Equity**
 - C. Common Size Comparative Statements**
 - D. Price-to-Earnings Ratio**
- 2. What instruction supports payment efficiency and accuracy when processing invoices?**
 - A. Always re-create invoices from memory**
 - B. Process without verification**
 - C. Send invoices to a separate department for approval**
 - D. Use original invoices where possible for payment**
- 3. If a material budget variance is detected, management should:**
 - A. Defer paying bills**
 - B. Review the variance and put alternative strategies in place**
 - C. Sell the property**
 - D. Raise tenant rents**
- 4. Which lease provision gives the tenant the right to extend the term at the end of the lease?**
 - A. Holdover**
 - B. Option to renew**
 - C. Additional rent**
 - D. Security deposit**
- 5. The receivable summary report helps the owner determine which of the following?**
 - A. It shows that all tenants have paid their rent in accordance with the budget and lease agreements; reimbursements, security deposits, and other collections are reflected**
 - B. It lists bank charges**
 - C. It forecasts occupancy**
 - D. It calculates depreciation**

- 6. Discounting converts expected future cash inflows to their present value.**
- A. It converts to future values**
 - B. It converts to present value**
 - C. It ignores time value of money**
 - D. It inflates the cash flows**
- 7. What does future stepped rent increases refer to?**
- A. Planned increases at predefined intervals over the lease term**
 - B. One-time bonus for tenants**
 - C. Decrease in rent at renewal**
 - D. Flat rent increases every year**
- 8. What are the benefits of maintaining adequate working capital?**
- A. Carry sufficient inventories**
 - B. Meet current debts**
 - C. Take advantage of cash discounts**
 - D. All of the above**
- 9. Of the four stages in budgeting base rent, which uses the most reliable information?**
- A. Quantifying leasing efforts needed to market vacant space.**
 - B. Identifying a success ratio in obtaining renewals for leases expiring during the year.**
 - C. Increasing base rents for future stepped rent increases.**
 - D. Scheduling base rent monthly for each existing tenant.**
- 10. Which item is not typically tracked in a vendor database?**
- A. Vendors legal name, remittance address, federal tax I.D number, minority status and entity type**
 - B. A unique vendor number assigned to each vendor**
 - C. Contact telephone number for the vendor**
 - D. The vendor's color of logo**

Answers

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

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Explanations

1. Which ratio is commonly used to determine a company's earning power?

- A. Earnings Per Share**
- B. Return On Equity**
- C. Common Size Comparative Statements**
- D. Price-to-Earnings Ratio**

Earning power is about how effectively a company turns the capital invested by owners into profits. Return on Equity does this directly by comparing net income available to common shareholders to average common equity, i.e., $ROE = \text{net income} / \text{average equity}$. This ratio shows how efficiently management uses shareholders' funds to generate earnings, making it the best measure of earning power. Earnings per share focuses on profits per individual share and can be distorted by changes in the number of shares outstanding, so it doesn't reflect overall capital productivity. Common size comparative statements are a type of analysis, not a direct measure of earnings efficiency. Price-to-earnings ratio is a market-based valuation, not a measure of how effectively the company earns from its equity.

2. What instruction supports payment efficiency and accuracy when processing invoices?

- A. Always re-create invoices from memory**
- B. Process without verification**
- C. Send invoices to a separate department for approval**
- D. Use original invoices where possible for payment**

Using the original invoice where possible provides the authoritative data needed for payment—the exact amount, vendor, date, terms, and line items. This lets you quickly verify that the charge matches the purchase order and the goods or services received, so you can approve payments without rechecking from memory. It minimizes data-entry errors, speeds up the processing cycle, and creates a clear audit trail, reducing the risk of overpayments or duplicate payments. Rewriting invoices from memory introduces inaccuracies; processing without verification invites mistakes; routing to another department for approval adds unnecessary delay. Using original invoices supports payment efficiency and accuracy.

3. If a material budget variance is detected, management should:

A. Defer paying bills

B. Review the variance and put alternative strategies in place

C. Sell the property

D. Raise tenant rents

When a material budget variance is detected, the immediate task is to analyze what caused the deviation and then implement corrective actions to bring costs back toward the plan. Management should review the variance to identify whether it's driven by higher material prices, greater usage or waste, or changes in supplier terms, and then put in place alternative strategies. These strategies might include renegotiating supplier contracts, seeking cheaper or substitute materials, adjusting ordering quantities or timing to reduce costs, tightening inventory controls to cut waste, or revising forecasts and the budget assumptions if the variance indicates a lasting shift. The aim is to control costs and keep the financial plan on track. Deferring paying bills, selling property, or raising tenant rents are not the appropriate immediate responses to a material budget variance. Deferring payments can damage supplier relationships and violate terms, selling assets is an extreme move that doesn't directly address the variance, and raising rents affects revenue and may not be feasible or appropriate to solve the cost issue.

4. Which lease provision gives the tenant the right to extend the term at the end of the lease?

A. Holdover

B. Option to renew

C. Additional rent

D. Security deposit

The concept being tested is the tenant's ability to extend a lease term through a formal renewal right. A renewal option is a lease clause that gives the tenant the right to extend the lease for an additional period, usually by providing advance notice and under terms specified in the agreement (such as a set rent for the extension or a method to determine it). This is a proactive right that applies at the end of the current term and preserves the landlord-tenant relationship without needing a new lease from scratch. Holdover describes staying beyond the lease term without a formal extension, which often creates a temporary month-to-month tenancy and can lead to higher or altered rent but does not guarantee a renewed term. Additional rent refers to charges beyond base rent, like operating expenses or taxes, and is not about extending the lease. A security deposit is money held to secure performance and is unrelated to whether the lease can be extended. So, the provision that gives the tenant the right to extend the term at the end of the lease is the renewal option.

5. The receivable summary report helps the owner determine which of the following?

A. It shows that all tenants have paid their rent in accordance with the budget and lease agreements; reimbursements, security deposits, and other collections are reflected

B. It lists bank charges

C. It forecasts occupancy

D. It calculates depreciation

The main idea is tracking what tenants owe and what has been collected. A receivable summary report concentrates on rents and other amounts owed, and shows how much has been received, including reimbursements, security deposits, and other collections, all aligned with the budget and lease terms. This helps the owner confirm that rent inflows match the agreed-upon schedules and that related receipts are properly recorded. It isn't about bank charges, which are separate financial costs; it isn't a tool for predicting future occupancy, which is about forecasting occupancy levels; and it isn't about depreciation, which relates to long-term asset cost allocation.

6. Discounting converts expected future cash inflows to their present value.

A. It converts to future values

B. It converts to present value

C. It ignores time value of money

D. It inflates the cash flows

The concept being tested is time value of money: bringing future cash inflows back to today using a discount rate to reflect opportunity cost and risk. Discounting converts expected future cash inflows to their present value by applying that rate, so the cash flows are expressed in today's dollars. For example, receiving 1,000 in one year at a 5% discount rate has a present value of about 952.38 today ($1,000 / 1.05$). When there are multiple periods, you sum each future cash flow discounted back to present value using $PV = \sum CF_t / (1 + r)^t$. Converting to future values would be the opposite process, known as compounding. Discounting does not ignore time value of money; it explicitly accounts for it. It also does not inflate cash flows; it reduces them to present value.

7. What does future stepped rent increases refer to?

A. Planned increases at predefined intervals over the lease term

B. One-time bonus for tenants

C. Decrease in rent at renewal

D. Flat rent increases every year

Future stepped rent increases refer to scheduled jumps in rent that are defined in the lease and occur at specific dates or intervals during the term. They're built in, with predetermined amounts at each step, so rent doesn't rise by one amount all at once or change unpredictably. This contrasts with a one-time bonus, a rent decrease at renewal, or a flat, uniform increase every year, as those do not follow a staged, time-based ladder of increases.

8. What are the benefits of maintaining adequate working capital?

- A. Carry sufficient inventories**
- B. Meet current debts**
- C. Take advantage of cash discounts**
- D. All of the above**

Maintaining adequate working capital keeps day-to-day operations funded and liquidity solid, which supports smooth business activity. Carrying enough inventories ensures products are available to meet customer demand and production needs, helping sales stay on track without delays caused by stockouts. Being able to meet current debts as they come due protects the company's creditworthiness, avoids late fees, and preserves favorable supplier terms. When cash discounts are offered for early payment, having sufficient working capital lets the company take advantage of those savings, improving overall profitability and cash flow. Taken together, these benefits show why having adequate working capital is essential, so all of the above statements describe the value it provides.

9. Of the four stages in budgeting base rent, which uses the most reliable information?

- A. Quantifying leasing efforts needed to market vacant space.**
- B. Identifying a success ratio in obtaining renewals for leases expiring during the year.**
- C. Increasing base rents for future stepped rent increases.**
- D. Scheduling base rent monthly for each existing tenant.**

The most reliable information to use when budgeting base rent is what is already in place in current leases with tenants. Those amounts are contractually fixed (or clearly defined by the lease terms and escalators) and can be verified, giving a solid, defensible baseline for the year. Scheduling base rent monthly for each existing tenant does precisely that. It organizes the known rents, including any scheduled increases, on a month-by-month basis, so the forecast rests on concrete, contractual data rather than guesses about future market conditions or tenant behavior. In contrast, other options rely on projections or assumptions: marketing efforts for vacant space depend on how quickly spaces will lease and at what rents; renewal success ratios depend on tenant decisions and market dynamics; and future stepped rent increases depend on negotiated escalations and changing market rates. These elements introduce variability and uncertainty, making them less reliable for the base-budget starting point.

10. Which item is not typically tracked in a vendor database?

- A. Vendors legal name, remittance address, federal tax I.D number, minority status and entity type**
- B. A unique vendor number assigned to each vendor**
- C. Contact telephone number for the vendor**
- D. The vendor's color of logo**

Vendor data in a management system is focused on identifying suppliers and supporting procurement, payments, and compliance. Names, remittance addresses, tax IDs, minority status, and entity type are essential for legal and financial reasons: they ensure accurate payments, proper tax reporting, and correct categorization for diversity or supplier programs. A unique vendor number acts as the stable identifier that links all related records across systems, avoiding mix-ups when vendor names change. A contact phone number is necessary for communication and issue resolution in day-to-day operations. The vendor's color of logo is not something that affects these transactional or regulatory needs, and it's not a standardized or essential data attribute for managing vendors, so it isn't typically tracked in a vendor database.

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://bomibudgetingaccounting.examzify.com>

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