

Bookkeeping Basics Practice Test (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

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- 1. Which assumption presumes the business will continue to operate for the foreseeable future?**
 - A. Monetary Unit**
 - B. Going Concern**
 - C. Economic Entity**
 - D. Materiality**

- 2. Who is primarily responsible for entering general journal entries?**
 - A. Bookkeeper**
 - B. Accountant**
 - C. Auditor**
 - D. Controller**

- 3. The preparation of financial statements and closing the books is the _____ step of the accounting cycle.**
 - A. Third**
 - B. Fourth**
 - C. Second**
 - D. Last**

- 4. A trial balance that is prepared after taking into account all the adjusting entries is known as:**
 - A. Cash Flow Statement**
 - B. Unadjusted Trial Balance**
 - C. Adjusted Trial Balance**
 - D. Balance Sheet**

- 5. What is defined as what the company owes to others?**
 - A. Liabilities**
 - B. The Revenue**
 - C. Assets**
 - D. Equity**

- 6. A schedule that contains all accounts needed to prepare financial statements is known as:**
- A. The General Ledger**
 - B. A Journal Entry**
 - C. An Income Statement**
 - D. The Balance Sheet**
- 7. Which accounting method reports revenues when earned and expenses when incurred?**
- A. Cash-Basis Accounting**
 - B. Accrual Accounting**
 - C. Hybrid Accounting**
 - D. Traditional Accounting**
- 8. Which journal entry could represent a cash purchase of equipment?**
- A. Purchasing \$70 worth of equipment with cash.**
 - B. Selling \$70 worth of equipment for cash.**
 - C. Purchasing \$70 worth of equipment on credit.**
 - D. Selling \$70 worth of equipment on credit.**
- 9. Which statement best describes the Economic Entity assumption?**
- A. The document allows personal expenses to be recorded as business if needed**
 - B. To be financially conservative when recording information that is unclear**
 - C. Business and personal financial activities must be separate for business owners**
 - D. Companies can only record financial transactions that can be verified**
- 10. Which account would have a zero balance at the beginning of a new accounting period?**
- A. Accounts receivable**
 - B. Revenue**
 - C. Long-term loan payable**
 - D. Cash**

Answers

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

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Explanations

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1. Which assumption presumes the business will continue to operate for the foreseeable future?

A. Monetary Unit

B. Going Concern

C. Economic Entity

D. Materiality

The going concern assumption is the idea that a business will continue operating for the foreseeable future. Because of that assumption, financial statements are prepared with the expectation that assets will be used in the normal course of business and liabilities will be settled over time, not liquidated immediately. This influences asset valuation, depreciation, and how obligations are recorded. If a company wasn't expected to continue, accounting would shift to a liquidation basis, valuing assets as if they were to be sold off and possibly accelerating expense recognition. For context, the monetary unit assumption uses a stable currency as the unit of measure, the economic entity assumption keeps the business's finances separate from its owners, and materiality focuses on including items only if they would influence decisions.

2. Who is primarily responsible for entering general journal entries?

A. Bookkeeper

B. Accountant

C. Auditor

D. Controller

Entering general journal entries is about capturing business events into the official records with accuracy and proper classification. The accountant is typically responsible for recording these entries, owning the integrity of the financial records and ensuring each transaction is posted to the correct accounts, with the right amounts and documentation. They oversee the recording process, including routine postings and adjusting entries, so the general ledger accurately reflects the company's finances in line with GAAP. The bookkeeper focuses on daily data entry under guidance, but the accountability for the entries themselves lies with the accountant. Auditors review the records for accuracy, and the controller supervises the broader accounting function. That combination makes the accountant the best fit for being primarily responsible for entering general journal entries.

3. The preparation of financial statements and closing the books is the _____ step of the accounting cycle.

- A. Third**
- B. Fourth**
- C. Second**
- D. Last**

Closing the books and preparing financial statements sit at the end of the accounting cycle. After finishing all adjusting entries, the adjusted balances are used to create the income statement, the statement of owner's equity (or retained earnings), and the balance sheet. Then the temporary accounts—revenues, expenses, and withdrawals—are closed to zero, with their net result moved into permanent equity (such as retained earnings). This resets the accounts for the next period and completes the cycle, which is why this is described as the last step. Earlier steps focus on recording and posting transactions and on verifying balances with trial balances before the statements are produced.

4. A trial balance that is prepared after taking into account all the adjusting entries is known as:

- A. Cash Flow Statement**
- B. Unadjusted Trial Balance**
- C. Adjusted Trial Balance**
- D. Balance Sheet**

After adjusting entries are posted, the trial balance that reflects these updated balances is called the Adjusted Trial Balance. This step ensures that total debits still equal total credits after all adjustments (like accruals, deferrals, and depreciation), which is essential before preparing the financial statements. The adjusted balances provide a correct snapshot of all accounts at period end, enabling accurate income statement and balance sheet preparation. A cash flow statement is a separate financial statement focusing on cash movements, not a trial balance. The unadjusted trial balance shows balances before adjustments, so it doesn't yet reflect accrued or deferred items. The balance sheet is a financial statement derived from the adjusted balances, not the trial balance itself. Hence, the term for the trial balance after adjustments is the Adjusted Trial Balance.

5. What is defined as what the company owes to others?

- A. Liabilities**
- B. The Revenue**
- C. Assets**
- D. Equity**

Liabilities are what a company owes to others. They are obligations that come from past events and will require the company to give up resources (typically cash or other assets) in the future to settle. On the balance sheet, liabilities show creditor claims and are categorized as current (due within a year) or long-term (due after more than a year). Examples include accounts payable, loans payable, and accrued expenses. This differs from assets, which are resources the company owns, and from equity, which represents the owners' claim after liabilities are paid. Revenue is income earned from operating activities, not a debt the company owes.

6. A schedule that contains all accounts needed to prepare financial statements is known as:

- A. The General Ledger**
- B. A Journal Entry**
- C. An Income Statement**
- D. The Balance Sheet**

All accounts needed to prepare financial statements are kept in the General Ledger. It serves as the master record where each account accumulates its balances after postings from journal entries, providing the complete set of balances used to prepare the trial balance and the financial statements. A journal entry records a single transaction, not the full set of accounts. The income statement and balance sheet are financial statements, not schedules of all accounts. So the term for the schedule that contains every account used in financial reporting is the General Ledger.

7. Which accounting method reports revenues when earned and expenses when incurred?

- A. Cash-Basis Accounting**
- B. Accrual Accounting**
- C. Hybrid Accounting**
- D. Traditional Accounting**

Accrual accounting is the method that records revenues when earned and expenses when incurred. This means you recognize revenue when you provide the goods or services, even if payment hasn't yet been received, and you record expenses when the related benefit is consumed, even if you haven't paid for them yet. This approach follows the matching principle, which aims to pair any revenue with the expenses that helped generate it in the same time period, giving a more accurate view of profitability. Because of this timing, the income statement reflects the company's performance for the period, while the balance sheet shows related assets and liabilities, like accounts receivable and accounts payable. For example, if a service is performed in December and billed or paid in January, accrual accounting would still recognize the revenue in December and the associated expenses in December, aligning with when the economic activity occurred. In contrast, cash-basis accounting records revenue only when cash is received and expenses only when cash is paid, which can distort the period's results. The other labels aren't standard methods for recognizing revenue and expenses in financial statements.

8. Which journal entry could represent a cash purchase of equipment?

- A. Purchasing \$70 worth of equipment with cash.**
- B. Selling \$70 worth of equipment for cash.**
- C. Purchasing \$70 worth of equipment on credit.**
- D. Selling \$70 worth of equipment on credit.**

A cash purchase of equipment involves exchanging cash for a new asset. In double-entry accounting, you increase the Equipment asset (a debit) and decrease the Cash asset (a credit) for the purchase amount. For this example, the proper entry is to debit Equipment for 70 and credit Cash for 70. This shows cash leaving the business and equipment being acquired, keeping the overall assets balanced. The other scenarios don't reflect paying cash for equipment: selling equipment either brings cash in and reduces equipment, or records a receivable if sold on credit; purchasing on credit increases Equipment but increases a liability (Accounts Payable) rather than decreasing cash; selling on credit involves receivables rather than cash.

9. Which statement best describes the Economic Entity assumption?

- A. The document allows personal expenses to be recorded as business if needed**
- B. To be financially conservative when recording information that is unclear**
- C. Business and personal financial activities must be separate for business owners**
- D. Companies can only record financial transactions that can be verified**

The Economic Entity assumption treats the business as its own separate economic unit, distinct from its owner. This means all financial records for the business should reflect only the business's activities, with the owner's personal finances kept out of the business books. This separation lets you see the business's performance and financial position clearly, without mixing in personal transactions. That's why the statement that business and personal financial activities must be separate for business owners is the best fit. Recording personal expenses as business expenses would violate this separation, so it would not reflect the business alone. Concepts about being conservative with unclear information or about recording only verifiable transactions relate to other accounting principles, not the entity separation.

10. Which account would have a zero balance at the beginning of a new accounting period?

A. Accounts receivable

B. Revenue

C. Long-term loan payable

D. Cash

Revenues are a temporary (nominal) account that only accumulates during the period. At the end of the period, the total revenue is closed out to equity (typically to Retained Earnings), which zeroes out the Revenue account for the new period. That's why, at the beginning of a new accounting period, Revenue starts with a zero balance. Permanent accounts like Cash, Accounts Receivable, and Long-term Loan Payable carry their ending balances into the next period. They don't get closed to zero, so they can have nonzero balances when the new period begins.

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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://bookkeepingbasics.examzify.com>

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

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