

BPA Advanced Accounting Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

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Questions

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- 1. What does it indicate if the aging of accounts receivable shows an increase in overdue accounts?**
 - A. Improving credit policy**
 - B. Declining customer satisfaction**
 - C. Potential liquidity issues**
 - D. Higher market value**

- 2. What is the relationship between dividends per share and market price per share called?**
 - A. Price Earnings Ratio**
 - B. Market value**
 - C. Dividend yield**
 - D. Net income**

- 3. What document serves as written evidence of the number of shares owned by each stockholder in a corporation?**
 - A. Stock certificate**
 - B. Shareholder agreement**
 - C. Dividend voucher**
 - D. Capital stock ledger**

- 4. What do you call promissory notes that are signed by a business and issued to a creditor?**
 - A. Common stock**
 - B. Notes payable**
 - C. Bonds**
 - D. Accounts receivable**

- 5. A financial statement that displays changes in cash generated and used is known as:**
 - A. Income statement**
 - B. Cash flow statement**
 - C. Statement of equity**
 - D. Balance sheet**

- 6. What is a unit of ownership in a corporation called?**
- A. Bond**
 - B. Debenture**
 - C. Share of stock**
 - D. Equity**
- 7. What is referred to as land and anything attached to it?**
- A. Immovable property**
 - B. Real property**
 - C. Fixed property**
 - D. Landholdings**
- 8. What does the Days Sales in Accounts Receivable indicate?**
- A. The amount of cash on hand**
 - B. The average period of time to collect an account receivable**
 - C. The total sales for the year**
 - D. The average number of accounts receivable**
- 9. What is the term for the amount that is due on the maturity date of a note?**
- A. Maturity value**
 - B. Principal amount**
 - C. Current liability**
 - D. Future cash flow**
- 10. What is the term for a form used to record transactions in chronological order?**
- A. Account**
 - B. Journal**
 - C. Ledger**
 - D. Special journal**

Answers

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

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Explanations

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1. What does it indicate if the aging of accounts receivable shows an increase in overdue accounts?

- A. Improving credit policy**
- B. Declining customer satisfaction**
- C. Potential liquidity issues**
- D. Higher market value**

An increase in overdue accounts in the aging of accounts receivable indicates potential liquidity issues. This occurs because overdue accounts represent amounts owed by customers that have not been collected within the expected timeframe. When accounts receivable age beyond the typical collection period, it suggests that the company may struggle to convert these receivables into cash, which is essential for meeting its short-term financial obligations. If customers are slow to pay or are defaulting on their payments, the company could face challenges in maintaining sufficient cash flow. This situation could lead to difficulties in paying suppliers, covering operational expenses, or investing in growth opportunities. Monitoring the aging accounts receivable is therefore crucial, as an increase in overdue accounts is a warning sign that may necessitate actions such as tightening credit policies or improving collection processes to mitigate liquidity risks. The other options do not directly correlate with the implications of increased overdue accounts. For instance, an improving credit policy would typically lead to better collection times, not an increase in overdue accounts. Declining customer satisfaction may contribute to overdue accounts but is not the direct indicator shown by the aging report. Similarly, higher market value is not necessarily related to the collection of accounts receivable and would not be reflected solely by overdue accounts.

2. What is the relationship between dividends per share and market price per share called?

- A. Price Earnings Ratio**
- B. Market value**
- C. Dividend yield**
- D. Net income**

The relationship between dividends per share and market price per share is referred to as dividend yield. This financial metric is crucial for investors, as it provides insight into how much dividend income they can expect to earn relative to the price they pay for a share of the company's stock. The dividend yield is calculated by dividing the annual dividends paid per share by the market price per share. For example, if a company pays an annual dividend of \$2 per share and its stock is priced at \$40, the dividend yield would be 5% ($\$2 \div \40). This ratio is particularly useful for investors who are focused on income generation from their investments, such as retirees or those seeking regular cash flow. Therefore, dividend yield serves as a measure of the return on investment in terms of dividends, allowing investors to compare the relative attractiveness of different dividend-paying stocks.

3. What document serves as written evidence of the number of shares owned by each stockholder in a corporation?

- A. Stock certificate**
- B. Shareholder agreement**
- C. Dividend voucher**
- D. Capital stock ledger**

The stock certificate is the document that serves as written evidence of the number of shares owned by each stockholder in a corporation. This certificate is an official record issued by the corporation, indicating the shareholder's ownership in the company. Each stock certificate typically includes details such as the shareholder's name, the number of shares owned, the class of shares, and sometimes a unique serial number. This document is important because it not only provides proof of ownership but also may be required to vote at shareholder meetings or receive dividends. Unlike other options listed, such as a shareholder agreement or a dividend voucher, which serve different purposes related to corporate governance or dividend distribution, the stock certificate specifically confirms the quantity of shares owned. The capital stock ledger, while it maintains a record of stock ownership, does not serve as a physical proof of ownership that a stock certificate does.

4. What do you call promissory notes that are signed by a business and issued to a creditor?

- A. Common stock**
- B. Notes payable**
- C. Bonds**
- D. Accounts receivable**

Promissory notes that are signed by a business and issued to a creditor are referred to as notes payable. This term denotes a formal promissory note, which is a written pledge to pay a specified amount of money at a future date. Notes payable represent a liability on the balance sheet, as they indicate the business's obligation to repay its creditors. This is distinct from common stock, which represents ownership in a company; bonds, which typically relate to debt financing through securities; and accounts receivable, which pertain to amounts owed to a business by its customers for goods or services provided. Understanding notes payable is crucial in accounting, as they reflect a company's borrowing status and financial commitments.

5. A financial statement that displays changes in cash generated and used is known as:

- A. Income statement**
- B. Cash flow statement**
- C. Statement of equity**
- D. Balance sheet**

The financial statement that displays changes in cash generated and used is the cash flow statement. This document provides important insights into a company's liquidity and overall cash management by detailing cash inflows and outflows over a specific period. It typically breaks down cash flows into three categories: operating activities, investing activities, and financing activities. This structure allows stakeholders to assess how well the company's operations generate cash and how that cash is being utilized, which is crucial for understanding the financial health of the organization. In contrast, the income statement primarily focuses on revenues and expenses, presenting a company's profitability rather than its cash position. The statement of equity provides information about changes in equity accounts, including retained earnings and issued shares, but does not focus on cash flows. The balance sheet gives a snapshot of a company's assets, liabilities, and equity at a specific point in time, rather than detailing changes over a period, especially concerning cash flow. Therefore, the cash flow statement is the accurate choice as it specifically addresses movements in cash generated and utilized.

6. What is a unit of ownership in a corporation called?

- A. Bond**
- B. Debenture**
- C. Share of stock**
- D. Equity**

A unit of ownership in a corporation is referred to as a share of stock. When an individual purchases a share, they effectively acquire a small portion of the company, granting them certain rights, including the right to vote at shareholder meetings and to receive dividends if the company declares them. Shares represent ownership in the corporation, and they can be traded on stock exchanges, providing liquidity to investors. The other terms do not represent ownership in a corporation. A bond is a debt instrument used by companies and governments to raise capital, where the issuer owes the bondholder a debt and must pay back the principal along with interest. A debenture is a type of bond that is unsecured by collateral, also indicating a creditor relationship rather than ownership. Equity refers broadly to ownership, but the specific term for the unit of ownership in a corporation is a share of stock. Thus, the specific and accurate term for a unit of ownership is indeed a share of stock.

7. What is referred to as land and anything attached to it?

A. Immovable property

B. Real property

C. Fixed property

D. Landholdings

The term that refers to land and anything attached to it is real property. This encompasses not only the physical land itself but also any structures, fixtures, and natural resources that are permanently affixed to it, such as buildings, trees, and minerals. Real property is a legal concept that differentiates this type of property from personal property, which is movable and not permanently attached to land. Real property is significant in various fields, including law, real estate, and accounting, because it involves different rights, responsibilities, and taxation implications. While immovable property, fixed property, and landholdings are related concepts often used in various jurisdictions to describe similar things, they may not encompass the full legal definition and implications of what constitutes real property. Therefore, recognizing real property as the correct choice accurately captures the breadth of this concept in terms of both its physical and legal aspects.

8. What does the Days Sales in Accounts Receivable indicate?

A. The amount of cash on hand

B. The average period of time to collect an account receivable

C. The total sales for the year

D. The average number of accounts receivable

The Days Sales in Accounts Receivable metric provides insight into how efficiently a company is managing its receivables. Specifically, it indicates the average number of days it takes for a company to collect payment after a sale has been made on credit. This calculation helps assess the effectiveness of a company's credit policies and the efficiency of its collections process. A lower value for Days Sales in Accounts Receivable suggests that the company is able to collect its receivables quickly, which is typically a positive indicator of cash flow. Conversely, a higher value may raise concerns about potential liquidity issues or the effectiveness of the company's credit management operations. By measuring this metric, management can make informed decisions regarding credit terms, collections strategies, and overall cash flow management, which is crucial for sustaining business operations. Understanding this metric is vital for stakeholders who want to evaluate the financial health and operational efficiency of a company.

9. What is the term for the amount that is due on the maturity date of a note?

- A. Maturity value**
- B. Principal amount**
- C. Current liability**
- D. Future cash flow**

The correct term for the amount that is due on the maturity date of a note is known as the maturity value. This amount includes the principal, which is the initial loan amount, plus any interest that has accumulated during the life of the note. When a note reaches maturity, the borrower is obligated to pay this total amount back to the lender. In the context of notes payable, understanding the maturity value is crucial because it signifies the total obligation that must be settled on the maturity date. This concept is fundamental in accounting as it affects cash flow planning, interest calculations, and financial statements, helping both lenders and borrowers track their financial responsibilities. The principal amount refers only to the initial sum borrowed, excluding interest. Current liability denotes obligations due within a year, but does not specify the total due at maturity. Future cash flow is a broader term that can involve any expected inflows or outflows of cash in the future and is not specifically tied to maturity dates of notes. Therefore, maturity value accurately captures the comprehensive amount due at the note's maturity.

10. What is the term for a form used to record transactions in chronological order?

- A. Account**
- B. Journal**
- C. Ledger**
- D. Special journal**

A journal is a fundamental accounting record where transactions are documented in chronological order as they occur. It serves as the initial point of entry for accounting data, capturing details about each transaction such as the date, accounts affected, amounts, and a brief description. This systematic recording helps ensure that all financial activities are tracked comprehensively and transparently. While an account refers to a specific record that tracks the changes in a particular asset, liability, equity, revenue, or expense, and a ledger acts as a collection of accounts that summarizes these transactions, neither fulfills the requirement of being a chronological transaction record. Special journals, on the other hand, are designed for specific types of transactions (like sales or purchases) but are still categorized under the broader concept of journals rather than serving as the general chronological record that a journal does. Thus, the journal form stands out as the primary tool for recording transactions in the order they occur.

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://bpaadvaccounting.examzify.com>

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