

ETS MAJOR FIELD TEST BUSINESS PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://etsmajfieldtestbusiness.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

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

SAMPLE

- 1. Which of the following is a formula for calculating Inventory Turnover?**
 - A. Net Sales / Average Inventory
 - B. Cost of Sales / Average Inventory
 - C. Net Credit Sales / Average Accounts Receivable
 - D. Net Income / Average Stockholders' Equity
- 2. Which of the following best describes the role of values in corporate culture?**
 - A. They are insignificant in shaping behavior
 - B. They are influenced solely by external factors
 - C. They are key components that guide members' behavior
 - D. They are mostly theoretical concepts that lack practical application
- 3. How is book value per share calculated?**
 - A. Net income divided by average common shares
 - B. Common shareholders' equity divided by average common shares
 - C. Total assets divided by total liabilities
 - D. Current liabilities divided by current assets
- 4. Which ratio measures the percentage return through dividends in relation to stock price?**
 - A. Dividend Pay-out Ratio
 - B. Total Asset Turnover Ratio
 - C. Dividend Yield Ratio
 - D. Price-Earnings Ratio
- 5. What does the Dividend Pay-out Ratio measure?**
 - A. Amount of dividends paid to shareholders
 - B. Percentage of net income distributed to owners
 - C. Proportion of shares owned by the management
 - D. Rate of return on common equity

- 6. What does the time value of money concept imply?**
- A. A dollar today is more valuable than a dollar in the future
 - B. Future payments are not affected by inflation
 - C. Money retains the same value over time
 - D. Investments do not yield returns over time
- 7. "Shareholder wealth" in a firm is primarily represented by which of the following?**
- A. Market price per share of the firm's common stock
 - B. Total revenue generated
 - C. Amount of dividends paid
 - D. Net profit margin
- 8. Which term describes the process of designing and marketing new products or services?**
- A. Market Development
 - B. Product Development
 - C. Joint Venture
 - D. Liquidation
- 9. What is the primary focus of management accounting?**
- A. Tracking historical performance of the company
 - B. Preparing tax returns for federal agencies
 - C. Identifying, measuring, and communicating financial information to assist management
 - D. Conducting external audits for stakeholders
- 10. According to Maslow, which of the following needs must be fulfilled first?**
- A. Safety
 - B. Esteem
 - C. Belongingness
 - D. Physiological needs

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which of the following is a formula for calculating Inventory Turnover?

- A. Net Sales / Average Inventory
- B. Cost of Sales / Average Inventory**
- C. Net Credit Sales / Average Accounts Receivable
- D. Net Income / Average Stockholders' Equity

The formula for calculating Inventory Turnover is indeed found in the option provided. Inventory Turnover measures how efficiently a company manages its inventory and indicates how many times inventory is sold and replaced over a period, typically a year. The correct formula to calculate Inventory Turnover is the Cost of Goods Sold (often referred to as Cost of Sales) divided by the Average Inventory. This ratio provides insight into the liquidity of inventory; a higher turnover rate suggests that merchandise is sold quickly and that the company is effectively managing its inventory levels. It reflects how well inventory is being converted into sales, which is crucial for operational efficiency and cash flow management. The other options presented involve calculations related to sales, accounts receivable, and stockholders' equity, but they do not pertain to inventory management. Hence, they do not accurately represent the Inventory Turnover ratio.

2. Which of the following best describes the role of values in corporate culture?

- A. They are insignificant in shaping behavior
- B. They are influenced solely by external factors
- C. They are key components that guide members' behavior**
- D. They are mostly theoretical concepts that lack practical application

Values are fundamental in shaping corporate culture and guide the behavior of employees within an organization. They represent the core principles and beliefs that influence how members of the organization interact with each other and make decisions. When values are clearly defined and communicated, they create a framework for expected conduct, fostering a sense of belonging and commitment among employees. As a result, a strong alignment of individual behaviors with these values can enhance teamwork, motivation, and overall organizational effectiveness. Values also help in establishing a shared identity and purpose, enabling employees to understand and align with the organization's goals. This alignment not only promotes a cohesive workplace environment but also enhances employee engagement and satisfaction, as individuals feel that their personal beliefs resonate with the company's mission. In contrast, values are not insignificant, nor are they merely influenced by external factors. They are intrinsic to the corporate environment and play a crucial role in establishing norms and practices. Furthermore, they are far from being theoretical concepts; rather, values have practical implications that directly affect employee behavior and the overall success of the organization.

3. How is book value per share calculated?

- A. Net income divided by average common shares
- B. Common shareholders' equity divided by average common shares**
- C. Total assets divided by total liabilities
- D. Current liabilities divided by current assets

The calculation of book value per share is determined by dividing the common shareholders' equity by the number of average common shares outstanding. This metric provides a measure of the equity that shareholders would receive on a per-share basis if the company were to be liquidated, reflecting the company's net worth available to common shareholders. Common shareholders' equity includes the original capital invested in the company and retained earnings, minus any treasury stock, which gives a clear picture of what belongs to equity holders after all liabilities are settled. By using average common shares outstanding, it ensures that seasonal or temporary fluctuations in share count do not skew the calculation, making it more reliable for investors assessing the company's book value. Other options do not accurately represent how book value per share is calculated. For instance, using net income divided by average common shares refers to earnings per share (EPS), which focuses on profit rather than equity. Meanwhile, total assets divided by total liabilities provides the debt-to-equity ratio rather than shareholder equity, and current liabilities divided by current assets is the formula for the current ratio, a measure of short-term liquidity, which is unrelated to book value per share.

4. Which ratio measures the percentage return through dividends in relation to stock price?

- A. Dividend Pay-out Ratio
- B. Total Asset Turnover Ratio
- C. Dividend Yield Ratio**
- D. Price-Earnings Ratio

The Dividend Yield Ratio is the correct choice as it specifically measures the percentage return that investors receive through dividends relative to the stock price. This ratio provides insight into the income generated from an investment in stock, allowing investors to understand the cash flow they can expect from dividends in relation to the price they are paying for the stock. It is calculated by dividing the annual dividends per share by the price per share, giving a clear indicator of the yield that a stock provides compared to its market price. In contrast, the Dividend Pay-out Ratio indicates the proportion of earnings that are distributed to shareholders as dividends but does not directly measure the return in relation to stock price. The Total Asset Turnover Ratio relates to how efficiently a company utilizes its assets to generate sales and is not concerned with dividends or stock price. The Price-Earnings Ratio, while valuable for assessing stock valuation, compares a company's current share price to its earnings per share rather than dealing with dividends directly.

5. What does the Dividend Pay-out Ratio measure?

- A. Amount of dividends paid to shareholders
- B. Percentage of net income distributed to owners**
- C. Proportion of shares owned by the management
- D. Rate of return on common equity

The Dividend Pay-out Ratio measures the percentage of net income that is distributed to shareholders as dividends. This ratio is calculated by dividing the total dividends paid by the net income of a company. A higher pay-out ratio indicates that a larger portion of earnings is being returned to shareholders, which can signal a company's commitment to returning value to its investors. This metric is crucial for investors who are interested in income from their investments, as it helps them understand how much profit is being shared versus retained for reinvestment in the company. Understanding the dividend pay-out ratio provides insights into a company's financial health and its approach to profit allocation. It reflects the balance between providing returns to shareholders and funding future growth through retained earnings.

6. What does the time value of money concept imply?

- A. A dollar today is more valuable than a dollar in the future**
- B. Future payments are not affected by inflation
- C. Money retains the same value over time
- D. Investments do not yield returns over time

The time value of money concept asserts that a dollar today holds greater value than a dollar in the future due to its potential earning capacity. This principle is grounded in the notion that money available at the present can be invested to generate returns, whether through interest, dividends, or other forms of investment income. Over time, due to factors such as interest compounding and inflation, money can grow, making current funds inherently more valuable than the same amount in the future. Future payments may indeed be affected by inflation, potentially eroding purchasing power, which contrasts with the principle that today's dollar is worth more. Moreover, the idea that money retains the same value over time overlooks how investments can appreciate and how inflation can alter real value. Conversely, suggesting that investments do not yield returns over time contradicts basic financial principles where investments grow and generate returns, further reinforcing the importance of the time value of money. Therefore, the assertion that a dollar today is more valuable than a dollar in the future accurately encapsulates this fundamental financial concept.

7. "Shareholder wealth" in a firm is primarily represented by which of the following?

A. Market price per share of the firm's common stock

B. Total revenue generated

C. Amount of dividends paid

D. Net profit margin

Shareholder wealth is fundamentally tied to the value of the firm as perceived by the market, which is represented by the market price per share of the firm's common stock. This price reflects the collective assessments of the company's future performance, prospects for growth, and overall financial health. Therefore, when the market price of shares increases, it indicates that shareholders' investments are becoming more valuable, directly enhancing their wealth. The market price per share embodies both current earnings and expected future growth. It allows shareholders not only to evaluate the value of their current holdings but also to make informed decisions about buying or selling their stocks based on how the market perceives the company's performance. Consequently, this makes the market price per share the most comprehensive indicator of shareholder wealth. Other options like total revenue, amount of dividends, and net profit margin do not directly represent shareholder wealth. Total revenue is an important metric for understanding sales performance but does not show how that translates into shareholder value. Dividends represent a portion of profits distributed to shareholders but do not reflect the overall value of their investment in the company. Net profit margin indicates the profitability of sales but also does not capture the broader valuation of the company's shares in the market.

8. Which term describes the process of designing and marketing new products or services?

A. Market Development

B. Product Development

C. Joint Venture

D. Liquidation

The correct answer, which is product development, encompasses the entire process of creating and bringing new products or services to market. This includes several stages, such as idea generation, research, design, testing, and finally launching the product or service. Effective product development takes into account market needs, technological capabilities, and potential return on investment, ultimately ensuring that the offering aligns with customer demands and business objectives. In contrast, market development focuses on introducing existing products to new markets or expanding in current markets rather than creating new offerings. A joint venture refers to a collaborative business arrangement between two or more parties to pursue a specific project or business opportunity, which may not necessarily involve the development of a new product. Liquidation is the process of closing a business and selling its assets, which is unrelated to creating or marketing products or services.

9. What is the primary focus of management accounting?

- A. Tracking historical performance of the company
- B. Preparing tax returns for federal agencies
- C. Identifying, measuring, and communicating financial information to assist management**
- D. Conducting external audits for stakeholders

The primary focus of management accounting is on identifying, measuring, and communicating financial information that assists management in making informed decisions. This area of accounting provides the necessary data and insights to help managers plan, control, and evaluate the organization's performance and strategy. Management accountants analyze financial and non-financial data to support risk assessment, budgeting, and performance measurement, thus enabling managers to make more informed operational decisions. In contrast, the other options emphasize different functions that do not align with the primary focus of management accounting. For example, tracking historical performance, while a component of broader financial analysis, does not encompass the proactive, decision-support role that is central to management accounting. Preparing tax returns is a task associated with compliance and does not provide the strategic information management needs for day-to-day operations. Conducting external audits focuses on verifying the accuracy of financial statements for external stakeholders and ensuring compliance with regulations, which is distinct from the internal focus of management accounting. Therefore, option C accurately captures the essence of what management accounting aims to achieve within an organization.

10. According to Maslow, which of the following needs must be fulfilled first?

- A. Safety
- B. Esteem
- C. Belongingness
- D. Physiological needs**

Maslow's Hierarchy of Needs is a psychological theory that categorizes human needs into a five-tier model, often depicted as a pyramid with the most basic needs at the bottom. According to this model, physiological needs are the foundational requirements for human survival, including air, water, food, shelter, sleep, and other basic bodily requirements. These needs must be addressed before any higher-level needs can be adequately satisfied. Since physiological needs are essential for maintaining physical health and well-being, individuals will prioritize fulfilling these needs above all else. Only after these fundamental needs are met can a person begin to focus on safety needs, belongingness, esteem needs, and ultimately, self-actualization. This foundational understanding of human motivation reinforces why physiological needs are considered the first tier in Maslow's hierarchy.

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://etsmajfieldtestbusiness.examzify.com>

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

SAMPLE