

FBLA ACCOUNTING II PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. In terms of financial reporting, what does the term 'accrued expenses' refer to?**
 - A. Expenses that have been paid but not yet incurred
 - B. Expenses that have been incurred but not yet paid
 - C. Expenses that are based on estimates
 - D. Expenses that decrease equity
- 2. What type of business assets do patents and trademarks fall under?**
 - A. Tangible assets
 - B. Intangible assets
 - C. Current assets
 - D. Fixed assets
- 3. Which equation represents the accounting equation?**
 - A. $\text{Assets} = \text{Revenue} + \text{Liabilities}$
 - B. $\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$
 - C. $\text{Assets} + \text{Liabilities} = \text{Equity}$
 - D. $\text{Assets} - \text{Owners' Equity} = \text{Liabilities}$
- 4. What does net loss indicate for a company?**
 - A. The company has gained profits
 - B. The company has exceeded its revenue
 - C. The excess of expenses over revenues for a designated period
 - D. The total assets of the company
- 5. What is financial accounting primarily concerned with?**
 - A. Internal reporting for management decisions
 - B. External reporting based on standardized rules
 - C. Tax preparation and reporting
 - D. Human resource expenses and management
- 6. What is the purpose of conducting an audit?**
 - A. To evaluate employee performance
 - B. To ensure compliance with tax regulations
 - C. To independently assess the accuracy of financial statements
 - D. To prepare annual financial reports

- 7. What does cost of goods sold (COGS) refer to?**
- A. The total indirect costs involved in business operations
 - B. The direct costs attributed to goods produced and sold
 - C. The selling expenses associated with inventory
 - D. The overall revenue generated from sales
- 8. What is the primary purpose of financial ratios?**
- A. To predict future sales trends
 - B. To analyze a company's financial performance and health
 - C. To evaluate employee contributions
 - D. To forecast market conditions
- 9. Forensic accounting is most commonly used in which sector?**
- A. Government agencies
 - B. Corporate finance
 - C. Healthcare
 - D. Legal institutions
- 10. What determines the value of owners' equity?**
- A. The remaining amount after deducting assets from liabilities
 - B. The total sum of dividends paid
 - C. The amount invested by shareholders only
 - D. The overall revenue generated by the business

Answers

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

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Explanations

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1. In terms of financial reporting, what does the term 'accrued expenses' refer to?

- A. Expenses that have been paid but not yet incurred
- B. Expenses that have been incurred but not yet paid**
- C. Expenses that are based on estimates
- D. Expenses that decrease equity

Accrued expenses refer to costs that a business has incurred but has not yet paid. This is a crucial aspect of the accrual basis of accounting, which states that expenses should be recognized when they are incurred, regardless of when cash is actually paid. By recording accrued expenses, companies ensure their financial statements reflect all liabilities related to the current accounting period. For instance, if a company receives a service in December but doesn't pay for it until January, the expense must be recorded in December's financial statements to accurately depict the company's financial position and performance for that month. This proper matching of revenue and expenses is fundamental to providing an accurate representation of a company's financial condition. In contrast, the other options describe situations that do not align with the definition of accrued expenses. Expenses that have been paid but not incurred do not exist in accounting; instead, they would be reflected as prepaid expenses. Expenses based on estimates refer to situations such as estimated warranty liabilities or bad debt expenses, which involve judgment, but do not specifically match the criteria for accrued expenses. Finally, while expenses can decrease equity, that is a broad consequence of reducing net income which doesn't define accrual accounting principles specifically.

2. What type of business assets do patents and trademarks fall under?

- A. Tangible assets
- B. Intangible assets**
- C. Current assets
- D. Fixed assets

Patents and trademarks are classified as intangible assets because they represent non-physical rights that provide a competitive advantage to a business. Intangible assets are those that lack a physical presence but have value and can contribute to generating revenue. Patents grant exclusive rights to inventions, while trademarks protect brand names and symbols, both of which can significantly enhance a company's market position and future earnings. This differentiation is key because tangible assets, such as machinery or buildings, have a physical form, while current assets and fixed assets pertain more to liquidity and duration, respectively, rather than the inherent value of non-physical rights. Thus, patents and trademarks are best categorized under intangible assets due to their nature and the benefits they provide to a business.

3. Which equation represents the accounting equation?

- A. Assets = Revenue + Liabilities
- B. Assets = Liabilities + Owners' Equity**
- C. Assets + Liabilities = Equity
- D. Assets - Owners' Equity = Liabilities

The accounting equation is fundamental to the double-entry bookkeeping system and illustrates the relationship between a company's assets, liabilities, and owners' equity. The correct formulation states that assets equal the sum of liabilities and owners' equity. This reflects that everything the company owns (assets) is financed either by borrowing money (liabilities) or by the owners' investment (owners' equity). This means that if a business has total assets valued at a certain amount, those assets must be balanced by what the business owes to creditors (liabilities) and what is contributed by the owners (equity). Therefore, this equation is essential for ensuring that financial statements are balanced and that all transactions are properly recorded. Understanding this equation is crucial for any accounting practice, as it lays the foundation for preparing financial statements like the balance sheet, where this relationship will always hold true. Other options do not accurately represent this fundamental relationship in accounting. For example, stating that assets equal revenue and liabilities or rearranging the components in a way that distorts their original relationships would not reflect the true state of a company's financial condition.

4. What does net loss indicate for a company?

- A. The company has gained profits
- B. The company has exceeded its revenue
- C. The excess of expenses over revenues for a designated period**
- D. The total assets of the company

A net loss indicates that a company's total expenses have exceeded its total revenues over a designated period. This situation illustrates that the company did not earn enough income to cover its costs, resulting in a negative financial outcome for that period. Understanding net loss is crucial for assessing a company's financial health, as it can impact investment decisions, management strategies, and long-term sustainability. The other options do not accurately define a net loss. For instance, a gain in profits implies that revenues exceeded expenses, which is the opposite of a net loss. Exceeding revenue does not make sense in the context of a loss, as losses arise from expenses surpassing income. Lastly, total assets describe the resources owned by the company, which does not directly relate to the concept of net loss.

5. What is financial accounting primarily concerned with?

- A. Internal reporting for management decisions
- B. External reporting based on standardized rules**
- C. Tax preparation and reporting
- D. Human resource expenses and management

Financial accounting is primarily concerned with external reporting based on standardized rules. This aspect focuses on creating financial statements that present the organization's financial position, performance, and cash flows to external parties such as investors, creditors, regulators, and other stakeholders. These financial statements must comply with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), ensuring consistency and comparability across different companies. The emphasis on external reporting distinguishes financial accounting from managerial accounting, which is more concerned with internal reporting for management decisions. While tax preparation plays an important role in overall accounting, it is not the primary focus of financial accounting, which aims to provide an accurate depiction of the organization's financial health rather than specifically addressing tax obligations. Human resource expenses and management relate to operational aspects and personnel management, which are typically part of managerial accounting rather than financial accounting's primary objectives.

6. What is the purpose of conducting an audit?

- A. To evaluate employee performance
- B. To ensure compliance with tax regulations
- C. To independently assess the accuracy of financial statements**
- D. To prepare annual financial reports

The purpose of conducting an audit primarily revolves around the need for an independent assessment of the accuracy of financial statements. Auditors review financial records and transactions to confirm that they are presented fairly and in accordance with applicable accounting standards. This process helps stakeholders, such as investors, creditors, and regulators, to have confidence in the financial reporting of an organization. The independent nature of an audit distinguishes it from other evaluations. It is conducted by individuals or firms who are not part of the organization being audited, ensuring objectivity. Through this process, auditors can identify any discrepancies or areas needing improvement, leading to a more reliable representation of an organization's financial health. The other options presented may be related to business practices but do not capture the primary objective of an audit. Evaluating employee performance, ensuring compliance with tax regulations, and preparing annual financial reports are important functions within an organization, yet they do not reflect the core intent of an audit, which is focused on verifying the accuracy and integrity of financial information.

7. What does cost of goods sold (COGS) refer to?

- A. The total indirect costs involved in business operations
- B. The direct costs attributed to goods produced and sold**
- C. The selling expenses associated with inventory
- D. The overall revenue generated from sales

Cost of goods sold (COGS) refers specifically to the direct costs associated with the production of goods that a company sells during a specific period. This includes expenses such as raw materials, labor directly involved in manufacturing, and any other direct costs required to produce those goods. By focusing on these direct costs, COGS provides a clear picture of the expenses directly tied to the production process, which is critical for determining the profitability of a company's sales. Understanding COGS is essential for evaluating a company's gross margin, managing inventory, and making informed pricing decisions. While indirect costs, selling expenses, and overall revenue are important components of a business's financial health, they do not define COGS. Therefore, option B accurately captures the essential meaning and scope of COGS in accounting.

8. What is the primary purpose of financial ratios?

- A. To predict future sales trends
- B. To analyze a company's financial performance and health**
- C. To evaluate employee contributions
- D. To forecast market conditions

The primary purpose of financial ratios is to analyze a company's financial performance and health. Financial ratios provide a quantitative analysis that helps stakeholders, including management, investors, and creditors, assess the operational efficiency, profitability, liquidity, and solvency of a business. By comparing these ratios over time or against industry benchmarks, one can gain insights into how well the company is performing financially and identify areas for improvement or concern. For example, liquidity ratios like the current ratio or quick ratio reveal how easily a company can meet its short-term obligations, while profitability ratios like net profit margin indicate how efficiently the company generates profit relative to its revenues. By using financial ratios, stakeholders can make informed decisions based on the company's financial status and operational efficiency, which is essential for long-term planning and investment strategies.

9. Forensic accounting is most commonly used in which sector?

- A. Government agencies
- B. Corporate finance
- C. Healthcare
- D. Legal institutions**

Forensic accounting is most commonly associated with legal institutions because it specifically involves the application of accounting principles to investigate financial discrepancies and disputes. In legal contexts, forensic accountants provide critical analysis that can be used in court cases, such as fraud investigations, bankruptcy, and business valuations. The work of forensic accountants often results in detailed reports and testimony that are used as evidence in legal proceedings, therefore establishing a strong link between this discipline and the legal sector. While forensic accounting can also be utilized in government agencies, corporate finance, and healthcare to some extent, its primary and most recognized application is within legal institutions where their findings can be directly applied to litigation and law enforcement activities.

10. What determines the value of owners' equity?

A. The remaining amount after deducting assets from liabilities

B. The total sum of dividends paid

C. The amount invested by shareholders only

D. The overall revenue generated by the business

Owners' equity is the residual claim of the owners after all debts are paid. It's determined by the accounting equation: Assets minus Liabilities equals Owners' Equity. This difference shows what the company owns free of obligations, and it includes contributed capital and retained earnings (minus any treasury stock). Dividends reduce equity over time because they take money out of retained earnings, while revenue increases equity through net income, but neither alone defines the total equity. The key determinant is the difference between assets and liabilities.

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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://fblaaccounting2.examzify.com>

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

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