

FUNDAMENTALS OF ACCOUNTANCY, BUSINESS, AND MANAGEMENT (FABM) 2 PRACTICE EXAM (SAMPLE)

STUDY GUIDE

FIND AID FOR THE AGED, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31,

	2018			2017		
	Senior Housing	Senior Centers	Total	Senior Housing	Senior Centers	Total
Taxes and fringe benefits	\$ 1,636,726	\$ 2,162,856	\$ 3,799,582	\$ 1,929,141	\$ 414,040	\$ 2,343,181
Professional fees and contract services	482,784	433,312	916,096	507,558	161,809	669,367
Repairs and maintenance	1,050,829	22,894	1,073,723	22,900	5,891	28,791
Food	354,431	185,099	539,530	252,203	336,882	589,085
Insurance	396,482	743,267	1,139,749	141,545	2,739	144,284
Interest expense	-	49,529	49,529	-	700	700
Office expenses	-	63,709	63,709	-	27,345	27,345
Rent	-	60,323	60,323	-	216,827	216,827
Minor equipment and furniture purchases	-	40,268	40,268	-	135,093	135,093
Real estate taxes	-	86,766	86,766	-	75,268	75,268
Supplies	-	53,617	53,617	-	865	865
Senior trips and activities	-	26,742	26,742	-	900	900
Telephone and postage	-	13,782	13,782	-	1,090	1,090
Equipment rental	-	8,794	8,794	-	13,598	13,598
Special events	-	10,980	10,980	-	16,100	16,100
Other expenses	-	71,172	71,172	-	18,658	18,658
Depreciation and amortization	-	-	-	-	649	649
Bad debt expense	-	-	-	-	-	-
Total Expenses	\$ 5,685,575	\$ 4,283,240	\$ 9,968,815	\$ 3,021,891	\$ 1,670,318	\$ 4,692,209

See accompanying notes to consolidated financial statements.

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://fabm2.examzify.com>



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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 the Adjusted Method of bank reconciliation, how are the balances determined?**
 - A. The bank balance is adjusted to reflect the book balance.
 - B. The bank balance is adjusted to agree with the book balance.
 - C. The balances per bank record and per company's record are separated and compared.
 - D. The balances per bank record and per company's record are combined to derive a single reconciled balance.

- 2. How do you calculate the break-even point in units when given fixed costs and contribution margin per unit?**
 - A. Break-even units = Fixed Costs $\times$ Contribution Margin per Unit
 - B. Break-even units = Fixed Costs / Contribution Margin per Unit
 - C. Break-even units = Fixed Costs / Sales Price per Unit
 - D. Break-even units = (Fixed Costs + Total Variable Costs) / Contribution Margin per Unit

- 3. Which form is used for Annual Income Tax Return for Individuals Earning Income purely from Business or Profession?**
 - A. BIR Form No. 1701A
 - B. BIR Form No. 1700
 - C. BIR Form No. 2316
 - D. BIR Form No. 1701

- 4. Which term refers to a bank entry that lists charges deducted from the depositor's account?**
 - A. Bank service charges
 - B. Credit memo
 - C. Debit memo
 - D. NSF

- 5. Which formula defines debt-to-equity ratio?**
 - A. Debt-to-Equity = Total Liabilities / Total Equity
 - B. Debt-to-Equity = Current Liabilities / Current Assets
 - C. Debt-to-Equity = Total Equity / Total Liabilities
 - D. Debt-to-Equity = Net Income / Total Equity

6. Income is best described as what?

- A. The cash or property that flows into the taxpayer.
- B. The total purchases made by the taxpayer.
- C. The net cash outflow from the taxpayer's transactions.
- D. The taxes owed to the government.

7. What is the main purpose of a trial balance?

- A. To verify that total debits equal total credits and to help identify posting errors before preparing financial statements
- B. To calculate net income
- C. To report taxes owed
- D. To forecast future revenues

8. Which type of income includes salaries, bonuses, and allowances received by an employee?

- A. Compensation income
- B. Business Income
- C. Passive Income
- D. Self-Employed

9. Which is an example of an accrual?

- A. Accrued revenue
- B. Prepaid insurance
- C. Unearned revenue
- D. Depreciation expense

10. Which term describes a check that has been paid and cleared?

- A. Stale check
- B. Cancelled check
- C. Post-dated check
- D. Outstanding check

Answers

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

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Explanations

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1. In the Adjusted Method of bank reconciliation, how are the balances determined?

- A. The bank balance is adjusted to reflect the book balance.
- B. The bank balance is adjusted to agree with the book balance.
- C. The balances per bank record and per company's record are separated and compared.**
- D. The balances per bank record and per company's record are combined to derive a single reconciled balance.

In the Adjusted Method, you start by separating the two records and comparing them side by side: the bank's statement balance and the company's cash book balance. This approach helps you see all timing differences and items not yet recorded by each side, such as deposits in transit, outstanding checks, bank charges, NSF checks, and any errors. By identifying these differences from both records, you can determine exactly which adjustments are needed in the books (or with the bank) to bring both records to a single reconciled balance. The other ideas focus on adjusting one balance to match the other without explicitly examining both records together, which can miss discrepancies or give a skewed view of where the differences come from.

2. How do you calculate the break-even point in units when given fixed costs and contribution margin per unit?

- A. Break-even units = Fixed Costs × Contribution Margin per Unit
- B. Break-even units = Fixed Costs / Contribution Margin per Unit**
- C. Break-even units = Fixed Costs / Sales Price per Unit
- D. Break-even units = (Fixed Costs + Total Variable Costs) / Contribution Margin per Unit

Calculating break-even in units hinges on how much each unit "contributes" toward fixed costs after covering variable costs. This contribution per unit is the selling price minus the variable cost per unit. To find how many units are needed to cover fixed costs, you divide the total fixed costs by the contribution margin per unit. In formula terms, break-even units = fixed costs ÷ (selling price per unit - variable cost per unit). If the contribution margin per unit is zero, you can never break even with positive fixed costs. The other approaches miss this idea. Multiplying fixed costs by the contribution margin per unit would not reflect how many units you must sell; it would overstate the requirement. Using the sales price per unit ignores the variable costs that reduce the amount each unit adds toward fixed costs. Adding total variable costs to fixed costs in the numerator isn't the right way to form the amount each unit must cover; the correct calculation already accounts for variable costs through the contribution margin.

3. Which form is used for Annual Income Tax Return for Individuals Earning Income purely from Business or Profession?

A. BIR Form No. 1701A

B. BIR Form No. 1700

C. BIR Form No. 2316

D. BIR Form No. 1701

When you file an annual tax return, the form you use depends on where your income comes from. If your income is earned purely from a business or professional practice, you use Form 1701A. This form is designed for self-employed individuals and professionals, and it focuses on net income after allowable business or professional deductions, with the tax computation laid out for that income type. In contrast, Form 1700 is for those with income mainly from employment (compensation) and has withholding already done by an employer. Form 2316 is the certificate of tax withheld on compensation. Form 1701 is used when there's mixed income—such as income from salary plus business or professional income. The choice of form aligns with the source of your income, so using Form 1701A is the best fit when you earn only from business or professional activities.

4. Which term refers to a bank entry that lists charges deducted from the depositor's account?

A. Bank service charges

B. Credit memo

C. Debit memo

D. NSF

A debit memo is the bank entry that lists charges deducted from the depositor's account. It's the bank's notice that funds have been debited, reducing the balance—often including items like bank service charges, ATM fees, or checks returned. In bank reconciliation, this document explains why the bank's reported balance decreases, and it contrasts with a credit memo, which increases the balance. NSF indicates non-sufficient funds for a particular item, which is a specific debit cause, but not the general term for the entry itself.

5. Which formula defines debt-to-equity ratio?

A. Debt-to-Equity = Total Liabilities / Total Equity

B. Debt-to-Equity = Current Liabilities / Current Assets

C. Debt-to-Equity = Total Equity / Total Liabilities

D. Debt-to-Equity = Net Income / Total Equity

The debt-to-equity ratio tells you how much debt a company relies on relative to its shareholders' equity. It is calculated by dividing total liabilities by total equity. This shows leverage—how much funding comes from creditors versus owners. A higher ratio means more debt per unit of equity, signaling greater financial risk if earnings drop, while a lower ratio indicates more equity funding and potentially less risk. The other formulas don't capture leverage properly: using current liabilities over current assets measures short-term liquidity, not overall leverage; equity over liabilities is the inverse of the debt-to-equity ratio; and net income over equity reflects profitability, not how much debt is used relative to equity.

6. Income is best described as what?

- A. The cash or property that flows into the taxpayer.
- B. The total purchases made by the taxpayer.
- C. The net cash outflow from the taxpayer's transactions.
- D. The taxes owed to the government.

Income is an inflow of resources that increases the taxpayer's wealth during a period. It can be cash or property that flows into the taxpayer, such as wages, interest, rent, or gains. This is why the first description fits best: it focuses on what comes into the taxpayer, not on spending or liabilities. The other statements describe outflows (purchases, net cash outflow) or amounts owed (taxes), which are not income.

7. What is the main purpose of a trial balance?

- A. To verify that total debits equal total credits and to help identify posting errors before preparing financial statements
- B. To calculate net income
- C. To report taxes owed
- D. To forecast future revenues

In double-entry accounting, every transaction affects both sides of the accounting equation. A trial balance is a listing of all ledger account balances at a given date, showing the total debits and total credits. Its main purpose is to verify that those totals are equal, which signals that postings have been made correctly and there aren't arithmetic mistakes before moving on to the preparation of financial statements. It also helps reveal errors like a single incorrect posting or a missing entry that would throw off the balance. Of course, it isn't a guarantee of complete accuracy, since some errors can still occur even if the totals balance.

8. Which type of income includes salaries, bonuses, and allowances received by an employee?

- A. Compensation income
- B. Business Income
- C. Passive Income
- D. Self-Employed

Salaries, bonuses, and allowances received by an employee are compensation income, which is earned income from employment. These payments come from performing services for an employer and are part of the employee-employer relationship. This differs from business income, which comes from operating a business; passive income, which comes from investments or assets with little active involvement; and self-employed income, which is earned from running one's own enterprise. So compensation income best describes what an employee earns through work.

9. Which is an example of an accrual?

- A. Accrued revenue**
- B. Prepaid insurance
- C. Unearned revenue
- D. Depreciation expense

In accrual accounting, an accrual records revenue or expense when it is earned or incurred, regardless of when cash is exchanged. An example of this is accrued revenue: revenue that has been earned by delivering goods or services but hasn't yet been billed or cash hasn't been collected. This is recorded as an asset and revenue in the same period, typically with a journal entry like Debit Accounts Receivable, Credit Revenue. When cash is eventually received, you would reverse the receivable and increase cash. The other options illustrate deferrals or non-cash allocations rather than accruals. Prepaid insurance is paying for coverage in advance, creating a prepaid asset that is expensed over time. Unearned revenue is cash received before earning the revenue, creating a liability until the service is performed. Depreciation expense is a non-cash allocation of an asset's cost over its useful life, not an accrual of revenue or expense.

10. Which term describes a check that has been paid and cleared?

- A. Stale check
- B. Cancelled check**
- C. Post-dated check
- D. Outstanding check

When a check has been paid and cleared, it is called a cancelled check. This means the bank has processed it: the payer's account has been debited and the recipient has been credited. The check is marked as paid and can't be deposited again. In accounting and bank statements, this status confirms that funds have actually moved and the payment is complete. In contrast, an outstanding check is one that you've written but hasn't yet been presented to the bank for payment, so it hasn't cleared. A stale check is one that's too old to be honored by the bank (often beyond a certain number of months). A post-dated check is dated for a future day and isn't expected to be paid until that date.

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://fabm2.examzify.com>

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

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