

IB Vine 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	5
Answers	8
Explanations	10
Next Steps	16

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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. What are retained earnings?**
 - A. The amount of money borrowed by a company**
 - B. The cumulative amount of net income retained in the company**
 - C. The funds available for distribution to shareholders**
 - D. The initial investments made by the owners of a business**

- 2. What does the term salaries payable represent?**
 - A. A long-term asset on the balance sheet**
 - B. A current liability account for unpaid wages**
 - C. An expense account for salary payments**
 - D. A non-current liability**

- 3. Which of the following is a characteristic of a sole proprietorship?**
 - A. Limited liability protection**
 - B. Single ownership and full control**
 - C. Mandatory double taxation**
 - D. Shared profits with partners**

- 4. What is the expected outcome of following the matching principle?**
 - A. To increase total revenues**
 - B. To enhance the accuracy of financial reporting**
 - C. To reduce overall expenses**
 - D. To facilitate quicker cash flow**

- 5. What financial metric helps assess a company's short-term financial health?**
 - A. Net Profit Margin**
 - B. Working Capital**
 - C. Debt to Equity Ratio**
 - D. Return on Assets**

- 6. What are payment terms in a sales agreement?**
- A. The duration for which a customer can return products**
 - B. The interest rate charged on unpaid invoices**
 - C. The conditions under which a sale is completed**
 - D. The minimum order quantity required**
- 7. What effect does an increase in assets have on cash flow?**
- A. It generates cash**
 - B. It consumes cash**
 - C. It remains neutral**
 - D. It only affects liabilities**
- 8. What does the debt to equity ratio measure?**
- A. The profitability of the company**
 - B. The relative proportion of equity and debt in financing assets**
 - C. The relationship between sales and expenses**
 - D. The efficiency of asset utilization**
- 9. What does the Balance Sheet illustrate at a specific point in time?**
- A. Profits and losses**
 - B. Cash inflows and outflows**
 - C. Assets, liabilities, and owner's equity**
 - D. Income variability over time**
- 10. What is the primary focus of supply chain management?**
- A. The management of employee performance**
 - B. The handling of the flow of goods and services**
 - C. The regulation of financial markets**
 - D. The development of marketing strategies**

Answers

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

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Explanations

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1. What are retained earnings?

- A. The amount of money borrowed by a company
- B. The cumulative amount of net income retained in the company**
- C. The funds available for distribution to shareholders
- D. The initial investments made by the owners of a business

Retained earnings represent the cumulative amount of net income that a company has retained within the business rather than distributed to its shareholders as dividends. This figure is important because it reflects the company's ability to reinvest profits back into operations for growth, pay down debt, or save for future contingencies. Over time, retained earnings can accumulate significantly, contributing to a company's overall equity base and signaling financial health to stakeholders. This concept is crucial in financial reporting, as it provides insights into a company's profit retention strategies and their reinvestment plans. For instance, a high retained earnings balance may indicate that a company is in a phase of growth or is planning for significant investments in the future. On the contrary, a lower or negative amount might suggest that the company has been distributing substantial dividends or incurring losses over time. Understanding retained earnings is also significant for evaluating a company's financial performance over the years, making it easier for investors and other stakeholders to gauge its long-term sustainability and profitability.

2. What does the term salaries payable represent?

- A. A long-term asset on the balance sheet
- B. A current liability account for unpaid wages**
- C. An expense account for salary payments
- D. A non-current liability

The term "salaries payable" refers to a liability account that represents the amount of wages a company owes to its employees for work performed but not yet paid. It is classified as a current liability on the balance sheet because it is expected to be settled within one year or within the operating cycle of the business, whichever is longer. This reflects the company's obligation to pay its employees for services that have already been rendered. When salaries are accrued but not yet paid, they are recorded in this account, highlighting the company's responsibility to fulfill these financial obligations in the near term. Recognizing salaries payable helps provide a more accurate picture of the company's financial position, ensuring that liabilities are accounted for in the same period as the related expenses are recognized in the income statement. In contrast, the other options pertain to different financial concepts. For example, long-term assets represent resources that a company will use for more than one year, and expense accounts reflect costs incurred by the business, whereas salaries payable specifically tracks outstanding wages owed, making option B the appropriate choice.

3. Which of the following is a characteristic of a sole proprietorship?

- A. Limited liability protection**
- B. Single ownership and full control**
- C. Mandatory double taxation**
- D. Shared profits with partners**

A sole proprietorship is defined by its singular ownership structure. This means that there is one individual who owns and operates the business, affording them complete control over all decisions and operations. This characteristic enables the owner to not only make business decisions independently but also to directly reap the benefits of any profits generated by the business. In contrast to other business structures, such as partnerships or corporations, a sole proprietorship does not involve shared ownership or input from multiple stakeholders. This results in a straightforward management style and allows for the flexibility to make swift operational changes without the need for consensus from others. While limited liability protection, mandatory double taxation, and shared profit obligations may apply in other business forms—like corporations or partnerships—these facets are not relevant within the context of a sole proprietorship. Hence, the defining characteristic of a sole proprietorship remains its nature of single ownership and full control.

4. What is the expected outcome of following the matching principle?

- A. To increase total revenues**
- B. To enhance the accuracy of financial reporting**
- C. To reduce overall expenses**
- D. To facilitate quicker cash flow**

Following the matching principle ensures that expenses incurred in generating revenue are recorded in the same accounting period as the revenue they helped produce. This approach enhances the accuracy of financial reporting because it provides a clearer picture of an organization's financial performance during a specific period. By aligning revenues with the corresponding expenses, stakeholders can better assess the profitability of the organization, leading to more informed decision-making. This accurate representation aids in evaluating the effectiveness of business operations and financial health, which can ultimately impact investment decisions, loan approvals, and overall business strategy. The other options do not directly relate to the core purpose of the matching principle, such as increasing total revenues, reducing expenses, or facilitating quicker cash flow, which are influenced by various other factors beyond the matching principle itself.

5. What financial metric helps assess a company's short-term financial health?

- A. Net Profit Margin**
- B. Working Capital**
- C. Debt to Equity Ratio**
- D. Return on Assets**

Working capital is a crucial financial metric that reflects a company's short-term financial health by measuring the difference between its current assets and current liabilities. This assessment provides insight into the company's ability to cover its short-term obligations with its short-term assets. Essentially, positive working capital indicates that a company can comfortably meet its obligations and invest in its operations, while negative working capital may signal potential liquidity issues. In contrast, net profit margin focuses on the overall profitability of a company relative to its revenues, not specifically on short-term financial health. The debt to equity ratio assesses long-term financial stability by comparing total liabilities to shareholders' equity, which does not directly address short-term liquidity. Lastly, return on assets evaluates how efficiently a company uses its assets to generate profit across its overall operations rather than its capacity to manage short-term liabilities. Therefore, working capital distinctly serves the purpose of evaluating short-term financial health.

6. What are payment terms in a sales agreement?

- A. The duration for which a customer can return products**
- B. The interest rate charged on unpaid invoices**
- C. The conditions under which a sale is completed**
- D. The minimum order quantity required**

Payment terms in a sales agreement outline the conditions under which a sale is considered complete, including when payment is due and any other relevant conditions that apply. These terms are crucial as they define the seller's expectations regarding the timing of payment and can specify discounts for early payment or penalties for late payment. By clearly stating these conditions, both the seller and buyer have a mutual understanding of their obligations, which helps to promote transparency and prevent disputes. Other options do not accurately describe payment terms. For instance, the duration for which a customer can return products pertains more to return policies rather than payment terms. Similarly, the interest rate charged on unpaid invoices relates to late fees rather than the standard payment agreement itself. Minimum order quantities are a different aspect of sales agreements linked to the volume of purchase rather than the financial transactions involved.

7. What effect does an increase in assets have on cash flow?

- A. It generates cash
- B. It consumes cash**
- C. It remains neutral
- D. It only affects liabilities

When an increase in assets occurs, it typically means that a company has either purchased new equipment, invested in inventory, or acquired other assets. These actions usually require an outflow of cash. Therefore, when you invest in or acquire assets, it consumes cash from the company's operating, investing, or financing activities. For example, if a company buys new machinery, this will not only require an immediate payment (which reduces cash) but also represents a long-term commitment that will impact the company's cash flow in the future. The cash used to acquire assets does not return immediately; it is tied up in the asset until it generates revenue through operations. In contrast, the other options do not accurately describe the relationship between asset increases and cash flow. Generating cash would imply that assets somehow create cash flow without a financial cost, and remaining neutral suggests no effect, which does not reflect the cash outflow associated with acquiring assets. Lastly, the option indicating an effect on liabilities does not relate to the immediate impact of asset increases on cash flow. Thus, recognizing that an increase in assets consumes cash is essential for understanding cash flow dynamics in accounting.

8. What does the debt to equity ratio measure?

- A. The profitability of the company
- B. The relative proportion of equity and debt in financing assets**
- C. The relationship between sales and expenses
- D. The efficiency of asset utilization

The debt to equity ratio measures the relative proportion of equity and debt used to finance a company's assets. It is a financial leverage ratio that indicates how much debt a company is using to finance its operations compared to the amount of equity provided by the shareholders. A higher ratio suggests that a company is more leveraged, meaning it relies more on borrowed funds to finance its assets, which can indicate higher risk. Conversely, a lower ratio indicates that a company is less dependent on debt and may be viewed as less risky by investors. Understanding this ratio is crucial for investors and analysts as it provides insights into a company's capital structure, financial stability, and the level of risk involved in the company's financing decisions. It helps stakeholders assess whether the company is using a balanced approach or is overly reliant on debt financing, which could affect its long-term sustainability and financial health.

9. What does the Balance Sheet illustrate at a specific point in time?

- A. Profits and losses**
- B. Cash inflows and outflows**
- C. Assets, liabilities, and owner's equity**
- D. Income variability over time**

The Balance Sheet provides a snapshot of a company's financial position at a specific point in time by illustrating its assets, liabilities, and owner's equity. This financial statement is fundamental in accounting as it reflects what the company owns (assets), what it owes (liabilities), and the residual interest of the owners (equity) in the resources of the company. Assets include everything that the company owns that has economic value, such as cash, inventory, property, and equipment. Liabilities encompass all obligations that the company needs to settle in the future, like loans and accounts payable. Owner's equity represents the owners' stake in the business, calculated as the difference between total assets and total liabilities. In contrast, the other options touch on different aspects of financial reporting. Profits and losses are typically captured in the Income Statement, which details revenues and expenses over a period rather than at a single point in time. Cash inflows and outflows are documented in the Cash Flow Statement, focusing on the liquidity changes rather than the balance of assets and liabilities. Income variability over time pertains to trends observed through the Income Statement rather than a singular financial position indicated by the Balance Sheet. Therefore, the correct answer aptly captures the essence of what a Balance Sheet represents in a company's

10. What is the primary focus of supply chain management?

- A. The management of employee performance**
- B. The handling of the flow of goods and services**
- C. The regulation of financial markets**
- D. The development of marketing strategies**

The primary focus of supply chain management is indeed the handling of the flow of goods and services. This encompasses all of the processes involved in the production and delivery of products, from sourcing raw materials to distributing the final output to consumers. Effective supply chain management ensures that the right products are available at the right time, in the right quantities, and at the right cost, which ultimately helps in meeting customer demands efficiently. Supply chain management integrates various functions such as procurement, operations, logistics, and distribution, making it essential for optimizing productivity and reducing costs. It emphasizes coordination and collaboration among various stakeholders, including suppliers, manufacturers, and retailers, to enhance the overall efficiency of the supply chain. This understanding distinguishes it from other areas like employee performance management, which focuses on enhancing workforce productivity; financial market regulation, which pertains to overseeing financial institutions and maintaining market integrity; and marketing strategy development, which is concerned with promoting products and understanding consumer behavior. Each of these areas, while important in their own right, does not encapsulate the comprehensive approach to managing the flow of goods and services that defines supply chain management.

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://ibvineaccounting.examzify.com>

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

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