

Ivy Tech Accounting 101 Final Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. Which accounts are reported on the balance sheet?**
 - A. Assets, Liabilities, Equity**
 - B. Revenues, Expenses**
 - C. Cash, Revenue**
 - D. Assets, Revenues, Expenses**

- 2. Which of the following is a financing activity?**
 - A. Issuing stock**
 - B. Receiving cash interest on a bond**
 - C. Paying salaries**
 - D. Purchasing inventory**

- 3. What happens to inventory when it is sold?**
 - A. It becomes a revenue**
 - B. It becomes an expense**
 - C. It remains an asset**
 - D. It becomes a liability**

- 4. What is the normal balance for liabilities?**
 - A. Debit**
 - B. Credit**
 - C. Neither**
 - D. Both**

- 5. Which accounts are included in long term liabilities?**
 - A. Bonds payable, long term notes payable**
 - B. Accounts payable, accrued expenses**
 - C. Short-term investments, cash equivalents**
 - D. Common stock, retained earnings**

- 6. If FIFO is used, ending inventory equals?**
 - A. Oldest items**
 - B. Middle items**
 - C. Newest items**
 - D. All items**

- 7. If Net Sales are 1,000,000 and All expenses are 750,000, Net Income equals:**
- A. 250,000**
 - B. 1,750,000**
 - C. 750,000**
 - D. 1,000,000**
- 8. Closing entries are used to:**
- A. Set balances to 0 at year-end and transfer to Retained Earnings.**
 - B. Close only revenue accounts.**
 - C. Transfer balances to Income Summary only.**
 - D. Not affect Retained Earnings.**
- 9. What is the formula to calculate accrued interest on a notes receivable?**
- A. amount \times rate \times (months/12)**
 - B. amount \times rate \times months**
 - C. Principal \times rate \times 12**
 - D. Interest income minus principal**
- 10. If accounts receivable total 50000 and the allowance for doubtful accounts is 3000, what is the net realizable value?**
- A. 47000**
 - B. 53000**
 - C. 50000**
 - D. 3000**

Answers

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

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Explanations

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1. Which accounts are reported on the balance sheet?

- A. Assets, Liabilities, Equity**
- B. Revenues, Expenses**
- C. Cash, Revenue**
- D. Assets, Revenues, Expenses**

The balance sheet is a snapshot of a company's financial position at a specific date, showing what it owns (assets), what it owes (liabilities), and the owners' claim on those assets (equity). Revenues and expenses belong on the income statement and affect equity through net income, but they aren't reported as balance sheet items. Cash is an asset, but revenue itself is not a balance sheet item. So the grouping that lists assets, liabilities, and equity correctly represents the balance sheet.

2. Which of the following is a financing activity?

- A. Issuing stock**
- B. Receiving cash interest on a bond**
- C. Paying salaries**
- D. Purchasing inventory**

Financing activities are cash flows that come from transactions with owners and creditors to raise or repay capital. Issuing stock fits this, because it brings cash into the company in exchange for ownership shares, increasing equity and providing funds to the business. The other items involve daily operations or investing in assets: receiving cash interest on a bond is typically shown as operating activity (interest income), paying salaries is an operating outflow, and purchasing inventory is part of normal operating activities related to producing and selling goods. So, issuing stock is the financing activity.

3. What happens to inventory when it is sold?

- A. It becomes a revenue**
- B. It becomes an expense**
- C. It remains an asset**
- D. It becomes a liability**

When inventory is sold, the cost attached to that inventory is moved from the balance sheet into the income statement as an expense called cost of goods sold. The sale itself creates revenue, but the inventory item is consumed and the asset is reduced accordingly, so the inventory no longer remains as an asset. For example, if inventory cost \$50 and is sold for \$80, you record revenue of \$80 and the cost of goods sold of \$50, while reducing Inventory by \$50. The overall effect is that the inventory item becomes an expense (COGS) rather than staying as an asset.

4. What is the normal balance for liabilities?

- A. Debit
- B. Credit**
- C. Neither
- D. Both

Liabilities are obligations the company owes, and in double-entry accounting increases are recorded on the credit side. That means the normal balance for liabilities is a credit. For example, accounts like accounts payable or notes payable increase with credits. When you incur a liability, you credit the liability account (often paired with a debit to an asset or expense). When you pay off a liability, you debit the liability (and credit cash). Since debits decrease liabilities and credits increase them, the expected or normal balance that liabilities tend to have is a credit.

5. Which accounts are included in long term liabilities?

- A. Bonds payable, long term notes payable**
- B. Accounts payable, accrued expenses
- C. Short-term investments, cash equivalents
- D. Common stock, retained earnings

Long-term liabilities are obligations that won't be settled within one year (or the operating cycle). Bonds payable and long-term notes payable fit this category because their maturities extend beyond the next year, so they are reported in the long-term liabilities section. In contrast, accounts payable and accrued expenses are due soon, making them current liabilities. Short-term investments and cash equivalents are assets, not liabilities, and common stock and retained earnings are part of stockholders' equity. So bonds payable and long-term notes payable correctly identify long-term liabilities.

6. If FIFO is used, ending inventory equals?

- A. Oldest items
- B. Middle items
- C. Newest items**
- D. All items

Under FIFO, costs flow from oldest to newest, so ending inventory consists of the most recently acquired items. Since the oldest stock is depleted first for cost of goods sold, the items left on hand at period end are the ones purchased most recently. For example, with 100 units bought at \$5 and 100 at \$6, selling 120 units uses all \$5 stock plus 20 of the \$6 stock, leaving 80 units from the \$6 batch. Those are the newest items remaining, illustrating that ending inventory reflects the newest purchases.

7. If Net Sales are 1,000,000 and All expenses are 750,000, Net Income equals:

- A. 250,000**
- B. 1,750,000**
- C. 750,000**
- D. 1,000,000**

Net income is the amount left after subtracting all expenses from revenue. Here, net sales (revenue) are 1,000,000 and expenses are 750,000. So net income = 1,000,000 – 750,000 = 250,000. This is the bottom-line figure you'd see on the income statement. The other numbers would either omit subtracting expenses or treat revenue as income, so they don't fit the definition of net income.

8. Closing entries are used to:

- A. Set balances to 0 at year-end and transfer to Retained Earnings.**
- B. Close only revenue accounts.**
- C. Transfer balances to Income Summary only.**
- D. Not affect Retained Earnings.**

Closing entries reset temporary accounts to zero and reflect the period's net result in Retained Earnings. Revenue and expense accounts are temporary and must be closed so the next period starts with zero balances. The difference between total revenues and total expenses—net income or net loss—flows into Retained Earnings, updating the company's equity for the period. This is why the best choice describes both setting balances to zero at year-end and transferring the net result to Retained Earnings. In practice, you'll often see revenues and expenses closed to Income Summary first, and then Income Summary closed to Retained Earnings, but the ultimate effect is to move the period's net income (or loss) into Retained Earnings. Closing only revenue accounts would leave expenses open, and transferring exclusively to Income Summary without moving the result to Retained Earnings is incomplete; closing entries do affect Retained Earnings because they capture the net outcome of the period.

9. What is the formula to calculate accrued interest on a notes receivable?

- A. amount × rate × (months/12)**
- B. amount × rate × months**
- C. Principal × rate × 12**
- D. Interest income minus principal**

Accrued interest on a notes receivable is calculated using simple interest and prorated for the time the note has been outstanding. You take the principal, multiply by the annual interest rate, and then multiply by the portion of the year the note has been outstanding. When time is given in months, that portion is months/12. So the correct formula is amount × rate × (months/12). For example, \$10,000 at 6% for 3 months yields $10,000 \times 0.06 \times 3/12 = 150$, which makes sense as the interest earned in a three-month period. If the note runs for a full year, it becomes $10,000 \times 0.06 \times 1 = 600$. The other expressions don't fit because they either skip prorating for part of the year, improperly scale time, or mix up what's being calculated (such as subtracting principal from interest income).

10. If accounts receivable total 50000 and the allowance for doubtful accounts is 3000, what is the net realizable value?

A. 47000

B. 53000

C. 50000

D. 3000

Net realizable value is the amount of accounts receivable that you actually expect to collect. It equals gross accounts receivable minus the allowance for doubtful accounts, because the allowance represents estimated uncollectible amounts that reduce what you can ultimately realize. So, 50,000 minus 3,000 equals 47,000. That is the net realizable value. Why the other figures aren't correct: adding the allowance to accounts receivable would overstate what you expect to collect, and treating the number as just the gross receivable ignores the estimated uncollectibles. The allowance alone isn't what you expect to collect either; it's the deduction from gross receivables to reach the net amount.

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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://ivytechaccounting101final.examzify.com>

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

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