Ivy Tech Accounting 101 Final Practice Exam (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

Table of Contents

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

1. **Which of the following is a liability that would appear on the balance sheet?**
   - A. Accounts Payable
   - B. Accounts Receivable
   - C. Inventory
   - D. Cash

2. **What does FOB shipping point mean?**
   - A. Ownership transfers at shipping point
   - B. Ownership transfers upon arrival at destination
   - C. Ownership transfers when payment is made
   - D. Ownership transfers after inspection

3. **Which item would be reported as an asset on the balance sheet?**
   - A. Equipment
   - B. Accounts Payable
   - C. Service Revenue
   - D. Interest Revenue

4. **Ending Inventory problem: Beginning Inventory 40,000; Purchases 60,000; CoGS 50,000; Ending Inventory equals?**
   - A. 50,000
   - B. 60,000
   - C. 40,000
   - D. 70,000

5. **Which accounts are deducted from an employee's earnings?**
   - A. FICA (Medicare and Social Security), income taxes, federal taxes, health insurance
   - B. FICA (Medicare and Social Security), state taxes, local taxes, health insurance
   - C. Federal taxes, state taxes, payroll fees, workers' compensation
   - D. Net pay allowances, employee loans, tips, health insurance

6. What is the effect of a stock split?

- **A. Increases total number of shares, price per share is decreased**
- **B. Decreases total number of shares, price per share is increased**
- **C. Increases price per share, total number of shares unchanged**
- **D. No change in shares or price per share**

7. Which accounts are reported on the balance sheet?

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

8. What is the equation for net income?

- **A. Net Income = Sales - All expenses.**
- **B. Net Income = Net Sales - CoGS.**
- **C. Net Income = Gross Profit - Operating Expenses.**
- **D. Net Income = Revenue - Costs.**

9. Which item would be classified as operating activities?

- **A. Paying salaries**
- **B. Purchasing land**
- **C. Issuing stock**
- **D. Purchasing equipment**

10. Which financial statement shows revenues and expenses for a period?

- **A. Balance Sheet**
- **B. Income Statement**
- **C. Cash Flow Statement**
- **D. Statement of Changes in Equity**

Answers

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

Explanations

1. Which of the following is a liability that would appear on the balance sheet?

A. Accounts Payable

B. Accounts Receivable

C. Inventory

D. Cash

Liabilities on the balance sheet are obligations to pay cash or provide goods or services in the future. Accounts payable fits this because it records amounts you owe to suppliers for purchases made on credit. It's a current liability that will typically be settled within a short period. When you buy on credit, you increase inventory (an asset) and create accounts payable (a liability); when you pay, you decrease accounts payable and cash. The other items listed are assets—accounts receivable is what customers owe you, inventory is what you own, and cash is liquid assets. So accounts payable is the liability that would appear on the balance sheet.

2. What does FOB shipping point mean?

A. Ownership transfers at shipping point

B. Ownership transfers upon arrival at destination

C. Ownership transfers when payment is made

D. Ownership transfers after inspection

FOB shipping point means ownership and risk pass to the buyer when the goods leave the seller's shipping dock. Once shipped, title transfers and the buyer owns the goods (and bears the risk during transit). In accounting terms, the seller typically recognizes revenue at shipment, and the buyer records inventory as of the shipment date. This contrasts with FOB destination, where ownership transfers when the goods arrive at the buyer's location. The other options describe transfer at arrival, payment, or inspection, none of which align with FOB shipping point.

3. Which item would be reported as an asset on the balance sheet?

A. Equipment

B. Accounts Payable

C. Service Revenue

D. Interest Revenue

Assets are resources owned or controlled by a business that are expected to bring future economic benefits. Equipment is a tangible resource used in operations and is recorded on the balance sheet as a long-term asset (often called a fixed asset) at its cost and then depreciated over time. This contrasts with accounts payable, which is a liability representing amounts owed to others, and service revenue and interest revenue, which are income statement items that increase net income and equity but are not reported as assets on the balance sheet. Therefore equipment sits on the balance sheet as an asset.

4. Ending Inventory problem: Beginning Inventory 40,000; Purchases 60,000; CoGS 50,000; Ending Inventory equals?

- A. 50,000
- B. 60,000
- C. 40,000
- D. 70,000

Ending inventory is found by balancing how much you had to start with, plus what you bought, minus what you charged to cost of goods sold. So, ending inventory = beginning inventory + purchases − cost of goods sold. Here that's 40,000 + 60,000 − 50,000 = 50,000. The remaining balance after deducting the cost of goods sold from the goods available for sale should be 50,000, which matches the given numbers. If ending inventory were 60,000, it would imply a cost of goods sold of 40,000, which doesn't fit the provided 50,000; similarly, ending at 40,000 would imply 60,000 for cost of goods sold, and ending at 70,000 would imply 30,000 cost of goods sold.

5. Which accounts are deducted from an employee's earnings?

- A. FICA (Medicare and Social Security), income taxes, federal taxes, health insurance
- B. FICA (Medicare and Social Security), state taxes, local taxes, health insurance
- C. Federal taxes, state taxes, payroll fees, workers' compensation
- D. Net pay allowances, employee loans, tips, health insurance

Deductions from earnings are the amounts taken out of an employee's gross pay to cover taxes and benefits, resulting in net pay. The items shown in the correct choice represent the standard categories that reduce gross earnings: FICA taxes for Social Security and Medicare are mandatory withholdings; federal income tax withholding reduces pay to cover the employee's federal tax liability; and health insurance is a common voluntary deduction that comes out of earnings to pay for coverage. Together these withholdings come out before the employee receives pay. Other items listed aren't typical deductions from earnings in the same way. For example, some items are employer costs rather than withholdings from wages, and others aren't standard payroll deductions. The key idea is that deductions are amounts withheld to satisfy tax obligations or pay for benefits, leaving net pay.

6. What is the effect of a stock split?

A. Increases total number of shares, price per share is decreased

B. Decreases total number of shares, price per share is increased

C. Increases price per share, total number of shares unchanged

D. No change in shares or price per share

Stock splits adjust the number of shares and their price without changing the overall value of the investment at the moment of the split. When a split happens, more shares are issued (the total number goes up) and the price per share falls by the same factor, so the total market value remains essentially the same right after the split. This means the correct effect is to increase the total number of shares while decreasing the price per share. Splits don't create new value; they just reprice the stock to improve affordability and liquidity. The other descriptions—fewer shares with a higher price, higher price with unchanged share count, or no change at all—don't match how splits actually work, since the share count and price move in inverse directions.

7. 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.

8. What is the equation for net income?

A. Net Income = Sales - All expenses.

B. Net Income = Net Sales - CoGS.

C. Net Income = Gross Profit - Operating Expenses.

D. Net Income = Revenue - Costs.

Net income shows what's left after every cost has been subtracted from revenue. The best way to express that is net income equals Sales minus all expenses, because it accounts for every expense a business incurs—from the cost of goods sold to operating costs, interest, taxes, and any other costs. This is the bottom-line figure on the income statement. It's important to see why the other forms aren't net income. Net sales minus cost of goods sold gives you gross profit, not net income, since it doesn't include operating expenses or other costs. Gross profit minus operating expenses equals operating income, which still leaves out non-operating items like interest and taxes. Revenue minus costs can be vague—"costs" might refer only to certain costs, not all expenses—so it isn't a precise definition of net income.

9. Which item would be classified as operating activities?

A. Paying salaries

B. Purchasing land

C. Issuing stock

D. Purchasing equipment

Cash flows are categorized into operating, investing, and financing activities. Operating activities cover the day-to-day cash flows necessary to run the business and generate revenue. Paying salaries is a routine expense tied to operating the business, so it represents an operating cash outflow. Purchasing land and purchasing equipment are investing activities because they involve long-term assets. Issuing stock is a financing activity because it affects the company's equity and how it raises capital. So paying salaries best fits the operating activities classification.

10. Which financial statement shows revenues and expenses for a period?

A. Balance Sheet

B. Income Statement

C. Cash Flow Statement

D. Statement of Changes in Equity

The main idea here is profitability over time. Revenues and expenses are tracked across a span of time, and the financial statement that sums these up to show whether the company earned a profit or incurred a loss during that period is the income statement. It starts with revenues, subtracts expenses, and results in net income or net loss for the period (month, quarter, year). Why this one fits: it is specifically designed to capture performance over a defined timeframe, not a single moment. The other statements serve different purposes: the balance sheet shows what the company owns and owes at a specific point in time; the cash flow statement shows actual cash movements during the period; and the statement of changes in equity shows how owners' equity changed due to transactions and earnings.

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!