

IVY TECH ACCOUNTING 101 FINAL PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

<https://ivytechaccounting101final.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. Long-term liabilities include which of the following?**
 - A. Bonds payable and long-term notes payable
 - B. Accounts payable and wages payable
 - C. Accrued expenses and tax payable
 - D. Short-term investments and cash
- 2. Which statement describes declining-balance depreciation?**
 - A. It uses a fixed rate applied to the asset's cost each year
 - B. It uses a fixed rate applied to the asset's book value each year
 - C. It yields a constant depreciation amount each year
 - D. It accelerates depreciation by applying a fixed rate to the asset's book value each year
- 3. Which of the following is an operating activity?**
 - A. Receiving cash interest on a bond
 - B. Paying dividends
 - C. Issuing bonds
 - D. Purchasing equipment
- 4. Which statement describes when revenue from accrued revenue is recognized?**
 - A. Revenue is earned and recognized even if not billed or collected yet.
 - B. Revenue is recognized only when billed.
 - C. Revenue is recognized only when cash is collected.
 - D. Revenue is recognized at end of year.
- 5. Under the direct write-off method, when is bad debt expense recognized?**
 - A. When cash is collected.
 - B. At the time of sale.
 - C. Only when specific accounts are deemed uncollectible.
 - D. At period end as an estimate.

- 6. How do you record a loan repayment that includes both principal and interest components?**
- A. Debit Interest Expense for principal portion; Debit Notes Payable for interest portion; Credit Cash for total payment.
 - B. Debit Notes Payable for the principal portion; Debit Interest Expense for the interest portion; Credit Cash for total payment.
 - C. Debit Cash for the principal; Credit Notes Payable for interest.
 - D. Debit Notes Payable for total payment; Credit Cash for principal.
- 7. What is the accounting equation?**
- A. $\text{Assets} = \text{Liabilities} + \text{Equity}$
 - B. $\text{Liabilities} = \text{Assets} + \text{Equity}$
 - C. $\text{Equity} = \text{Assets} - \text{Liabilities}$
 - D. $\text{Revenue} = \text{Assets} - \text{Liabilities}$
- 8. What does variance analysis for materials compare and indicate?**
- A. Compares actual material costs to standard costs and indicates price and usage efficiency and potential cost control issues.
 - B. Measures only the total materials purchased.
 - C. Focuses solely on production volume.
 - D. Determines tax implications of material costs.
- 9. If bonds' coupon rate is higher than the market rate, the bonds are traded at:**
- A. A premium
 - B. A discount
 - C. Par value
 - D. Par premium
- 10. Par value of common stock is:**
- A. An arbitrary value assigned to stock to meet a legal requirement
 - B. The current market price of the stock
 - C. The amount credited to additional paid-in capital
 - D. The dividend rate

Answers

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

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Explanations

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1. Long-term liabilities include which of the following?

A. Bonds payable and long-term notes payable

B. Accounts payable and wages payable

C. Accrued expenses and tax payable

D. Short-term investments and cash

Classification by maturity is the main idea. Long-term liabilities are obligations that won't be settled within one year (or the operating cycle, if longer). Bonds payable represent debt issued to investors with maturities typically several years away, often many years. Long-term notes payable are borrowings evidenced by promissory notes with due dates beyond one year. Because these are not due in the near term, they are reported as long-term on the balance sheet. In contrast, accounts payable and wages payable are settled within the near term; these are current liabilities. Accrued expenses and tax payable are also due within the next year, so current liabilities. Short-term investments and cash are assets, not liabilities. Therefore, bonds payable and long-term notes payable are the items that correctly classify as long-term liabilities.

2. Which statement describes declining-balance depreciation?

A. It uses a fixed rate applied to the asset's cost each year

B. It uses a fixed rate applied to the asset's book value each year

C. It yields a constant depreciation amount each year

D. It accelerates depreciation by applying a fixed rate to the asset's book value each year

Declining-balance depreciation is an accelerated method that applies a fixed percentage to the asset's book value (cost minus accumulated depreciation) each year. Because the book value is highest at the start, the first year's depreciation is large, and as the book value declines, the depreciation in later years becomes smaller, even though the rate stays the same. This pattern results in more expense recorded in the early years of the asset's life. So the statement is describing the method accurately: depreciation is accelerated by applying a fixed rate to the asset's book value each year, not to its original cost and not as a constant dollar amount each year.

3. Which of the following is an operating activity?

A. Receiving cash interest on a bond

B. Paying dividends

C. Issuing bonds

D. Purchasing equipment

Operating activities include the cash flows from the company's everyday operations and other items treated as operating, such as cash received from interest and dividends. Receiving cash interest on a bond is considered an operating activity because it's a cash inflow from a financial asset and is typically classified with operating cash flows in introductory accounting contexts. The other options fall into other categories: paying dividends is a financing activity, issuing bonds is a financing activity, and purchasing equipment is an investing activity.

4. Which statement describes when revenue from accrued revenue is recognized?

- A. Revenue is earned and recognized even if not billed or collected yet.**
- B. Revenue is recognized only when billed.
- C. Revenue is recognized only when cash is collected.
- D. Revenue is recognized at end of year.

Under accrual accounting, revenue is recognized when the seller has performed the service or delivered the goods and has a right to payment, not when cash is received. Accrued revenue specifically happens when the work is done but hasn't yet been billed or collected. In that case, you record revenue and also recognize a receivable, so the period in which the service was provided shows revenue even if billing and cash collection occur later. This aligns with recognizing revenue when earned, rather than tying it to billing or cash collection. The other options imply revenue waits until billing, or until cash is received, or is tied to a specific year-end time, which isn't how accrual revenue works.

5. Under the direct write-off method, when is bad debt expense recognized?

- A. When cash is collected.
- B. At the time of sale.**
- C. Only when specific accounts are deemed uncollectible.
- D. At period end as an estimate.

Under the direct write-off method, bad debt expense is recognized only when a specific receivable is deemed uncollectible. That means you wait until you determine a customer won't pay, then write off that amount by debiting Bad Debt Expense and crediting Accounts Receivable. You don't estimate uncollectibles at the time of sale, you don't record it when cash is collected, and you don't set an end-of-period estimate. For example, if you determine a \$500 receivable will not be collected, you recognize \$500 of bad debt expense then.

6. How do you record a loan repayment that includes both principal and interest components?

- A. Debit Interest Expense for principal portion; Debit Notes Payable for interest portion; Credit Cash for total payment.
- B. Debit Notes Payable for the principal portion; Debit Interest Expense for the interest portion; Credit Cash for total payment.**
- C. Debit Cash for the principal; Credit Notes Payable for interest.
- D. Debit Notes Payable for total payment; Credit Cash for principal.

When recording a loan payment that includes both principal and interest, the key is to separate the effects on the accounts: the principal portion reduces the liability, and the interest portion records the cost of borrowing as an expense. The correct entry debits Notes Payable for the principal portion to decrease the loan balance, debits Interest Expense for the interest portion to reflect the cost of borrowing, and credits Cash for the total amount paid. For example, if you pay 1,000 of principal and 120 of interest, you would debit Notes Payable 1,000 and Debit Interest Expense 120, and credit Cash 1,120. This approach properly matches the liability reduction with the principal and records the interest in the period it is incurred. The other options misallocate either the principal or the interest, or misstate the effect on cash and the liability.

7. What is the accounting equation?

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

The accounting equation shows that what a company owns (assets) is financed either by what it owes to others (liabilities) or by the owners' investment (equity). This balance is the foundation of double-entry accounting: every transaction affects at least two accounts so the total remains in balance. The standard form puts assets on one side and liabilities plus equity on the other: $\text{Assets} = \text{Liabilities} + \text{Equity}$. For example, when a company borrows cash, its assets rise and its liabilities rise by the same amount, keeping the equation balanced. While a rearranged version like $\text{Equity} = \text{Assets} - \text{Liabilities}$ conveys the same relationship, the conventional form used in financial reporting is assets equals liabilities plus equity, which is why that option is the best answer.

8. What does variance analysis for materials compare and indicate?

- A. Compares actual material costs to standard costs and indicates price and usage efficiency and potential cost control issues.
- B. Measures only the total materials purchased.
- C. Focuses solely on production volume.
- D. Determines tax implications of material costs.

Variance analysis for materials looks at how actual material costs differ from what was planned and what that tells us about buying and using materials. It splits the difference into two parts: the price variance, which is the gap between the actual price paid per unit and the standard price (for the actual quantity bought), and the usage (quantity) variance, which is the gap between the actual quantity used and the standard quantity allowed for the actual output (valued at the standard price). Together, these show not only whether you paid more or less per unit but also whether you used more material than expected, signaling potential cost-control issues, supplier pricing problems, waste, or production inefficiencies. If actual costs are higher, it points to price or usage problems; if lower, it indicates favorable price or efficiency gains. This focus isn't about total materials purchased, production volume alone, or tax implications, which don't reveal the specific price and usage differences that variance analysis highlights.

9. If bonds' coupon rate is higher than the market rate, the bonds are traded at:

- A. A premium
- B. A discount
- C. Par value
- D. Par premium

Bond prices move to align the fixed coupon payments with current market rates. If a bond's coupon is higher than the going market rate for similar risk, investors are willing to pay more than the face value to receive that higher coupon, so the price rises above par. That higher price is called trading at a premium. If the coupon were lower than the market rate, the bond would trade at a discount (below par); if it matched the market rate, it would trade at par. The term "par premium" isn't used in this context.

10. Par value of common stock is:

A. An arbitrary value assigned to stock to meet a legal requirement

B. The current market price of the stock

C. The amount credited to additional paid-in capital

D. The dividend rate

Par value is the nominal value assigned to each share in the corporate charter to satisfy legal capital requirements. It represents a set, often small, face value and is not related to the stock's market price or to the dividends paid. When shares are issued, the amount above par goes to Additional Paid-In Capital, while the par value itself increases the Common Stock account. So the best answer is that par value is an arbitrary value assigned to stock to meet a legal requirement. For example, if par value is \$1 and 1,000 shares are issued at \$10 each, Common Stock increases by \$1,000 and Additional Paid-In Capital by \$9,000. The dividend rate is decided separately and has no bearing on par value.

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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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