

# KOSSA ACCOUNTING PRACTICE TEST (SAMPLE)

## STUDY GUIDE



## SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR  
THE FULL VERSION STUDY GUIDE

<https://kossaaccounting.examzify.com>



**Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.**

**ALL RIGHTS RESERVED.**

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

# 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 |

SAMPLE

# 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

SAMPLE

**1. What does working capital specifically measure?**

- A. The company's long-term investments
- B. The efficiency of utilizing physical assets
- C. The difference between current assets and current liabilities
- D. The gross profit margin of the business

**2. What is GAAP?**

- A. A set of international accounting standards
- B. A framework of accounting standards used in financial reporting
- C. A guideline for business taxation
- D. A method for investment analysis

**3. What is the most basic form of journal in accounting?**

- A. General ledger
- B. General journal
- C. Specialized journal
- D. Sales journal

**4. The left side of an account is known as?**

- A. Credit
- B. Debit
- C. Liability
- D. Asset

**5. What does financial statement analysis involve?**

- A. Evaluating market opportunities
- B. Reviewing financial statements for informed decisions
- C. Calculating taxes owed
- D. Preparing financial forecasts

**6. What does an accounting information system do?**

- A. Records only revenue transactions
- B. Processes transaction data and communicates financial information
- C. Only analyzes financial statements
- D. Manages human resources information

**7. What is "capital budgeting"?**

- A. The evaluation of current expenses
- B. The planning of investments in long-term assets
- C. The process of increasing working capital
- D. The management of short-term financial needs

**8. Which of the following is NOT a current liability?**

- A. Accounts payable
- B. Short-term loans
- C. Long-term bank notes
- D. Accrued expenses

**9. In accounting, what does the term "liabilities" refer to?**

- A. Cash and cash equivalents owned
- B. Resources generated from sales
- C. Obligations or debts owed to outside parties
- D. Investments made by stockholders

**10. Which of the following is NOT classified as a liability on the balance sheet?**

- A. Current liabilities
- B. Long-term liabilities
- C. Stockholder's equity
- D. Contingent liabilities

## **Answers**

SAMPLE

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

SAMPLE

## **Explanations**

SAMPLE

## 1. What does working capital specifically measure?

- A. The company's long-term investments
- B. The efficiency of utilizing physical assets
- C. The difference between current assets and current liabilities**
- D. The gross profit margin of the business

*Working capital specifically measures the difference between current assets and current liabilities. This financial metric indicates a company's short-term liquidity and operational efficiency, revealing its ability to cover its short-term financial obligations. By assessing working capital, stakeholders can better understand the company's capacity to fund its day-to-day operations and invest in growth opportunities without needing to secure additional financing. In contrast, the other options focus on different aspects of financial performance or asset management. Long-term investments pertain to a company's commitments over a longer horizon and do not reflect immediate liquidity. The efficiency of utilizing physical assets relates more to asset management and operational effectiveness rather than short-term financial health. Lastly, gross profit margin involves evaluating profitability and does not pertain to the assessment of current assets and liabilities. Understanding working capital is essential for evaluating a company's financial health and its ability to sustain operations in the short term.*

## 2. What is GAAP?

- A. A set of international accounting standards
- B. A framework of accounting standards used in financial reporting**
- C. A guideline for business taxation
- D. A method for investment analysis

*GAAP, or Generally Accepted Accounting Principles, refers specifically to a framework of accounting standards that are used in financial reporting primarily in the United States. This framework provides a structure for financial reporting that ensures consistency and transparency across various companies and industries, enabling stakeholders to compare financial statements effectively. This set of standards encompasses a range of accounting principles, rules, and conventions that organizations must adhere to when preparing financial statements. By following GAAP, businesses can provide reliable and comparable financial information to investors, creditors, and regulators, which is crucial for making informed economic decisions. While there are international accounting standards, like IFRS (International Financial Reporting Standards), GAAP is distinct in its application mainly within the United States. It does not specifically relate to business taxation or investment analysis, as these areas involve different guidelines and considerations that do not fall under the purview of GAAP.*

### 3. What is the most basic form of journal in accounting?

- A. General ledger
- B. General journal**
- C. Specialized journal
- D. Sales journal

*The correct answer is the general journal, which serves as the most fundamental form of journal in accounting. The general journal is where all business transactions are recorded in chronological order before they are posted to the general ledger. This journaling process allows businesses to maintain a detailed and sequential record of every financial operation, ensuring accuracy and accountability. The entries in the general journal typically include the date of the transaction, accounts involved, the amounts to be debited and credited, and a brief description of the transaction. This format is crucial for providing a comprehensive overview of financial activities over time, which aids in the preparation of financial statements and other reports. In contrast, the general ledger is a summary of all accounts and their balances, which is derived from the entries made in the general journal. Specialized journals, such as sales or purchases journals, are more focused on specific types of transactions and don't capture the full range of activities that the general journal does. Consequently, the general journal is considered the most basic and universal tool in an accountant's toolkit, forming the backbone of the accounting system.*

### 4. The left side of an account is known as?

- A. Credit
- B. Debit**
- C. Liability
- D. Asset

*In accounting, the left side of an account is referred to as the debit side. In the double-entry accounting system, each transaction affects at least two accounts and is recorded as a debit in one account and a credit in another. Debits represent increases in assets and expenses or decreases in liabilities and equity. This structure is fundamental to maintaining the accounting equation, where assets equal liabilities plus equity. By understanding that the left side of an account is designated for debits, one can accurately record and analyze financial transactions, ensuring that the books remain balanced. The other options relate to different concepts in accounting: credit is the right side of an account, which affects liabilities and equity differently; liability refers to amounts owed by a business; and asset represents resources owned by a business. Each of these plays a distinct role in the overall accounting framework, but they do not pertain to the definition of what the left side of an account signifies.*

## 5. What does financial statement analysis involve?

- A. Evaluating market opportunities
- B. Reviewing financial statements for informed decisions**
- C. Calculating taxes owed
- D. Preparing financial forecasts

*Financial statement analysis involves reviewing and interpreting the information contained within financial statements to make informed decisions about the financial health and performance of a business. This process typically includes examining the balance sheet, income statement, and cash flow statement to assess metrics such as profitability, liquidity, and solvency. By analyzing these statements, stakeholders, including investors, creditors, and management, can identify trends, compare performance against benchmarks, and make strategic decisions based on quantitative data. This thorough examination aids in understanding how resources are being utilized and how effectively the organization operates, which is essential for making informed business decisions. The other choices focus on different aspects of finance or accounting. Evaluating market opportunities pertains to strategic planning and understanding the broader market landscape, while calculating taxes owed is a compliance task related to tax preparation. Preparing financial forecasts involves projecting future financial performance, which is distinct from analyzing past performance as depicted in the financial statements.*

## 6. What does an accounting information system do?

- A. Records only revenue transactions
- B. Processes transaction data and communicates financial information**
- C. Only analyzes financial statements
- D. Manages human resources information

*An accounting information system (AIS) plays a crucial role in the management of financial information for an organization. It encompasses more than just recording transactions—its primary function is to process transaction data comprehensively. This means it captures, processes, and stores financial transaction data, transforming it into meaningful information that can be communicated to various stakeholders. The system generates reports, such as financial statements, budgets, and forecasts, thus aiding in decision-making and ensuring compliance with regulatory requirements. By integrating data from various sources within the organization, an AIS provides a holistic view of financial performance, which can be used for both internal management and external reporting. The other options do not fully encapsulate the breadth of functions performed by an AIS. For instance, recording only revenue transactions would severely limit the financial insight an organization can gain, while only analyzing financial statements ignores the foundational processes of data entry and transaction recording that are essential to maintaining accurate financial records. Similarly, managing human resources information is outside the primary scope of an accounting information system, as it typically focuses on financial data rather than HR-related data.*

## 7. What is "capital budgeting"?

- A. The evaluation of current expenses
- B. The planning of investments in long-term assets**
- C. The process of increasing working capital
- D. The management of short-term financial needs

*Capital budgeting refers to the planning process used by organizations to evaluate potential major investments or expenditures. This process is critical as it involves assessing long-term assets that are expected to benefit the company over several years, such as machinery, buildings, or technology upgrades. By focusing on long-term assets, capital budgeting helps businesses determine which investments will yield the best return on investment and aligned with the strategic goals of the organization. The evaluation process may include projected cash flows, required returns, our risk analysis, and the overall impact on the company's financial health. This approach ensures that resources are allocated efficiently, promoting growth and sustainability in the long term. Understanding capital budgeting is crucial for financial decision-making and ensuring that a company remains competitive and profitable in the marketplace.*

## 8. Which of the following is NOT a current liability?

- A. Accounts payable
- B. Short-term loans
- C. Long-term bank notes**
- D. Accrued expenses

*Current liabilities are obligations that a company expects to settle within one year or within its operating cycle, whichever is longer. These liabilities are critical for assessing a company's short-term financial health and liquidity. Accounts payable, short-term loans, and accrued expenses are all examples of current liabilities. Accounts payable involves amounts a company owes to suppliers for goods and services received, which are typically due in the short term. Short-term loans are borrowed funds that must be repaid within one year. Accrued expenses represent costs that have been incurred but not yet paid, such as wages or taxes, and they are also expected to be settled shortly. Long-term bank notes, on the other hand, represent debt obligations that extend beyond one year. These are typically used to finance long-term assets or investments, which means they do not fall under the category of current liabilities. Understanding the distinction between current and long-term liabilities is essential for analyzing a company's financial position and liquidity.*

## 9. In accounting, what does the term "liabilities" refer to?

- A. Cash and cash equivalents owned
- B. Resources generated from sales
- C. Obligations or debts owed to outside parties**
- D. Investments made by stockholders

*The term "liabilities" in accounting specifically refers to obligations or debts that a company owes to outside parties. This includes loans, accounts payable, and other financial commitments that the business must settle in the future. Liabilities represent future sacrifices of economic benefits that the entity is obligated to provide due to past transactions or events. Understanding liabilities is crucial for assessing a company's financial health, as they are a key component of the balance sheet. Liabilities are typically categorized into current liabilities, which are due within one year, and long-term liabilities, which are due beyond one year. This categorization helps stakeholders evaluate the timing and impact of these obligations on the company's cash flow and overall financial position. The other options do not accurately define liabilities. Cash and cash equivalents are assets, resources generated from sales relate to revenues or income, and investments made by stockholders are part of equity, not liabilities. Each of these concepts plays a different role in financial accounting, contributing to a comprehensive understanding of a company's overall financial structure.*

**10. Which of the following is NOT classified as a liability on the balance sheet?**

- A. Current liabilities
- B. Long-term liabilities
- C. Stockholder's equity**
- D. Contingent liabilities

*In accounting, liabilities represent obligations that a company owes to outside parties, which can include debts and financial commitments. Current liabilities are short-term obligations that are expected to be settled within one year, while long-term liabilities are obligations that extend beyond one year. Contingent liabilities are potential liabilities that may occur depending on the outcome of a future event, such as a lawsuit. Stockholder's equity, on the other hand, represents the ownership interest in the company. It includes funds contributed by the owners (common and preferred stock) and retains earnings, which are accumulated profits not distributed as dividends. Unlike liabilities, stockholder's equity does not represent a financial obligation to repay a creditor. Rather, it indicates the net residual interest in the assets of the company after deducting liabilities. This distinction is crucial in understanding a company's financial position. Liabilities typically indicate what the company owes, while stockholder's equity illustrates what is owned by the shareholders. Hence, stockholder's equity is not classified as a liability on the balance sheet.*

SAMPLE

## 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](mailto:hello@examzify.com).

Or visit your dedicated course page for more study tools and resources:

<https://kossaaccounting.examzify.com>

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

SAMPLE