

NAB CORE and RCAL Financial 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 term is defined by Revenues - Expenses = Net Income?**
 - A. Income Statement**
 - B. Balance Sheet**
 - C. Cash Flow Statement**
 - D. Statement of Changes in Equity**

- 2. Which coverage typically pays for damage to your own vehicle resulting from a collision?**
 - A. Collision**
 - B. Bodily injury**
 - C. Medical payments**
 - D. Property damage**

- 3. GAAP refers to which of the following?**
 - A. The standards and rules that accountants follow while recording and reporting financial activities**
 - B. Non-for-profit principles**
 - C. Tax regulations**
 - D. International accounting standards**

- 4. Accrued interest payable is classified as which of the following?**
 - A. Current liability**
 - B. Asset**
 - C. Equities**
 - D. Balance Sheet**

- 5. Which term is defined as Debts?**
 - A. Liabilities**
 - B. Net Worth**
 - C. Revenue**
 - D. Assets**

- 6. Which Medicare Part pays for hospitalization, care in a skilled nursing facility, home health care, and hospice care?**
- A. Medicare Part A**
 - B. Medicare Part B**
 - C. Medicare Part C**
 - D. Medicare Part D**
- 7. Asset Turnover is calculated as which of the following?**
- A. Revenue / Total Assets**
 - B. Net Income / Total Assets**
 - C. Revenue / Total Liabilities**
 - D. Assets / Revenue**
- 8. What is the nonprofit balance sheet commonly called?**
- A. Statement of financial position**
 - B. Balance of funds**
 - C. Profit and loss statement**
 - D. Cash flow statement**
- 9. What defines the break-even point?**
- A. Total cost equals total revenue**
 - B. Total revenue minus variable costs equals zero**
 - C. Profit equals zero after tax**
 - D. Price equals cost of goods sold**
- 10. Which term is used to differentiate a budget or financial year from the calendar year?**
- A. Fiscal year**
 - B. Calendar year**
 - C. Tax year**
 - D. Operating year**

Answers

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

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Explanations

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1. Which term is defined by Revenues - Expenses = Net Income?

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

Profitability over a period is captured on the income statement, which records revenues and expenses for a specific period and shows net income as the bottom line. This formula—revenues minus expenses—directly defines net income, so the document that presents this computation is the income statement. It focuses on performance over time, unlike the balance sheet (which shows assets, liabilities, and equity at a point in time), the cash flow statement (which tracks cash movements), or the statement of changes in equity (which shows changes in ownership interests). Net income from the income statement also flows into retained earnings on the balance sheet, linking the statements.

2. Which coverage typically pays for damage to your own vehicle resulting from a collision?

- A. Collision**
- B. Bodily injury**
- C. Medical payments**
- D. Property damage**

Collision coverage pays for damage to your own car when it's involved in a collision with another vehicle or object. It applies regardless of who's at fault, minus your deductible and up to your policy limits. This is distinct from bodily injury and medical payments, which cover people and their medical costs, and from property damage liability, which covers damage you cause to someone else's property. If the damage comes from non-collision events like theft, fire, or a natural disaster, comprehensive coverage would apply instead. Lenders often require collision when a car is financed or leased.

3. GAAP refers to which of the following?

- A. The standards and rules that accountants follow while recording and reporting financial activities**
- B. Non-for-profit principles**
- C. Tax regulations**
- D. International accounting standards**

GAAP, or generally accepted accounting principles, are the standards and rules accountants follow when recording and reporting financial activities. They dictate how transactions are recognized, measured, and disclosed in financial statements, ensuring consistency and comparability across different organizations. GAAP is the framework used in U.S. financial reporting, set by the Financial Accounting Standards Board. It's not tax regulations, and it isn't the same as international standards (IFRS). Nonprofits also prepare under GAAP, but the core idea remains: a coherent set of guidelines for recording and presenting financial information.

4. Accrued interest payable is classified as which of the following?

- A. Current liability**
- B. Asset**
- C. Equities**
- D. Balance Sheet**

Interest that has accrued but hasn't been paid yet creates an obligation to pay in the near term. Under accrual accounting, expenses are recognized when they are incurred, not when cash changes hands, so the amount due is recorded as a liability. Since this payment is typically due within one year (or the operating cycle, if longer), it is classified on the balance sheet as a current liability. It isn't an asset, because it doesn't provide future economic benefits, and it isn't equity, which represents owners' claims after liabilities. If the payable were due later than one year, only the portion due within the next year would be current; the remainder would be a long-term liability.

5. Which term is defined as Debts?

- A. Liabilities**
- B. Net Worth**
- C. Revenue**
- D. Assets**

Debts are obligations a business owes to others. In accounting, that category is called liabilities. They represent claims on the entity's assets by creditors and arise from past events, meaning the company is expected to outflow resources in the future to settle them. Examples include loans, accounts payable to suppliers, accrued expenses, taxes payable, and bonds. Liabilities appear on the balance sheet and are typically split into current (short-term) and long-term kinds. They contrast with assets, which are the resources the company owns, and with net worth (owner's equity), which is what remains after liabilities are subtracted from assets. Revenue is income earned from operations, not a description of what the company owes. So, the term defined as debts is liabilities.

6. Which Medicare Part pays for hospitalization, care in a skilled nursing facility, home health care, and hospice care?

- A. Medicare Part A**
- B. Medicare Part B**
- C. Medicare Part C**
- D. Medicare Part D**

Medicare Part A provides hospital insurance that helps pay for inpatient hospitalization, care in a skilled nursing facility after a hospital stay, hospice care, and certain home health services. This combination of inpatient and facility-based benefits is what distinguishes Part A from the other parts. Part B covers outpatient medical services like doctor visits and preventive care, Part C (Medicare Advantage) offers plans that bundle Parts A and B (and sometimes extra benefits), and Part D covers prescription drugs. So the coverage described—hospitalization, skilled nursing facility care, home health care, and hospice care—fits under Part A.

7. Asset Turnover is calculated as which of the following?

- A. Revenue / Total Assets**
- B. Net Income / Total Assets**
- C. Revenue / Total Liabilities**
- D. Assets / Revenue**

Asset turnover shows how effectively a company uses its assets to generate sales. The right formula is revenue divided by total assets. This tells you how many dollars of sales come from each dollar of assets, so a higher number means more efficient use of the asset base. Using net income would shift the focus to profitability rather than asset productivity, revenue over liabilities mixes a sales measure with a liability base and isn't about asset use, and flipping the ratio (assets over revenue) would invert the meaning of the measure. Example: if revenue is 500,000 and total assets are 250,000, asset turnover is 2.0, meaning \$2 of sales per \$1 of assets.

8. What is the nonprofit balance sheet commonly called?

- A. Statement of financial position**
- B. Balance of funds**
- C. Profit and loss statement**
- D. Cash flow statement**

In nonprofit accounting, the balance sheet is a snapshot of what the organization owns and owes at a specific date, shown as assets, liabilities, and net assets. It is commonly called the statement of financial position because it presents the organization's financial position at that point in time, with net assets replacing what for for-profit entities would be owners' equity. The phrasing emphasizes the current status of resources and obligations rather than flows over a period. The other reports cover different things: a profit and loss statement (often called the statement of activities) shows revenues and expenses over a period; a cash flow statement tracks cash inflows and outflows. "Balance of funds" isn't a standard title in nonprofit reporting.

9. What defines the break-even point?

- A. Total cost equals total revenue**
- B. Total revenue minus variable costs equals zero**
- C. Profit equals zero after tax**
- D. Price equals cost of goods sold**

Break-even means revenue exactly covers all costs, so profit is zero. This includes both fixed costs that don't change with volume and variable costs that rise with each unit sold. When total revenue equals total costs, nothing is left over to contribute to profit, and nothing is owed as a loss. Think of it this way: you must cover every dollar spent, both in fixed expenditures and in the costs that scale with sales. If revenue only covers variable costs, you've still got fixed costs that aren't paid, so you'd be operating at a loss. If you aim for profit zero after taxes, taxes would affect the result, so break-even is typically considered before tax. If price merely covers the cost of goods sold, you'd have zero gross margin per unit, but fixed costs would still push you into a loss unless those fixed costs are zero. So the defining condition is that total costs equal total revenue.

10. Which term is used to differentiate a budget or financial year from the calendar year?

A. Fiscal year

B. Calendar year

C. Tax year

D. Operating year

The idea being tested is that many organizations set a fiscal year for budgeting and financial reporting that may not align with the calendar year. A fiscal year is a 12-month period chosen for accounting and reporting, and it can start in any month to fit the business cycle. This makes it the term that differentiates the budget or financial year from the calendar year, which runs January through December. The calendar year is the standard wall-clock year, not the budgeting cycle. The tax year is about tax filings and can align with the calendar year in many places but isn't the general label for budgeting periods. Operating year isn't a standard term used in financial reporting. Therefore, fiscal year is the correct term.

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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://nabcorercalfinancial.examzify.com>

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

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