

NAB CORE AND RCAL FINANCIAL PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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 equation represents the Income Statement?**
 - A. Revenues - Expenses = Net Income
 - B. Assets = Liabilities + Equity
 - C. Cash Inflow - Cash Outflow = Cash Balance
 - D. Gross Margin = Revenue - COGS
- 2. Which term is defined as the paying off of a debt in regular installments over a period of time?**
 - A. Amortization
 - B. Accrued interest payable
 - C. Balance Sheet
 - D. Current Ratio
- 3. Net Worth is defined as which of the following formulas?**
 - A. Total Assets minus Total Liabilities
 - B. Total Liabilities minus Total Assets
 - C. Revenues minus Expenses
 - D. Assets plus Liabilities
- 4. Which financial statement is described as showing the flow of money in and out of the business?**
 - A. A financial statement that shows the flow of money in and out of the business.
 - B. A snapshot of assets and liabilities at a moment.
 - C. A report of profits earned during the period.
 - D. A record of owner's equity changes.
- 5. Property and casualty insurance typically covers which of the following?**
 - A. Property damage or damage to property of others
 - B. Employee health claims
 - C. Legal defense for professional liability
 - D. Vehicle liability only

6. What does the Working Capital Ratio assess?

- A. Do you have enough short term assets to cover immediate liabilities
- B. Profitability over the fiscal year
- C. Long-term solvency
- D. Inventory turnover rate

7. What does a Cash Flow Ratio less than 1 indicate?

- A. You are in a liquidity concern; insufficient cash flow to cover liabilities
- B. High profitability
- C. Strong liquidity
- D. Excess cash

8. What does the planning and management phrase 'Plan, direct, evaluate and monitor' describe in budgeting?

- A. The budgeting process objective
- B. A tax strategy
- C. An investment policy
- D. A marketing plan

9. HIPPA Title II establishes national standards for electronic health care transactions, provider identifiers, confidential record keeping, and access to records. Which of the following best describes its scope?

- A. Confidential disclosure only to insurers
- B. Consumer privacy for non-health data
- C. National standards for electronic transactions and identifiers
- D. State-by-state variation in reporting

10. What is a Combined Loan-to-Value (CLTV) ratio and how does it differ from LTV?

- A. $CLTV = (\text{first lien} + \text{subordinate liens}) / \text{appraised value or purchase price}$; captures total leverage against collateral and higher CLTV increases risk.
- B. $CLTV = \text{loan amount} / \text{appraised value}$
- C. $CLTV = \text{debt service} / NOI$
- D. $CLTV = \text{total debt payments} / \text{gross income}$

Answers

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

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Explanations

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1. Which equation represents the Income Statement?

- A. Revenues - Expenses = Net Income
- B. Assets = Liabilities + Equity
- C. Cash Inflow - Cash Outflow = Cash Balance
- D. Gross Margin = Revenue - COGS

Profitability over a period is shown on the Income Statement by subtracting expenses from revenues to get net income. This is why the correct equation is revenues minus expenses equals net income, because it captures the bottom line after all operating activities are accounted for. If you subtract only the cost of goods sold from revenue you obtain gross profit, which is a part of the income statement but not the final net income. The balance sheet uses assets equal liabilities plus equity, which is a different financial statement. The idea of cash inflows minus cash outflows equalling ending cash describes the cash flow concept, not the overall income statement. And gross margin, defined as revenue minus COGS, is a component metric, not the full income statement equation.

2. Which term is defined as the paying off of a debt in regular installments over a period of time?

- A. Amortization
- B. Accrued interest payable
- C. Balance Sheet
- D. Current Ratio

Amortization is the process of paying off a debt through regular, scheduled payments over a set period. Each payment typically includes both interest and a portion of the principal, so over time the loan balance decreases until it's fully repaid. The pattern of payments is called an amortization schedule, which shows how much of each payment goes to interest versus principal and how the balance declines. The other terms don't describe this repayment process: accrued interest payable is a liability for interest that has accumulated but hasn't yet been paid; a balance sheet is a financial snapshot of assets, liabilities, and equity at a moment in time; the current ratio is a liquidity measure comparing current assets to current liabilities.

3. Net Worth is defined as which of the following formulas?

- A. Total Assets minus Total Liabilities
- B. Total Liabilities minus Total Assets
- C. Revenues minus Expenses
- D. Assets plus Liabilities

Net worth is the amount owners have left after all debts are paid. It's calculated by subtracting liabilities from assets, giving the ownership stake or residual value of the business or person. Assets are what you control and can use, while liabilities are what you owe to others; subtracting the two shows how much of those resources truly belong to the owners. If you subtract assets from liabilities, you'd get the opposite sign and not the true ownership value. Revenues minus expenses yields net income for a period, not net worth, and adding assets and liabilities mixes resources with obligations rather than measuring ownership. Therefore, the correct formula is assets minus liabilities.

4. Which financial statement is described as showing the flow of money in and out of the business?

- A. A financial statement that shows the flow of money in and out of the business.**
- B. A snapshot of assets and liabilities at a moment.
- C. A report of profits earned during the period.
- D. A record of owner's equity changes.

The cash flow statement is the one that shows money moving in and out of the business. It details cash receipts and cash payments over a period, organized into operating activities, investing activities, and financing activities. This highlights liquidity and how cash is actually being used, which isn't the same as reported profits or the value of assets on a given day. The balance sheet shows a snapshot of assets and liabilities at a moment, the income statement reports profits earned during the period, and the equity statement tracks changes in owner's equity.

5. Property and casualty insurance typically covers which of the following?

- A. Property damage or damage to property of others**
- B. Employee health claims
- C. Legal defense for professional liability
- D. Vehicle liability only

Property and casualty insurance is about protecting against losses from damage to property and from liability to others for property damage or injuries. This means it covers situations where property is damaged and you're responsible for that damage, or where someone else's property or person is damaged and you may owe damages. The option that fits this description is property damage or damage to property of others. Health claims belong to health or medical insurance, not P&C. Legal defense for professional liability is a more specialized form of liability coverage (often called professional liability or E&O) and isn't the broad category described by property and casualty. Vehicle liability is just one line within the broader P&C field, which also includes property and general liability among others.

6. What does the Working Capital Ratio assess?

- A. Do you have enough short term assets to cover immediate liabilities**
- B. Profitability over the fiscal year
- C. Long-term solvency
- D. Inventory turnover rate

The Working Capital Ratio is a liquidity indicator that shows whether a company has enough short-term assets to cover its short-term obligations. It's calculated by dividing current assets by current liabilities. If the ratio is above 1, there are more current assets than liabilities due soon, suggesting the company can meet its near-term obligations. If it's below 1, there may be liquidity concerns. This focuses on immediate financial health, not on profitability or long-term solvency, and it isn't about how quickly inventory turns over.

7. What does a Cash Flow Ratio less than 1 indicate?

- A. You are in a liquidity concern; insufficient cash flow to cover liabilities**
- B. High profitability
- C. Strong liquidity
- D. Excess cash

A cash flow ratio compares the cash generated from operations to current liabilities. When this ratio is less than 1, it means the company isn't producing enough operating cash to cover its short-term obligations as they come due. That signals a liquidity concern because the business may struggle to meet liabilities like accounts payable, short-term debt, and accrued expenses without raising additional cash or financing. This contrasts with profitability, which looks at earnings rather than cash availability, and with stronger liquidity indicators that would show more cash cushion. A ratio under 1 doesn't automatically spell disaster, but it does indicate potential liquidity risk and the need to improve cash generation or secure financing to cover near-term obligations.

8. What does the planning and management phrase 'Plan, direct, evaluate and monitor' describe in budgeting?

- A. The budgeting process objective**
- B. A tax strategy
- C. An investment policy
- D. A marketing plan

The phrase describes the budgeting process objective. It outlines the cycle by which an organization plans its finances, carries out the plan, evaluates performance, and monitors progress to stay on track. In practice, planning sets goals and allocates resources; directing puts the budget into action through approved spending and operations; evaluating compares actual results to the budget to spot variances; and monitoring continuously tracks performance to trigger timely adjustments. This approach is distinct from a tax strategy, an investment policy, or a marketing plan, which serve different purposes.

9. HIPAA Title II establishes national standards for electronic health care transactions, provider identifiers, confidential record keeping, and access to records. Which of the following best describes its scope?

- A. Confidential disclosure only to insurers
- B. Consumer privacy for non-health data
- C. National standards for electronic transactions and identifiers**
- D. State-by-state variation in reporting

HIPAA Title II focuses on creating nationwide, uniform rules for handling health information in electronic form. It establishes national standards for electronic health care transactions, standard code sets, and national provider identifiers, along with privacy and security protections and rights to access records. That is why this option best describes its scope: it emphasizes national standards for electronic transactions and identifiers across the health system. The other alternatives don't fit because HIPAA's scope is broader than disclosures to insurers, it concerns health data specifically (not non-health data privacy), and it provides nationwide rather than state-by-state variation in requirements.

10. What is a Combined Loan-to-Value (CLTV) ratio and how does it differ from LTV?

A. CLTV = (first lien + subordinate liens) / appraised value or purchase price; captures total leverage against collateral and higher CLTV increases risk.

B. CLTV = loan amount / appraised value

C. CLTV = debt service / NOI

D. CLTV = total debt payments / gross income

The idea being tested is how combined loan-to-value captures total leverage against the property when there are multiple mortgages. CLTV equals the sum of all secured loan balances (the first lien plus any subordinate liens) divided by the appraised value or purchase price used for underwriting. This shows how much of the property's value is encumbered by debt in total, so a higher CLTV means more leverage and typically higher risk for the lender. For example, if a property is worth 500,000, the first mortgage is 300,000 and a second mortgage is 100,000, the CLTV is 400,000 divided by 500,000, or 80%. The LTV, which uses only the first loan, would be 300,000 divided by 500,000, or 60%. This illustrates how including the second lien increases the perceived leverage. The other options don't fit because: one option uses only the first loan amount divided by value, which is LTV, not CLTV; another uses debt service to net operating income, which is the debt service coverage ratio; and the last uses total debt payments to gross income, which is a debt-to-income measure.

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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