

NOCTI Accounting Foundations Practice Test (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 describes the decrease in equity from activity other than selling goods/services (e.g., selling a plant asset)?**
 - A. Loss**
 - B. Revenue**
 - C. Gain**
 - D. Drawing**

- 2. What is a post-closing trial balance?**
 - A. A trial balance prepared before the closing entries are posted**
 - B. A trial balance prepared after the closing entries are posted**
 - C. A balance of permanent accounts**
 - D. A balance of all accounts**

- 3. What does accumulated depreciation indicate about an asset?**
 - A. Total depreciation charged to date**
 - B. Current replacement cost**
 - C. Future salvage value**
 - D. Market value today**

- 4. Net loss occurs when**
 - A. total expenses exceed total revenue**
 - B. total revenue exceeds total expenses**
 - C. revenues are zero**
 - D. expenses equal revenues**

- 5. Which term refers to a 12-month fiscal period?**
 - A. Fiscal year**
 - B. Fiscal period**
 - C. Calendar year**
 - D. Banking year**

- 6. Which process uses journal entries to prepare temporary accounts for a new fiscal period?**
- A. Trial Balance**
 - B. Worksheet**
 - C. Post-closing trial balance**
 - D. Closing entries**
- 7. What is the purpose of a Trial Balance?**
- A. Trial Balance**
 - B. Worksheet**
 - C. Closing entries**
 - D. Post-closing trial balance**
- 8. Which inventory method involves counting items at intervals rather than updating continuously?**
- A. Perpetual inventory**
 - B. Physical inventory**
 - C. Periodic inventory**
 - D. Just-in-time inventory**
- 9. CPA stands for.**
- A. Certified Public Accountant**
 - B. Chartered Professional Accountant**
 - C. Certified Public Administrator**
 - D. Certified Personal Accountant**
- 10. Wages that the company owes to employees but has not paid yet are referred to as**
- A. Wages expense**
 - B. Wages payable**
 - C. Cash wages**
 - D. Accrued wages**

Answers

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

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Explanations

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1. Which term describes the decrease in equity from activity other than selling goods/services (e.g., selling a plant asset)?

- A. Loss**
- B. Revenue**
- C. Gain**
- D. Drawing**

A decrease in equity from activity other than selling goods or services is described as a loss. In accounting, revenues and gains increase equity, while expenses and losses reduce it. When you dispose of a plant asset and end up selling it for less than its book value, the resulting loss reduces retained earnings and thus decreases equity. Drawings also lower equity, but they are owner withdrawals, not a business transaction affecting the income statement, whereas the example given points to a loss from an asset disposal.

2. What is a post-closing trial balance?

- A. A trial balance prepared before the closing entries are posted**
- B. A trial balance prepared after the closing entries are posted**
- C. A balance of permanent accounts**
- D. A balance of all accounts**

A post-closing trial balance is prepared after closing entries have been posted to confirm the ledger is in balance for the next period and to show that only permanent accounts remain open. After closing, revenue, expense, and withdrawal (or drawing) accounts are transferred to the owner's equity and their balances are zeroed, so they do not appear on the post-closing trial balance. What's left are the permanent accounts—assets, liabilities, and equity—with their ending balances. This helps verify that debits equal credits and that the books are ready for the new accounting period. If the totals don't match, it signals an error that needs investigation. The post-closing balance is not prepared before closing (that would be an unadjusted or adjusted trial balance) and it does not include all accounts—only permanent ones.

3. What does accumulated depreciation indicate about an asset?

- A. Total depreciation charged to date**
- B. Current replacement cost**
- C. Future salvage value**
- D. Market value today**

Accumulated depreciation shows the total depreciation expense that has been recorded against an asset since it started being used. It's a contra-asset account, so it reduces the asset's carrying value on the balance sheet. The book value of the asset equals its original cost minus accumulated depreciation. For example, if an asset cost 50,000 and has 12,000 accumulated depreciation, its carrying amount is 38,000. This figure is not the amount you'd get if you sold the asset today (market value), nor the cost to replace it today (current replacement cost), nor the amount you expect to salvage at the end of its life (future salvage value).

4. Net loss occurs when

- A. total expenses exceed total revenue**
- B. total revenue exceeds total expenses**
- C. revenues are zero**
- D. expenses equal revenues**

Net loss happens when the business spends more than it earns. In other words, the bottom line is negative because total expenses exceed total revenue. When you subtract expenses from revenue and get a negative number, that negative result is a net loss. For example, if revenue is 50,000 and expenses are 60,000, the net result is -10,000, a net loss. If revenues exceed expenses, there is net income (a profit); if they're equal, it's break-even with no profit or loss. The core idea is comparing what the company brings in to what it spends; a larger expenditure than revenue produces a loss.

5. Which term refers to a 12-month fiscal period?

- A. Fiscal year**
- B. Fiscal period**
- C. Calendar year**
- D. Banking year**

A fiscal year is a 12-month accounting period a business uses for its annual financial reporting and budgeting. It doesn't have to start in January; a company can choose any 12-month span, such as July 1 to June 30. This differs from a calendar year, which runs January 1 to December 31 and is tied to the calendar. A fiscal period can be any length used in accounting (monthly, quarterly, or yearly), so it isn't necessarily 12 months. A banking year isn't a standard designation for a 12-month reporting period. So the term that specifically refers to a 12-month fiscal period is a fiscal year.

6. Which process uses journal entries to prepare temporary accounts for a new fiscal period?

- A. Trial Balance**
- B. Worksheet**
- C. Post-closing trial balance**
- D. Closing entries**

Closing entries are the step that resets temporary accounts for a new period. Revenue, expense, and drawing (or dividend) accounts are used to capture activity for one fiscal period and should start at zero in the next period. By recording journal entries that transfer these balances into permanent accounts (typically Retained Earnings), you clear the temporary accounts and reflect the period's net result in the equity account. Once this process is done, the accounts ready for the new period are the permanent ones, with temporary accounts reset to zero. Other options serve different purposes: a trial balance checks that debits equal credits at a point in time, a worksheet helps with adjusting entries and planning financial statements, and a post-closing trial balance appears after closings to ensure only permanent accounts carry balances.

7. What is the purpose of a Trial Balance?

- A. Trial Balance**
- B. Worksheet**
- C. Closing entries**
- D. Post-closing trial balance**

A Trial Balance serves as a checkpoint in the accounting cycle. It lists every ledger account with its ending debit or credit balance at a specific date, so you can see whether the total debits equal the total credits. This balance check helps catch arithmetic errors, mispostings, or omissions before the financial statements are prepared. It also provides a clear, organized summary of all balances to use in assembling the income statement, the balance sheet, and the other reports for the period. It isn't the same as a worksheet, which is an extra tool used to organize data for adjustments and statements; nor is it the act of making closing entries, which transfer temporary balances to permanent equity and retained earnings; and it isn't the report produced after closing (the post-closing trial balance) which confirms the ledger balances after closing for the new period. The purpose of the trial balance is to verify that debits and credits balance and to provide a snapshot of all account balances for the next steps in reporting.

8. Which inventory method involves counting items at intervals rather than updating continuously?

- A. Perpetual inventory**
- B. Physical inventory**
- C. Periodic inventory**
- D. Just-in-time inventory**

The main idea here is how inventory records are updated over time. A perpetual inventory system updates the records every time a purchase or sale occurs, giving a real-time view of how many items are actually on hand. In contrast, a periodic inventory system doesn't update the records with each transaction. Instead, it relies on a counting process at the end of a set period—the physical count—to determine how many items remain and to adjust the records accordingly. This periodic counting, often done monthly or quarterly, is exactly what the question describes. It's how you verify and determine ending inventory and cost of goods sold without continuously updating the inventory balance. Just-in-time focuses on minimizing inventory and coordinating deliveries, not on how often inventory is counted.

9. CPA stands for.

- A. Certified Public Accountant
- B. Chartered Professional Accountant
- C. Certified Public Administrator**
- D. Certified Personal Accountant

The main idea is the common professional title used for licensed accountants. CPA is most widely understood to stand for Certified Public Accountant, a credential earned by meeting education requirements, passing the CPA exam, and completing the required experience and ethics obligations. This designation signals that the person is authorized to provide core accounting services to the public, such as audits, financial reporting, and tax work, under state or provincial licensing rules. The other options describe roles or titles outside the standard accounting credential. Certified Public Administrator refers to a role tied to public administration rather than accounting licensure. Certified Personal Accountant isn't a recognized professional designation in the accounting field. Chartered Professional Accountant exists in some regions as a similar title, but the familiar expansion associated with CPA in most contexts is Certified Public Accountant.

10. Wages that the company owes to employees but has not paid yet are referred to as

- A. Wages expense
- B. Wages payable**
- C. Cash wages
- D. Accrued wages

Unpaid wages are a liability the company owes to employees. When wages are earned but not yet paid, the company records a liability called wages payable. This is why this term is the best fit: it specifically represents the amount the company currently owes. Wages expense, by contrast, records the cost of labor for the period, regardless of whether payment has occurred. Cash wages would refer to actual cash paid, not the outstanding amount. Accrued wages can describe the same idea in some contexts, but the standard ledger label used is wages payable.

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://noctiaccountingfoundations.examzify.com>

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

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