

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 a columnar accounting form used to summarize the general ledger information needed to prepare the financial statements?**
 - A. Worksheet**
 - B. Trial Balance**
 - C. Financial Accounting**
 - D. Managerial Accounting**

- 2. Where is accumulated depreciation reported on financial statements?**
 - A. On the income statement as an operating expense**
 - B. On the balance sheet as a deduction from asset cost**
 - C. On the statement of cash flows**
 - D. As a separate line item under equity**

- 3. The Chief Marketing Officer is responsible for what?**
 - A. Daily operations**
 - B. Finance strategies**
 - C. Human resources**
 - D. Marketing and corporate brand**

- 4. Which best characterizes accumulated depreciation?**
 - A. It represents market value today**
 - B. It represents cash paid**
 - C. Cumulative depreciation charged against an asset over time**
 - D. Future depreciation expense**

- 5. Can accumulated depreciation ever have a debit balance?**
 - A. Yes**
 - B. Only for certain assets**
 - C. No**
 - D. Depends on depreciation policy**

- 6. A fiscal period is**
- A. the time it takes to complete a fiscal year**
 - B. the period between paying quarterly taxes**
 - C. the length of time for which a business summarizes and reports financial information**
 - D. the time from when a company started until it closes**
- 7. When labeling accounts, the 300s are used for which type of accounts?**
- A. Asset accounts**
 - B. Liability accounts**
 - C. OE accounts**
 - D. Revenue accounts**
- 8. The debt-to-equity ratio is a measure of a company's financial leverage.**
- A. Liquidity**
 - B. Profitability**
 - C. Financial leverage**
 - D. Market valuation**
- 9. Which accounting term describes the allocation of the cost of tangible assets over their useful lives?**
- A. Amortization**
 - B. Depletion**
 - C. Depreciation**
 - D. Accrual**
- 10. Plant assets are:**
- A. Not used in the operation of the business**
 - B. Assets used in the operation of a business, such as equipment, buildings, and land**
 - C. Intangible assets only**
 - D. Assets that are currently held for sale**

Answers

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

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Explanations

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1. Which term describes a columnar accounting form used to summarize the general ledger information needed to prepare the financial statements?

- A. Worksheet**
- B. Trial Balance**
- C. Financial Accounting**
- D. Managerial Accounting**

A worksheet is a multi-column sheet used to organize general ledger data for preparing financial statements. It pulls ledger balances into a trial balance column, records any adjusting entries, and then shows the adjusted trial balance alongside separate sections for income statements and balance sheets. This setup helps ensure figures are accurate after adjustments and directly guides the creation of the formal financial statements. The trial balance is simply a ledger balance list used to verify that debits equal credits, not a full multi-column tool for statement prep. Financial accounting and managerial accounting are areas of study, not this type of working document.

2. Where is accumulated depreciation reported on financial statements?

- A. On the income statement as an operating expense**
- B. On the balance sheet as a deduction from asset cost**
- C. On the statement of cash flows**
- D. As a separate line item under equity**

Accumulated depreciation is a contra-asset account that reduces the asset's carrying amount on the balance sheet. It sits with property, plant, and equipment and lowers the net book value of those assets, which is shown as cost minus accumulated depreciation (for example, asset cost minus accumulated depreciation equals net book value). Depreciation expense, the amount recognized on the income statement each period, reflects the annual allocation of an asset's cost, but accumulated depreciation itself accumulates over time on the balance sheet. It's not reported on the income statement as a separate line, it's not shown on the cash flow statement as a standalone item, and it isn't a component of equity.

3. The Chief Marketing Officer is responsible for what?

- A. Daily operations**
- B. Finance strategies**
- C. Human resources**
- D. Marketing and corporate brand**

Understanding the role of the Chief Marketing Officer means focusing on marketing activities and the corporate brand. This leader directs how the company promotes its products and services, develops marketing strategy, coordinates advertising and campaigns, conducts market research, and ensures a consistent brand image across all channels. The CMO also guides messaging to customers and stakeholders and often collaborates with product, sales, and finance to align go-to-market efforts. Daily operations are typically handled by operations leadership, finance strategies by the financial leader, and human resources by the HR leader. Those areas are outside the primary scope of marketing leadership, which is why the option describing marketing and corporate brand best fits the CMO's responsibilities.

4. Which best characterizes accumulated depreciation?

- A. It represents market value today
- B. It represents cash paid
- C. Cumulative depreciation charged against an asset over time**
- D. Future depreciation expense

Accumulated depreciation is the total amount of depreciation expense that has been charged against an asset since it was placed in service. It sits on the balance sheet as a contra-asset, meaning it reduces the asset's book value over time. This is different from market value (which reflects current selling price) and from cash paid (depreciation is a noncash expense that spreads the cost over the asset's useful life). It's also not future depreciation expense, which will be recorded in upcoming periods. By accumulating depreciation, the company shows how much of the asset's cost has already been allocated to expense. For example, if a machine purchased for \$50,000 is depreciated \$10,000 each year, after three years accumulated depreciation is \$30,000 and the net book value is \$20,000.

5. Can accumulated depreciation ever have a debit balance?

- A. Yes
- B. Only for certain assets
- C. No**
- D. Depends on depreciation policy

Accumulated depreciation is a contra-asset account used to record how much of an asset's cost has been allocated to depreciation. Its normal balance is a credit because it offsets the asset and lowers its carrying value. Depreciation increases this account (credit) each period, while disposing of an asset debits the accumulated depreciation to remove it from the books. Because it's built to hold credits that reduce asset value, it should not carry a persistent debit balance—if a debit balance ever appears, it indicates an error that would need correcting.

6. A fiscal period is

- A. the time it takes to complete a fiscal year
- B. the period between paying quarterly taxes
- C. the length of time for which a business summarizes and reports financial information**
- D. the time from when a company started until it closes

A fiscal period is the span of time used to collect, summarize, and report a business's financial information. It can be a month, a quarter, or a year, depending on the company's reporting cycle. This definition fits best because the purpose of a fiscal period is precisely to define the window over which revenues and expenses are measured and financial statements are prepared. The other ideas don't capture that purpose. It's not simply the time it takes to complete a fiscal year, since a fiscal year is a chosen interval that might differ from the calendar year, and the period is about reporting, not about finishing something. It isn't the gap between paying quarterly taxes, which is a tax timing schedule rather than the reporting window. It also isn't the entire life of the company from start to finish, which would describe the business's lifespan rather than the interval used for financial reporting.

7. When labeling accounts, the 300s are used for which type of accounts?

- A. Asset accounts**
- B. Liability accounts**
- C. OE accounts**
- D. Revenue accounts**

Numbers in a chart of accounts are grouped by type, with the hundreds digit signaling the broad category. In this scheme, the 300s are designated for Owner's Equity accounts—the owner's claim on the business after debts are paid. This includes accounts like Owner's Capital and Owner's Drawings, which track how the owner's stake changes with contributions, withdrawals, and retained earnings. Since equity appears on the balance sheet alongside assets and liabilities, using the 300s for OE keeps the financial statements organized and easy to read. Other account types fit different ranges (assets and liabilities in other hundreds, revenues and expenses in their own ranges), so the 300s specifically point to Owner's Equity.

8. The debt-to-equity ratio is a measure of a company's financial leverage.

- A. Liquidity**
- B. Profitability**
- C. Financial leverage**
- D. Market valuation**

Debt-to-equity ratio measures how a company finances its assets with debt relative to owners' equity, which is financial leverage. It shows how heavily a business relies on borrowed funds to fund its operations. A higher ratio means more leverage, which can boost returns for shareholders but also increases financial risk if earnings falter. Liquidity assesses short-term ability to meet obligations, not how the company funds its assets. Profitability looks at earnings efficiency, not the funding mix. Market valuation reflects stock price and investor sentiment, not capital structure. So this metric is best understood as a measure of financial leverage.

9. Which accounting term describes the allocation of the cost of tangible assets over their useful lives?

- A. Amortization**
- B. Depletion**
- C. Depreciation**
- D. Accrual**

Depreciation is the process of allocating the cost of a tangible asset over the periods it helps generate Revenue. This means spreading the expense across the asset's useful life rather than taking all of it in the year of purchase, which matches the expense with the benefits received. As depreciation is recorded, the asset's book value decreases through accumulated depreciation. If there's a salvage value, the depreciable base is cost minus salvage. Amortization is for intangible assets like patents or goodwill, not physical items. Depletion applies to natural resources as they are consumed. Accrual is a general accounting principle about when revenues and expenses are recognized, not a method for spreading the cost of a tangible asset over time. For example, a \$100,000 machine with a 10-year life would show depreciation expense each year, gradually reducing the asset's carrying value.

10. Plant assets are:

- A. Not used in the operation of the business**
- B. Assets used in the operation of a business, such as equipment, buildings, and land**
- C. Intangible assets only**
- D. Assets that are currently held for sale**

Plant assets are long-term, tangible resources that a business uses in its operations to produce goods or provide services. They include items like equipment, buildings, and land. These assets are not intended for sale in the ordinary course of business, and they are not intangible assets such as patents or trademarks. Because they're used over many periods, their cost is allocated to expense over time through depreciation (except for land, which does not depreciate). This is why describing plant assets as assets used in the operation of a business, such as equipment, buildings, and land, is the best fit. The other options describe assets that aren't part of plant assets: not used in operations, intangible assets, or assets held for sale.

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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