

NOCTI ACCOUNTING FOUNDATIONS PRACTICE TEST (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://noctiaccountingfoundations.examzify.com>



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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	15

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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 statement shows revenues and expenses for a period, resulting in net income?**
 - A. A balance of accounts at end.
 - B. A summary of net worth.
 - C. A financial statement showing revenues and expenses for a period, resulting net income.
 - D. A cash inflows/outflows ledger.
- 2. Which statement describes the consistent reporting concept?**
 - A. Assets are recognized only when cash is received.
 - B. Transactions are recorded in a different manner each period.
 - C. The same accounting procedures are followed in the same way in each accounting period.
 - D. Financial statements are prepared only at year-end.
- 3. When labeling accounts, the 200s are used for which type of accounts?**
 - A. Asset accounts
 - B. Liability accounts
 - C. OE accounts
 - D. Revenue accounts
- 4. In a proprietorship, closing entries are prepared in which order?**
 - A. Revenue, Expenses, Income Summary, Drawing
 - B. Revenue, Income Summary, Expenses, Drawing
 - C. Drawing, Revenue, Expenses, Income Summary
 - D. Expenses, Revenue, Income Summary, Drawing
- 5. What is the journal entry for a purchase on credit?**
 - A. Debit Cash; Credit Inventory.
 - B. Debit Inventory (or Purchases); Credit Accounts Payable.
 - C. Debit Sales Revenue; Credit Accounts Receivable.
 - D. Debit Accounts Payable; Credit Cash.

- 6. Which inventory cost flow method uses the average cost per unit to compute cost of goods sold?**
- A. FIFO
 - B. LIFO
 - C. Weighted Average
 - D. Specific Identification
- 7. 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
- 8. Current assets include**
- A. Cash, accounts receivable, inventory, supplies, prepaid expenses
 - B. Land and buildings
 - C. Long-term investments
 - D. Intangible assets
- 9. CPA stands for.**
- A. Certified Public Accountant
 - B. Chartered Professional Accountant
 - C. Certified Public Administrator
 - D. Certified Personal Accountant
- 10. Which document organizes the general ledger data before preparing financial statements?**
- A. Trial Balance
 - B. Worksheet
 - C. Financial Ratios
 - D. Closing entries

Answers

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

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Explanations

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1. Which statement shows revenues and expenses for a period, resulting in net income?

- A. A balance of accounts at end.
- B. A summary of net worth.
- C. A financial statement showing revenues and expenses for a period, resulting net income.**
- D. A cash inflows/outflows ledger.

Revenues and expenses over a specific period are summarized in the income statement. This report lists all the revenues earned and expenses incurred during the period and subtracts expenses from revenues to produce net income (or a net loss). It shows how well the business performed over that span, not just a snapshot at one moment in time. This differs from a balance sheet, which shows assets, liabilities, and owners' equity at a single date; a summary of net worth, which reflects changes in equity rather than operating results over a period; and a cash inflows/outflows ledger, which tracks actual cash movements and is the cash flow statement. The statement that directly shows revenues, expenses, and the resulting net income is the income statement.

2. Which statement describes the consistent reporting concept?

- A. Assets are recognized only when cash is received.
- B. Transactions are recorded in a different manner each period.
- C. The same accounting procedures are followed in the same way in each accounting period.**
- D. Financial statements are prepared only at year-end.

Consistency means you apply the same accounting methods from period to period so financial results remain comparable over time. The statement that best describes this is that the same accounting procedures are followed in the same way in each accounting period. For example, if you use straight-line depreciation, you keep using that method in all periods unless you disclose and justify a change with proper adjustments. The other statements describe cash-basis timing, changing the way transactions are recorded from period to period, or reporting only at year-end, none of which convey the idea of maintaining the same methods across periods.

3. When labeling accounts, the 200s are used for which type of accounts?

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

Numbers used in a chart of accounts are grouped by type, and the 200s are designated for liability accounts. This setup helps you recognize the nature of each account at a glance and keeps posting organized. Liability accounts represent what the company owes to others, such as Accounts Payable, Notes Payable, and Accrued Liabilities. In this system, increases to liability accounts are recorded as credits and decreases as debits, which aligns with their typical behavior in financial records. So, the 200s are used for things the business owes—liabilities.

4. In a proprietorship, closing entries are prepared in which order?

- A. Revenue, Expenses, Income Summary, Drawing
- B. Revenue, Income Summary, Expenses, Drawing
- C. Drawing, Revenue, Expenses, Income Summary
- D. Expenses, Revenue, Income Summary, Drawing

Closing a proprietorship's books involves zeroing out temporary accounts and updating the owner's equity. First, close the revenue accounts by transferring their balances to Income Summary (debit Revenue, credit Income Summary). This aggregates all the period's income in one place. Next, close the expense accounts by transferring their balances to Income Summary (debit Income Summary, credit Expenses). Now Income Summary reflects the net result of revenues minus expenses. Then, close Income Summary to the Owner's Capital account to move the net income (if there is one) into owner's equity (debit Income Summary, credit Owner's Capital). Finally, close the Drawing account to Owner's Capital (debit Owner's Capital, credit Drawing) to reflect the owner's withdrawals reducing equity. This sequence ensures temporary accounts are reset to zero for the next period and net income increases or decreases the owner's capital appropriately, with drawings treated as a separate adjustment to equity. The described order—Revenue, Expenses, Income Summary, Drawing—matches the standard closing process.

5. What is the journal entry for a purchase on credit?

- A. Debit Cash; Credit Inventory.
- B. Debit Inventory (or Purchases); Credit Accounts Payable.
- C. Debit Sales Revenue; Credit Accounts Receivable.
- D. Debit Accounts Payable; Credit Cash.

When you purchase on credit, you're gaining an asset (inventory) and creating a liability (amount you owe). So you increase the asset with a debit and recognize the obligation with a credit. The typical entry is to debit Inventory (or Purchases under a periodic system) and credit Accounts Payable. Cash isn't involved at this point because no money is paid yet. The other options describe paying cash, recognizing revenue, or paying off a liability, none of which reflect recording a purchase on credit.

6. Which inventory cost flow method uses the average cost per unit to compute cost of goods sold?

- A. FIFO
- B. LIFO
- C. Weighted Average
- D. Specific Identification

When you account for inventory, the cost flow method determines how the cost of goods sold is calculated from the costs available for sale. The weighted average method uses the average cost per unit across all units available for sale to compute COGS. You first find the average cost per unit by dividing the cost of goods available for sale (beginning inventory plus purchases) by the total units available. Then multiply that average by the number of units sold to get COGS, and multiply by the units remaining to get ending inventory. This approach smooths out price fluctuations because every unit carries the same average cost. The other methods assign costs differently—FIFO uses the oldest costs for COGS, LIFO uses the newest, and specific identification assigns the exact cost to each unit—so they do not rely on an average cost per unit.

7. 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.

8. Current assets include

- A. Cash, accounts receivable, inventory, supplies, prepaid expenses**
- B. Land and buildings
- C. Long-term investments
- D. Intangible assets

Current assets are resources a business expects to convert into cash or use up within one year or the operating cycle. They are the most liquid items the company relies on to run day-to-day operations. Cash, accounts receivable, inventory, supplies, and prepaid expenses fit this category because they will either be used or converted to cash in the near term. In contrast, land and buildings are long-term assets used over many years and aren't typically converted to cash quickly. Long-term investments and intangible assets also fall into noncurrent assets, as their value isn't tied to the near-term cash needs of the business.

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. Which document organizes the general ledger data before preparing financial statements?

- A. Trial Balance
- B. Worksheet**
- C. Financial Ratios
- D. Closing entries

A worksheet is used to organize the general ledger data before preparing financial statements. It collects the unadjusted trial balance, adjustments, and the adjusted totals in a clear, multi-column format, showing how each adjustment affects the income statement and the balance sheet. This helps ensure that debits equal credits after adjustments and provides a ready reference to produce accurate financial statements. The trial balance is a check of arithmetic in the ledger but isn't the working document used to assemble statements. Financial ratios are used for analysis after statements are prepared, and closing entries are the end-of-period steps that transfer temporary accounts to permanent ones, not tools for organizing ledger data prior to statements.

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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://noctiaccountingfoundations.examzify.com>

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

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