

QCAA ACCOUNTING EXTERNAL PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://qcaaaccountingexternal.examzify.com>



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

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

SAMPLE

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

SAMPLE

1. What is the purpose of bank reconciliation and its typical adjustments?

- A. To ensure the company's cash records match the bank statement; adjustments include outstanding checks, deposits in transit, bank charges, and recording errors.
- B. To forecast future cash flows.
- C. To adjust tax payable.
- D. To determine financing needs.

2. Interpret a current ratio of 1.5:1. What does this indicate about liquidity?

- A. The company has current assets 1.5 times current liabilities, indicating acceptable short-term liquidity, though interpretation depends on industry norms
- B. Current assets exceed current liabilities by 1.5 times
- C. Current liabilities are 1.5 times current assets
- D. The ratio indicates perfect liquidity

3. Which item is listed as a factor that complicates comparisons of financial statements?

- A. Inflation is fully adjusted
- B. Acquisitions and disposals
- C. Changes in accounting practices
- D. Different values

4. Net Profit Margin is calculated as $\text{Net Profit} \div \text{Net Sales} \times 100$. What does a higher percentage indicate?

- A. Higher the percentage, the better the company's profitability.
- B. It measures liquidity strength.
- C. It indicates the efficiency of asset management.
- D. It signals the level of debt financing.

5. Which definition best describes the recoverable amount used in impairment testing?

- A. The higher of fair value less costs to dispose and value in use.
- B. The lower of fair value and net realizable value.
- C. The carrying amount.
- D. The historical cost.

- 6. The rate of return on total assets indicates which of the following?**
- A. It measures liquidity of the business.
 - B. It shows profitability relative to the assets the business owns.
 - C. It indicates the amount of financing from debt.
 - D. It compares revenue to operating costs.
- 7. The purpose of Balance Day Adjustments aligns with which accounting concept?**
- A. To adjust for inflation.
 - B. To match revenues earned with expenses incurred.
 - C. To forecast cash flows.
 - D. To maximize profits for tax planning.
- 8. What is the correct formula for the Price to Earnings (P/E) ratio?**
- A. Earnings Per Share $\div$ Market Price Per Share
 - B. Market Price Per Share $\div$ Earnings Per Share
 - C. Net income $\div$ Number of shares
 - D. Dividends per share $\div$ Market price per share
- 9. Which statement best describes the Accounting Period concept?**
- A. Accounting period concept
 - B. Revenue recognition
 - C. Going concern
 - D. Prudence
- 10. Which option is NOT a section of the Statement of Cash Flows?**
- A. Net Income
 - B. Operating
 - C. Investing
 - D. Financing

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is the purpose of bank reconciliation and its typical adjustments?

- A. To ensure the company's cash records match the bank statement; adjustments include outstanding checks, deposits in transit, bank charges, and recording errors.
- B. To forecast future cash flows.
- C. To adjust tax payable.
- D. To determine financing needs.

The main idea is to make sure the cash balance in the company's records matches what the bank shows, by identifying and adjusting for timing differences and any errors. Deposits in transit and outstanding checks are timing differences: money the company has recorded as received or paid, but the bank hasn't processed yet, so the bank statement and the books don't align until those items clear. Bank charges and other items the bank has processed that the company hasn't yet recorded (or any recording errors) require adjustments to the company's records so the book balance reflects the true cash position. By working through these adjustments, you arrive at a reconciled cash figure that matches the bank's statement and you can correct any misstatements in the books.

2. Interpret a current ratio of 1.5:1. What does this indicate about liquidity?

- A. The company has current assets 1.5 times current liabilities, indicating acceptable short-term liquidity, though interpretation depends on industry norms
- B. Current assets exceed current liabilities by 1.5 times
- C. Current liabilities are 1.5 times current assets
- D. The ratio indicates perfect liquidity

Current ratio shows how well a company can cover its short-term obligations using its short-term assets. A ratio of 1.5:1 means there are 1.5 units of current assets for every 1 unit of current liabilities, giving a cushion of 0.5 over what is due soon. This indicates the company should be able to meet its short-term debts, so liquidity is generally acceptable. However, whether that is truly adequate depends on industry norms and the company's specific operating cycle. Some sectors need larger buffers due to seasonality or slower receivables and inventory turns, while others can operate with lower margins. It's also important to remember that the current ratio doesn't capture timing of cash flows or the quality of current assets—high inventory or slow collections can mask tighter liquidity. So, current assets being 1.5 times current liabilities points to acceptable short-term liquidity, tempered by industry context.

3. Which item is listed as a factor that complicates comparisons of financial statements?

- A. Inflation is fully adjusted
- B. Acquisitions and disposals
- C. Changes in accounting practices**
- D. Different values

When you compare financial statements over time, you rely on a consistent way of measuring and recognizing items. If a company changes its accounting practices, the way it records assets, depreciation, revenue, or expenses shifts from one period to the next. That means the numbers in the current period aren't directly comparable to prior periods because the measurement basis changed, not just the underlying economics. Standards require disclosure of such changes and often restatement of earlier years to keep comparisons meaningful. That practical effect—policy changes altering reported figures—directly makes comparisons across periods difficult, which is why this factor is the one that best fits the question. Inflation adjustments can be used to improve comparability, and acquisitions or disposals affect the entity's scope, but the act of changing accounting practices is the clearest source of non-comparability.

4. Net Profit Margin is calculated as $\text{Net Profit} \div \text{Net Sales} \times 100$. What does a higher percentage indicate?

- A. Higher the percentage, the better the company's profitability.**
- B. It measures liquidity strength.
- C. It indicates the efficiency of asset management.
- D. It signals the level of debt financing.

Net profit margin shows how much profit remains from each dollar of sales after all expenses. A higher percentage means the company retains more profit per sale, indicating stronger overall profitability and more effective control of costs or pricing. It's not a measure of liquidity (ability to meet short term obligations), asset management efficiency (how well assets generate sales), or the level of debt financing (leverage).

5. Which definition best describes the recoverable amount used in impairment testing?

- A. The higher of fair value less costs to dispose and value in use.**
- B. The lower of fair value and net realizable value.
- C. The carrying amount.
- D. The historical cost.

In impairment testing, you're estimating how much of the asset's value can actually be recovered, either by using the asset or by selling it. The recoverable amount is defined as the higher of two amounts: value in use and fair value less costs of disposal. Value in use is the present value of the expected future cash flows from continuing to use the asset in the business, while fair value less costs of disposal is the amount you would obtain from selling the asset in an orderly transaction, net of the costs to dispose of it. You take whichever of these two provides the greater value, and compare it with the asset's carrying amount. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised for the excess. This concept is not about historical cost or the asset's current carrying amount alone, and it is not the lower of fair value and net realizable value (which relates to other contexts like inventories).

6. The rate of return on total assets indicates which of the following?

- A. It measures liquidity of the business.
- B. It shows profitability relative to the assets the business owns.**
- C. It indicates the amount of financing from debt.
- D. It compares revenue to operating costs.

The rate of return on total assets shows how effectively a business uses its assets to generate profit. It tells you, for every dollar of assets invested, how much profit the company earns over the period. This is typically expressed as net income after tax divided by average total assets, which helps smooth out fluctuations as assets change during the year. A higher return means assets are being used more efficiently to produce earnings, reflecting both how well the business turns assets into sales and how well those sales translate into profit. It's about the efficiency of asset use, not about how much cash or near-cash the company has (liquidity), not about how much debt funds the assets (financing structure), and not a direct comparison of revenue to operating costs (that would be viewed through margins or profitability ratios that focus on costs and revenues). In short, this measure assesses profitability relative to the assets owned, showing how productive the asset base is at generating profits.

7. The purpose of Balance Day Adjustments aligns with which accounting concept?

- A. To adjust for inflation.
- B. To match revenues earned with expenses incurred.**
- C. To forecast cash flows.
- D. To maximize profits for tax planning.

Balance Day Adjustments rely on the accrual-based approach to accounting, which requires recognizing revenues when they are earned and expenses when they are incurred, regardless of when cash is received or paid. This means BDAs adjust the accounts so that the revenues recorded in a period truly relate to that period and the expenses that helped generate those revenues are also recorded in the same period. In practice, these adjustments handle items like accrued revenues, accrued expenses, prepayments, and depreciation, all aimed at matching the earnings with the costs incurred to generate them. That alignment—ensuring revenues earned are paired with the expenses incurred in the same period—best captures the business's true profitability for that time frame. Other options don't fit because inflation adjustments, cash flow forecasting, or tax planning goals aren't the purpose of Balance Day Adjustments.

8. What is the correct formula for the Price to Earnings (P/E) ratio?

- A. Earnings Per Share ÷ Market Price Per Share
- B. Market Price Per Share ÷ Earnings Per Share**
- C. Net income ÷ Number of shares
- D. Dividends per share ÷ Market price per share

The P/E ratio shows how much investors are willing to pay for each dollar of a company's earnings. It is calculated by dividing the market price per share by the earnings per share. For example, if a stock trades at \$100 and its earnings per share are \$5, the P/E ratio is 20, meaning investors are paying 20 dollars for every dollar of earnings. This formula is the correct one because it directly relates the price investors are willing to pay to the actual earnings produced by the company. The alternative of dividing earnings per share by price per share would give the earnings yield (the inverse of P/E), not the price-to-earnings measure. Using net income divided by the number of shares yields earnings per share itself, not a reflection of price relative to earnings. Dividends per share divided by market price per share is the dividend yield, a different valuation metric.

9. Which statement best describes the Accounting Period concept?

A. Accounting period concept

B. Revenue recognition

C. Going concern

D. Prudence

The accounting period concept is about reporting financial information for defined time intervals rather than for an indefinite span of the entity's life. It allows statements to cover a specific period—such as a month, a quarter, or a year—so users can compare performance and financial position across periods. To make this possible, revenues and expenses are recognized in the period to which they relate, which often requires adjusting entries (accruals and deferrals) to ensure amounts reflect the correct time frame. This concept is what the statement describes because it directly addresses how financial information is organized and presented over time. The other ideas are important principles too, but they describe different aspects: revenue recognition concerns when revenue is recorded; going concern is about the assumption the business will continue operating; prudence relates to conservative measurement.

10. Which option is NOT a section of the Statement of Cash Flows?

A. Net Income

B. Operating

C. Investing

D. Financing

The cash flow statement organizes cash movements into three sections: operating, investing, and financing. Net income isn't a separate section because it's the result shown on the income statement, not a cash-flow category. In the indirect method, you start with net income and adjust for non-cash items and changes in working capital to derive cash from operating activities. In the direct method, you would present actual cash receipts and payments from operations instead of starting from net income. The other two sections describe cash flows from running the business day-to-day (operating), from buying or selling long-term assets (investing), and from financing activities with owners and lenders (financing). So net income isn't a distinct section of the cash flow statement.

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://qcaaaccountingexternal.examzify.com>

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

SAMPLE