

REG CERTIFIED PUBLIC ACCOUNTANT (CPA) PRACTICE TEST (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. What is the maximum expense limit for organizational and start-up costs under tax rules?**
 - A. \$2,000
 - B. \$5,000
 - C. \$10,000
 - D. \$15,000

- 2. What does a taxpayer's filing status influence?**
 - A. The completion of tax forms only
 - B. Tax rates, eligibility for certain deductions, and dependents' claims
 - C. The total amount of income reported
 - D. The type of refund received

- 3. What is the standard deduction amount for a single filer in 2023?**
 - A. \$12,550
 - B. \$13,850
 - C. \$14,300
 - D. \$15,000

- 4. What is the purpose of the IRS Form W-2?**
 - A. To report a self-employed individual's business earnings
 - B. To report an employee's annual wages and the amount of taxes withheld
 - C. To claim a tax refund for excess withholding
 - D. To provide proof of employment for loan applications

- 5. How are qualified dividends treated for federal taxes?**
 - A. Taxed as ordinary income
 - B. Taxed at short-term capital gains rates
 - C. Taxed at long-term capital gains tax rates
 - D. Exempt from federal taxes

- 6. What must taxpayers do after filing an amended return to correct a mistake?**
- A. Notify the IRS of the amendment
 - B. Wait for the IRS to respond
 - C. Submit a formal appeal
 - D. Pay any additional taxes owed immediately
- 7. How are dividends taxed for individuals?**
- A. As ordinary income at the marginal tax rate
 - B. At the corporate tax rate
 - C. Qualified dividends are taxed at capital gains rates
 - D. At a flat rate of 10%
- 8. What is the dollar amount that Section 179 allows for a reduction when purchases exceed \$800,000?**
- A. \$250,000
 - B. \$300,000
 - C. \$500,000
 - D. \$400,000
- 9. What is the requirement for a gift to be excluded from tax?**
- A. The exclusion limit is \$15,000 per recipient for 2023
 - B. The exclusion limit is \$17,000 per recipient for 2023
 - C. The exclusion limit is \$20,000 per recipient for 2023
 - D. The exclusion limit is \$10,000 per recipient for 2023
- 10. Who qualifies for a dependency exemption?**
- A. Only biological children of the taxpayer
 - B. Individuals who are related and meet defined IRS criteria
 - C. Any individual provided financial support by the taxpayer
 - D. Spouses of dependents living outside the household

Answers

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

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Explanations

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1. What is the maximum expense limit for organizational and start-up costs under tax rules?

- A. \$2,000
- B. \$5,000**
- C. \$10,000
- D. \$15,000

The maximum expense limit for organizational and start-up costs is indeed \$5,000. This amount pertains to the initial costs incurred when creating a new business, which can be deducted in the year the business is opened. When a business is established, it often incurs various costs, both for organizational and start-up purposes. These can include expenses for creating a legal structure, obtaining permits, and other initial costs necessary to start business operations. The IRS allows businesses to deduct the initial expenses up to this limit in the first taxable year in which they commence operations. If the total of the start-up expenses exceeds \$50,000, the \$5,000 deduction begins to phase out by the amount that exceeds this limit. Thus, while a business can initially deduct \$5,000 in the first year, any additional amounts must be amortized over a 180-month period. This structured approach to handling start-up expenses encourages new businesses by providing some immediate financial relief while also ensuring that significant expenses are systematically recorded over time if they exceed the deductible limit.

2. What does a taxpayer's filing status influence?

- A. The completion of tax forms only
- B. Tax rates, eligibility for certain deductions, and dependents' claims**
- C. The total amount of income reported
- D. The type of refund received

The filing status of a taxpayer is a critical factor in determining several important aspects of their tax obligations and benefits. It directly influences tax rates, as different filing statuses are subject to varying tax brackets. For instance, single filers generally face higher tax rates compared to married couples filing jointly, who have access to wider tax brackets that can lead to lower effective tax rates. Additionally, a taxpayer's filing status affects eligibility for certain deductions and credits. For example, some tax credits, such as the Earned Income Tax Credit, have different income thresholds based on filing status. Moreover, the ability to claim dependents can also be determined by the taxpayer's filing status. Certain statuses allow for more favorable treatment regarding dependents, potentially leading to additional exemptions or credits, which can significantly impact the overall tax liability. In contrast, the other options presented do not capture the comprehensive range of implications that filing status carries. For example, while filing status may influence the forms used, it does so in a relatively minimal way compared to its broader impact on tax rates and deductions. The total amount of income reported is determined by the taxpayer's income sources and not specifically by their filing status. Finally, the type of refund received is also largely a function of the taxpayer's overall

3. What is the standard deduction amount for a single filer in 2023?

- A. \$12,550
- B. \$13,850**
- C. \$14,300
- D. \$15,000

The standard deduction amount for a single filer in 2023 is \$13,850. This figure represents an increase from previous years, reflecting adjustments for inflation that the IRS periodically implements to ensure the deduction keeps pace with the cost of living. The standard deduction simplifies the filing process for many taxpayers because it allows them to deduct this fixed amount from their taxable income without needing to itemize deductions, thus reducing their overall tax liability. Understanding the standard deduction is crucial for tax planning and financial calculations, as it directly impacts the amount of income that is taxable for individuals and can help in estimating tax obligations accurately. This knowledge is especially useful for single filers, who may not have complex tax situations that warrant itemizing deductions.

4. What is the purpose of the IRS Form W-2?

- A. To report a self-employed individual's business earnings
- B. To report an employee's annual wages and the amount of taxes withheld**
- C. To claim a tax refund for excess withholding
- D. To provide proof of employment for loan applications

The purpose of the IRS Form W-2 is to report an employee's annual wages and the amount of taxes withheld from those wages. Employers are required to complete this form for each employee they pay during the year and submit it to the IRS. The W-2 provides essential information that employees need when they file their income tax returns. It includes details such as total earnings for the year, Social Security wages, Medicare wages, and the total amount of federal, state, and local taxes withheld. This information is crucial for accurately determining the tax liability or refund an employee may receive when they file their taxes. This function is distinct from other forms and purposes, such as those related to self-employment, tax refunds, or loan applications, which do not specifically represent the earnings and tax withholdings of employed individuals.

5. How are qualified dividends treated for federal taxes?

- A. Taxed as ordinary income
- B. Taxed at short-term capital gains rates
- C. Taxed at long-term capital gains tax rates**
- D. Exempt from federal taxes

Qualified dividends are indeed taxed at long-term capital gains tax rates, which is why this choice is the correct answer. To provide context, qualified dividends are dividends that meet specific criteria set forth by the Internal Revenue Service (IRS). These dividends must be paid by U.S. corporations or qualified foreign corporations and must be held for a certain period. The advantage of qualified dividends is that they are subject to significantly lower tax rates compared to ordinary income tax rates, which generally apply to regular income—or the standard rate for ordinary dividends that do not qualify. The rationale behind this favorable treatment is to encourage investment in businesses by providing tax incentives that allow investors to keep more of their returns. The long-term capital gains tax rates can be as low as 0%, 15%, or 20%, depending on the individual taxpayer's income level, while ordinary income rates are generally higher. In contrast, options suggesting that qualified dividends are taxed as ordinary income or at short-term capital gains rates are inaccurate because those categories of income are generally subject to higher taxation. Additionally, saying that qualified dividends are exempt from federal taxes would be misleading, as they do incur taxes, albeit at reduced rates.

6. What must taxpayers do after filing an amended return to correct a mistake?

- A. Notify the IRS of the amendment**
- B. Wait for the IRS to respond
- C. Submit a formal appeal
- D. Pay any additional taxes owed immediately

After filing an amended tax return, it is essential for taxpayers to notify the IRS of the amendment. This action ensures that the IRS is updated with the most recent information regarding the taxpayer's financial situation and tax liability. Filing an amended return typically indicates that there were changes to the initial filing that could affect the overall tax position, and communicating this to the IRS helps facilitate a smoother processing of the return. Waiting for the IRS to respond does not provide any assurance that the amendment is acknowledged or that any outstanding issues stemming from the original return are addressed. Although taxpayers should indeed await correspondence from the IRS about their amended return, they must also ensure that they have formally notified the agency of the amendments made. A formal appeal is not necessary unless the IRS issues a decision that the taxpayer disagrees with after the amendment is processed. Paying any additional taxes owed immediately is a prudent action if the amended return reflects a higher tax liability, but it is not a required step after merely filing the amended return. The key action remains informing the IRS about the amendment to ensure all relevant changes are taken into account.

7. How are dividends taxed for individuals?

- A. As ordinary income at the marginal tax rate
- B. At the corporate tax rate
- C. Qualified dividends are taxed at capital gains rates**
- D. At a flat rate of 10%

Dividends received by individuals are subject to different tax treatments depending on whether they are classified as qualified dividends or ordinary dividends. Qualified dividends are generally those that meet specific criteria, such as being paid by a U.S. corporation or qualified foreign corporation on stock held for a specific period. The correct treatment for qualified dividends is that they are taxed at the long-term capital gains tax rates, which are typically lower than ordinary income tax rates. This preferential treatment encourages investment in stocks and provides an incentive for individuals to hold onto their stock investments for longer periods. In contrast, ordinary dividends, which do not meet the qualified requirements, are taxed as ordinary income at the individual's marginal tax rate. This is a higher tax rate compared to the capital gains tax rates applied to qualified dividends. While other options may touch on aspects of dividend taxation, only the description of qualified dividends being taxed at capital gains rates accurately reflects the current U.S. tax law regarding dividends, highlighting the preferential treatment afforded to qualified dividends specifically.

8. What is the dollar amount that Section 179 allows for a reduction when purchases exceed \$800,000?

- A. \$250,000**
- B. \$300,000
- C. \$500,000
- D. \$400,000

Section 179 of the Internal Revenue Code allows businesses to expense a certain amount of the cost of qualifying property in the year it is placed in service, rather than capitalizing the cost and depreciating it over time. For the tax year, there is a limit on the amount that can be expensed directly, which is subject to a phase-out threshold. When purchases of qualifying property exceed \$800,000, the maximum Section 179 expense deduction begins to phase out dollar-for-dollar. As of the recent tax guidelines, if the total amount of equipment and qualifying property purchases exceeds this threshold, the allowable deduction is reduced. For the current tax framework, once purchases exceed \$800,000, the Section 179 expense deduction is reduced by the amount that exceeds this threshold. This means that if a business purchases \$800,001, the deduction would decrease by \$1. With a maximum deduction of \$1,080,000, if a business's purchases are just over the limit, it can still deduct part of the allowable amount, but it is reduced according to how much the total expenditures exceed the threshold. Considering these rules, a deduction amount of \$250,000 is the correct figure that's allowed when purchases exceed \$800,000.

9. What is the requirement for a gift to be excluded from tax?

- A. The exclusion limit is \$15,000 per recipient for 2023
- B. The exclusion limit is \$17,000 per recipient for 2023**
- C. The exclusion limit is \$20,000 per recipient for 2023
- D. The exclusion limit is \$10,000 per recipient for 2023

The requirement for a gift to be excluded from tax hinges on the annual exclusion limit set by the IRS. For the year 2023, this limit has been established at \$17,000 per recipient. This means that individuals can give gifts up to this amount to as many recipients as they desire without incurring any gift tax or having to file a gift tax return. Gifts that fall under this limit are considered to be non-taxable for the giver, thus allowing for a strategy of wealth transfer without tax implications. It's important to stay updated with these limits, as they can change annually based on inflation adjustments or legislative decisions. In the context of the other options provided, limits of \$15,000, \$20,000, and \$10,000 do not reflect the current exclusion amount for 2023 and are, therefore, misleading in this scenario. The correct limit accurately reflects the IRS guidelines and ensures compliance with tax regulations regarding gifts.

10. Who qualifies for a dependency exemption?

- A. Only biological children of the taxpayer
- B. Individuals who are related and meet defined IRS criteria**
- C. Any individual provided financial support by the taxpayer
- D. Spouses of dependents living outside the household

The correct answer reflects the IRS criteria for dependency exemptions, which state that individuals must be closely related to the taxpayer or meet specific conditions to qualify. This includes children, stepchildren, siblings, and even some other relatives such as aunts, uncles, or parents, provided they reside with the taxpayer for a certain period and meet income thresholds. Essentially, the IRS sets clear guidelines detailing relationships, residency, and support requirements that must be satisfied for someone to be claimed as a dependent. In contrast, while biological children can qualify, it's not restricted only to them, as mentioned in the first option. The third choice is overly broad, as financial support alone does not automatically qualify an individual; they must also meet those specific relationship and residency requirements. Lastly, the mention of spouses living outside the household does not fall under dependency exemptions since spouses file taxes jointly or separately and are not classified as dependents. Understanding the nuances of these criteria is essential for correctly determining dependency status.

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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:

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

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