

STATE BPA FUNDAMENTAL ACCOUNTING PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

<https://bpa-fundamentalaccounting.examzify.com>



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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. True or False: Assets normally have a credit balance.**
 - A. True
 - B. False
 - C. Sometimes true
 - D. Always false
- 2. What information does a chart of accounts provide?**
 - A. A summary of the company's overall assets
 - B. A listing of all accounts used in an accounting system
 - C. Details of the company's revenue streams
 - D. A breakdown of operational costs by department
- 3. What type of account is Accounts Receivable classified as?**
 - A. Asset
 - B. Liability
 - C. Equity
 - D. Revenue
- 4. What is the normal balance of prepaid insurance?**
 - A. Debit
 - B. Credit
 - C. Equity
 - D. Liability
- 5. What does accounts payable represent?**
 - A. Money a company has earned from sales
 - B. Money a company owes to its suppliers for products and services
 - C. Money a company has deposited in the bank
 - D. Money a company invests in assets
- 6. True or False: The "right side" of an account's structure is known as the credit side.**
 - A. True
 - B. False
 - C. It varies by account type
 - D. Only for liabilities

7. What does an accrual in accounting represent?

- A. A method for recording cash transactions
- B. An adjustment for revenues or expenses incurred but not recorded
- C. A record of bank deposits
- D. A type of financial forecast

8. What does the balance sheet report?

- A. A company's profits and losses over a period
- B. A company's assets, liabilities, and shareholders' equity at a specific point in time
- C. A company's cash inflows and outflows
- D. A company's transaction history

9. In what type of account is the owner's withdrawal recorded?

- A. Asset account
- B. Liability account
- C. Capital account
- D. Withdrawal account

10. What is the normal balance of accounts payable?

- A. Debit
- B. Credit
- C. Asset
- D. Equity

Answers

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

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Explanations

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1. True or False: Assets normally have a credit balance.

- A. True
- B. False**
- C. Sometimes true
- D. Always false

Assets typically have a debit balance, which means they are recorded on the left side of an accounting ledger. This is a fundamental principle in accounting that stems from the double-entry system, where every transaction affects at least two accounts. When assets increase, they are debited, and when they decrease, they are credited. The reason assets usually carry a debit balance is that they represent resources owned by the business that provide future economic benefits. Conversely, liabilities and equity accounts typically carry a credit balance because they represent claims against the assets of the business. Therefore, stating that assets normally have a credit balance is inaccurate, as it contradicts the established rules of accounting. This reinforces the understanding that debts and equity are recorded differently from assets in financial statements.

2. What information does a chart of accounts provide?

- A. A summary of the company's overall assets
- B. A listing of all accounts used in an accounting system**
- C. Details of the company's revenue streams
- D. A breakdown of operational costs by department

A chart of accounts is an essential tool in an accounting system that organizes financial information and provides a structured listing of all accounts used by the organization. This includes all asset, liability, equity, revenue, and expense accounts that are pertinent to the financial reporting and management of the entity. By giving a comprehensive overview of accounts, the chart of accounts aids in categorizing financial transactions and ensures that financial reporting is standardized across the company. It helps accountants and financial managers to understand the full scope of the accounts available for use, facilitating effective tracking and management of financial data. The other options relate to more specific aspects of financial management, such as summarizing assets, detailing revenue streams, or analyzing operational costs by department, but do not encapsulate the broader role and definition of a chart of accounts.

3. What type of account is Accounts Receivable classified as?

- A. Asset**
- B. Liability
- C. Equity
- D. Revenue

Accounts Receivable is classified as an asset because it represents money owed to a business by its customers for goods or services that have been delivered or used but not yet paid for. This classification is part of the company's balance sheet and signifies a future economic benefit, as the company expects to receive cash in the future when these debts are settled. The asset classification is significant as it suggests that the receivable has value and will contribute to the organization's resources. In accounting, assets are divided into current and non-current, and accounts receivable is typically considered a current asset since it is expected to be converted into cash within a year. Understanding this classification helps in assessing a company's liquidity and financial health, as it informs stakeholders about the expected inflow of cash. Other classifications, like liabilities, represent obligations the company must pay, equity pertains to the ownership value in the company, and revenue refers to the income earned through sales. None of these pertain to the nature of accounts receivable, which inherently involves the expectation of future cash inflow, thereby solidifying its status as an asset.

4. What is the normal balance of prepaid insurance?

- A. Debit**
- B. Credit
- C. Equity
- D. Liability

Prepaid insurance is classified as an asset on the balance sheet because it represents a payment that has been made in advance for insurance coverage that will be received in the future. Assets carry a normal debit balance, meaning that when you record an increase in an asset, you will debit the account. When insurance is prepaid, the expense has not yet been incurred, hence it is still considered an asset until the coverage period begins and benefits are consumed. This reflects the principle of matching expenses to revenues, recognizing expenses in the period they are incurred. As the coverage period progresses, the prepaid insurance amount will be gradually debited to the insurance expense account, thereby reflecting the use of that asset. Understanding that the normal balance of an asset account like prepaid insurance is a debit is key to properly managing and reporting financial statements accurately.

5. What does accounts payable represent?

- A. Money a company has earned from sales
- B. Money a company owes to its suppliers for products and services**
- C. Money a company has deposited in the bank
- D. Money a company invests in assets

Accounts payable is a liability account found on the balance sheet that represents money a company owes to its suppliers for products and services received but not yet paid for. This can include obligations for goods purchased on credit, unpaid invoices for services rendered, and any other short-term debts incurred in the course of operating the business. Understanding accounts payable is crucial because it reflects the company's short-term financial health and its ability to manage cash flow. When a company purchases goods or services on credit, it receives an immediate benefit (the inventory or service) while deferring payment, creating a liability that must be settled in the future. Proper management of accounts payable is essential for maintaining good supplier relationships and optimizing cash flow, as paying suppliers on time can prevent late fees and even build goodwill for future transactions. The other choices represent different financial concepts: earned money from sales pertains to revenue, money deposited in the bank relates to cash assets, and money invested in assets refers to capital expenditures—all of which do not accurately capture the nature of obligations represented by accounts payable.

6. True or False: The "right side" of an account's structure is known as the credit side.

- A. True**
- B. False
- C. It varies by account type
- D. Only for liabilities

The statement is true; the "right side" of an account's structure is indeed referred to as the credit side. In accounting, each T-account is divided into two sides: the left side represents debits, while the right side represents credits. This fundamental structure applies broadly across all types of accounts, including assets, liabilities, and equity. Credits typically increase liabilities and equity accounts and decrease asset accounts. Understanding this structure is crucial for recording transactions accurately, as each financial activity will involve at least one debit and one credit entry. Clarifying this foundational concept helps in grasping more complex accounting principles, ensuring accurate financial statements and reports.

7. What does an accrual in accounting represent?

- A. A method for recording cash transactions
- B. An adjustment for revenues or expenses incurred but not recorded**
- C. A record of bank deposits
- D. A type of financial forecast

An accrual in accounting represents an adjustment for revenues or expenses that have been incurred but not yet recorded in the financial statements. This concept is fundamental to the accrual basis of accounting, which recognizes economic events in the periods they occur, regardless of when cash transactions happen. When a company provides a service or incurs an expense, it may not immediately receive or spend cash. However, these events still affect the company's financial position and performance and should therefore be reflected in the accounts. For example, if a company earns revenue in December but does not bill the client until January, the earnings must still be recorded in December to accurately reflect that month's financial performance. Similarly, if an expense is incurred in one accounting period but paid in another, the expense must be recorded when it is incurred to match it with the revenues of the same period, adhering to the matching principle. This approach ensures that financial statements provide a more accurate and realistic picture of a company's financial health, allowing stakeholders to make more informed decisions.

8. What does the balance sheet report?

- A. A company's profits and losses over a period
- B. A company's assets, liabilities, and shareholders' equity at a specific point in time**
- C. A company's cash inflows and outflows
- D. A company's transaction history

The balance sheet is a financial statement that provides a snapshot of a company's financial position at a specific point in time. It is organized into three main components: assets, liabilities, and shareholders' equity. Assets represent what the company owns, such as cash, inventory, and property. Liabilities represent what the company owes to others, including loans and accounts payable. Shareholders' equity represents the residual interest in the assets of the company after deducting liabilities, essentially indicating the net worth belonging to the shareholders. This format allows stakeholders, including investors, creditors, and management, to assess the company's financial health and make informed decisions. The balance sheet is distinct from other financial statements, such as the income statement, which reports on profits and losses over a period, or the cash flow statement, which details cash inflows and outflows. By focusing on the current financial position rather than historical performance or specific transactions, the balance sheet serves as a crucial tool for evaluating the stability and solvency of a business.

9. In what type of account is the owner's withdrawal recorded?

- A. Asset account
- B. Liability account
- C. Capital account**
- D. Withdrawal account

The owner's withdrawal is recorded in a withdrawal account, typically classified under the capital account. This account specifically tracks any distributions or withdrawals made by the owner from the business. These withdrawals reduce the equity of the owner in the business, directly affecting the overall capital position. Recording withdrawals in a designated account helps to clearly differentiate them from regular business expenses or liabilities. This enables a clear understanding of how much the owner has taken out of the business, which is crucial for maintaining accurate financial records and determining the net worth of the owner's investment in the business. The use of a withdrawal account also allows for easy tracking of equity changes resulting from owner transactions.

10. What is the normal balance of accounts payable?

- A. Debit
- B. Credit**
- C. Asset
- D. Equity

The normal balance of accounts payable is a credit balance. In accounting, accounts payable represents the amounts a company owes to its suppliers for purchases made on credit. This liability reflects future outflows of resources when the company settles its obligations. When a company purchases goods or services on credit, it records the transaction by increasing (crediting) accounts payable and decreasing (debiting) another account, typically an expense or inventory account. This mechanism ensures that the liabilities are accurately represented on the balance sheet. Maintaining a credit balance in accounts payable indicates that the company has outstanding obligations that it is expected to pay in the future. If accounts payable were to have a debit balance, it would suggest that the company has overpaid its suppliers or there has been some error in the accounting records, as accounts payable should naturally increase with outstanding debts rather than decrease. Thus, the normal credit balance of accounts payable aligns with its role as a liability in the accounting equation.

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://bpa-fundamentalaccounting.examzify.com>

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

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