

Tracking Assets and Sales 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. A clothing manufacturing business buys equipment for \$100,000 with depreciation expense of \$10,000 per year. Where would you adjust the accounting equation to show depreciation one year later?**
 - A. Both the asset and equity portion would change by the same amount of the depreciation.**
 - B. Under liabilities**
 - C. Under equity**
 - D. There would be no impact on the accounting equation.**

- 2. In a periodic inventory system, which entry would correct the accounting equation after a purchase was recorded as a sale instead of inventory?**
 - A. Credit to Cash**
 - B. Debit Cost of Goods Sold**
 - C. Debit to Sales Revenue**
 - D. Credit to Merchandise Inventory**

- 3. Which statement is true about FIFO inventory method?**
 - A. FIFO assumes newest costs are sold first.**
 - B. FIFO assumes oldest costs are sold first.**
 - C. FIFO uses average cost per unit.**
 - D. FIFO ignores costs when valuing inventory.**

- 4. When does a bookkeeper credit accounts receivable and debit the bank account?**
 - A. When an invoice is paid**
 - B. When an invoice is recorded**
 - C. When a sale occurs**
 - D. When cash is received**

- 5. Which of the following statements accurately describes the nature of the depreciation expense account's balance?**
 - A. Depreciation expense has a credit balance.**
 - B. Depreciation expense has a debit balance.**
 - C. Depreciation expense has a zero balance.**
 - D. Depreciation expense can have either a credit or debit balance.**

- 6. Which term best matches 'Resources that belong to a business and help it earn economic benefits in the future'?**
- A. Assets**
 - B. Intangible assets**
 - C. Long-term assets**
 - D. Current assets**
- 7. When an invoice is paid, which accounts are affected?**
- A. Debits accounts receivable and credits cash**
 - B. Credits accounts receivable and debits cash**
 - C. Debits cash and credits revenue**
 - D. Debits revenue and credits cash**
- 8. Which financial statement shows the period's net income?**
- A. Balance Sheet**
 - B. Income Statement**
 - C. Statement of Cash Flows**
 - D. Statement of Changes in Equity**
- 9. Which journal entry correctly records the purchase of raw materials on credit?**
- A. Credit to Raw Materials and Debit to Accounts Payable or Cash**
 - B. Debit Raw Materials and Credit Accounts Payable or Cash**
 - C. Credit to Raw Materials and Credit Accounts Payable or Cash**
 - D. Debit Raw Materials and Debit Accounts Payable or Cash**
- 10. Which depreciation method considers the usage or production level of an asset to calculate depreciation?**
- A. Straight-line depreciation.**
 - B. Accelerated depreciation.**
 - C. Units of production.**
 - D. None of the above.**

Answers

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

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Explanations

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1. A clothing manufacturing business buys equipment for \$100,000 with depreciation expense of \$10,000 per year. Where would you adjust the accounting equation to show depreciation one year later?

A. Both the asset and equity portion would change by the same amount of the depreciation.

B. Under liabilities

C. Under equity

D. There would be no impact on the accounting equation.

Depreciation affects both sides of the accounting equation: it lowers the asset's net value and reduces equity through lower retained earnings, keeping the equation balanced. The entry records a 10,000 depreciation expense (debit) and increases accumulated depreciation (credit) by 10,000. The asset side falls by 10,000 because the net book value of equipment decreases from 100,000 to 90,000 (through accumulated depreciation). The equity side falls by 10,000 because the expense reduces net income, which reduces retained earnings. Liabilities don't change. So both the asset portion and the equity portion change by the same amount, preserving balance.

2. In a periodic inventory system, which entry would correct the accounting equation after a purchase was recorded as a sale instead of inventory?

A. Credit to Cash

B. Debit Cost of Goods Sold

C. Debit to Sales Revenue

D. Credit to Merchandise Inventory

In a periodic inventory system, purchases are tracked in a Purchases account and only at period end is the Inventory balance adjusted into Cost of Goods Sold. If a purchase is recorded as a sale, the immediate effect hits the revenue side (Sales Revenue) without properly increasing assets through Inventory. To fix the books and realign the accounts with the actual flow of transactions, the correction needs to address the asset side and reclassify the amount so that Inventory reflects the purchase properly. The direct way among the options to adjust the asset balance is to credit Merchandise Inventory, which reduces the inventory account to offset the misposting and restore the balance of the accounting equation. The other options affect cash, revenue, or COGS in ways that don't directly correct the misclassification in a periodic system.

3. Which statement is true about FIFO inventory method?

- A. FIFO assumes newest costs are sold first.
- B. FIFO assumes oldest costs are sold first.**
- C. FIFO uses average cost per unit.
- D. FIFO ignores costs when valuing inventory.

FIFO assigns the cost of goods sold to the oldest purchases first. When you sell items, you're assuming the earliest acquired units are the ones you used, so the inventory left on hand is valued with the most recent costs. That's why the statement that oldest costs are sold first is true. FIFO is not about averaging costs—that's the weighted-average method. It also doesn't ignore costs; costs are essential for valuing both COGS and ending inventory. And it doesn't assume newest costs are sold first—that would be the opposite approach (LIFO). In rising-price environments, FIFO typically shows lower COGS and higher ending inventory compared to other methods.

4. When does a bookkeeper credit accounts receivable and debit the bank account?

- A. When an invoice is paid**
- B. When an invoice is recorded
- C. When a sale occurs
- D. When cash is received

The moment you settle an outstanding invoice is when Accounts Receivable is credited and the Bank (cash) is debited. This mirrors the idea that you're converting a receivable into actual cash: you reduce what customers owe you (credit AR) and increase your cash on hand (debit bank). The trigger for this entry is the payment of the invoice, not simply recording the sale, creating the receivable, or receiving cash from other sources. So, when an invoice is paid, you debit the bank account and credit accounts receivable.

5. Which of the following statements accurately describes the nature of the depreciation expense account's balance?

- A. Depreciation expense has a credit balance.
- B. Depreciation expense has a debit balance.**
- C. Depreciation expense has a zero balance.
- D. Depreciation expense can have either a credit or debit balance.

Depreciation expense, like other expense accounts, increases on the debit side. When you record depreciation, you debit the Depreciation Expense and credit Accumulated Depreciation (a contra-asset on the balance sheet). This setup means the Depreciation Expense account naturally carries a debit balance, reflecting the cost recognized for the period. It would only show a credit balance in unusual situations (or a zero balance if no depreciation has been recorded yet). So the correct description is that depreciation expense has a debit balance.

6. Which term best matches 'Resources that belong to a business and help it earn economic benefits in the future'?

A. Assets

B. Intangible assets

C. Long-term assets

D. Current assets

Assets are resources owned by a business that are expected to bring future economic benefits. This includes both tangible items like cash, equipment, and inventory, and intangible ones like patents or goodwill. The description emphasizes ownership and future benefit, which fits the broad category of assets. Intangible assets refer only to non-physical items, so they're too narrow. Long-term assets are defined by a time horizon (held for more than a year), which excludes many assets that can still generate benefits within a year. Current assets are those expected to be used or converted to cash within a year, which again narrows the scope.

7. When an invoice is paid, which accounts are affected?

A. Debits accounts receivable and credits cash

B. Credits accounts receivable and debits cash

C. Debits cash and credits revenue

D. Debits revenue and credits cash

When a payment is received on an invoice, you're converting a receivable into cash. This increases cash (an asset) and decreases accounts receivable (another asset). In double-entry terms, you record a debit to cash and a credit to accounts receivable. This pair reflects the cash inflow and the reduction of what customers owe. Other options would misstate the transaction: debiting accounts receivable and crediting cash would reduce cash and grow receivables, which isn't what happens when payment is received; debiting cash and crediting revenue or debiting revenue and crediting cash would wrongly affect revenue, which isn't affected by simply collecting a previously recorded receivable.

8. Which financial statement shows the period's net income?

A. Balance Sheet

B. Income Statement

C. Statement of Cash Flows

D. Statement of Changes in Equity

The period's net income is shown on the income statement, which summarizes what the business earned and what it spent over a span of time and ends with the bottom-line figure, net income (or loss). This statement specifically tracks profitability across the period, capturing revenues and expenses, including both operating and non-operating items. The balance sheet, by contrast, is a snapshot of what the company owns and owes at a single moment, not how it performed over the period. The statement of cash flows focuses on actual cash movements during the period, not just profitability. The statement of changes in equity shows how owners' equity changed over time, including items like share issues and distributions. Net income from the income statement also increases retained earnings on the balance sheet, linking the two.

9. Which journal entry correctly records the purchase of raw materials on credit?
- A. Credit to Raw Materials and Debit to Accounts Payable or Cash
 - B. Debit Raw Materials and Credit Accounts Payable or Cash**
 - C. Credit to Raw Materials and Credit Accounts Payable or Cash
 - D. Debit Raw Materials and Debit Accounts Payable or Cash

When you purchase raw materials on credit, you're increasing your stock (an asset) and creating an obligation (a liability). In double-entry bookkeeping, assets go up with a debit and liabilities go up with a credit. So the correct recording is to debit the Raw Materials account to reflect the increased inventory and credit Accounts Payable to show you now owe that amount to the supplier. If you later pay with cash, you would debit Accounts Payable and credit Cash to settle the liability.

10. Which depreciation method considers the usage or production level of an asset to calculate depreciation?
- A. Straight-line depreciation.
 - B. Accelerated depreciation.
 - C. Units of production.**
 - D. None of the above.

The main idea is matching an asset's expense to how much it is actually used. The units of production method does this by tying depreciation to usage or production levels. You estimate total production over the asset's life (or total usage), subtract any salvage value, and divide by that total to get a depreciation rate per unit. Then you multiply that rate by the actual units produced in a period to determine depreciation for that period. This means the expense rises with heavier use and falls with lighter use, which is especially appropriate for equipment whose wear depends on activity, not just time. For example, if a machine costs 500,000 and has an estimated 100,000 production units with a salvage value of 50,000, depreciation per unit is $(500,000 - 50,000) / 100,000 = 4.50$. If 20,000 units are produced in a year, depreciation for that year is 90,000. If the next year only 12,000 units are produced, depreciation is 54,000. Straight-line spreads depreciation evenly over the asset's useful life and doesn't depend on usage. Accelerated methods allocate more depreciation earlier but still operate primarily on time or cost basis rather than actual production levels. So, when the depreciation should reflect actual usage, the units of production method is the best fit.

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://trackingassetsandsales.examzify.com>

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

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