TRACKING ASSETS AND SALES PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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

1. Which statement about accumulated depreciation is true?

A. It is a liability

B. It is an asset

C. It is a contra-asset that reduces the net book value of assets

D. It increases depreciation expense in the income statement

2. The earnings a business makes per item sold is referred to as which of the following?

A. Contra asset

B. Cost of goods sold (COGS)

C. Depreciation

D. Gross profit margin

3. Which term describes money owed by customers to the business?

A. Accounts payable

B. Accounts receivable

C. Notes payable

D. Notes receivable

4. Which entry reflects recognizing a note receivable from a customer?

A. Debit Cash for $25,000 and a Credit Notes Receivable for $25,000

B. Debit Notes Receivable for $25,000 and a Credit Cash for $25,000

C. Debit Interest Revenue for $25,000 and a Credit Notes Receivable for $25,000

D. Debit Notes Payable for $25,000 and a Credit Cash for $25,000

5. Which method is commonly used for writing off bad debts?

A. Direct write-off method

B. Accounts receivable aging method

C. Percentage of sales method

D. Allowance method

6. Using the straight-line depreciation method, which amount is depreciated for the van?

A. $28,000 minus the salvage value

B. $28,000 plus the salvage value

C. $2,800

D. $28,000

7. The revenue recognized from both sales increases which element of the accounting equation?

A. Assets

B. Liabilities

C. Owner's Equity

D. Expenses

8. What is accumulated depreciation?

A. The initial cost of acquiring an asset.

B. The amount of money saved to purchase new assets.

C. The total amount of depreciation expense allocated for an asset since it was put into use.

D. The total value of all assets in a business.

9. If ending inventory increases while beginning inventory and purchases remain constant, what is the likely effect on COGS?

A. COGS increases

B. COGS decreases

C. COGS remains unchanged

D. COGS becomes negative

10. Which of the following accounts has a normal debit balance?

A. Revenue

B. Cash

C. Accounts payable

D. Notes payable

Answers

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

Explanations

1. Which statement about accumulated depreciation is true?

A. It is a liability

B. It is an asset

C. It is a contra-asset that reduces the net book value of assets

D. It increases depreciation expense in the income statement

The idea being tested is that accumulated depreciation is a contra-asset. It's the cumulative amount of depreciation recorded against a fixed asset over its life, and it sits on the balance sheet as a deduction from the asset's cost. Because it's a contra-asset, it has the opposite (credit) balance to the asset's (debit) balance, and it reduces the asset's carrying amount, giving you the net book value (cost minus accumulated depreciation). For example, if a machine costs 100,000 and has 40,000 of accumulated depreciation, the net book value shown on the balance sheet is 60,000. This reflects the asset's reduced value over time due to wear and tear. It's not a liability, and it's not an asset. Also, accumulated depreciation doesn't directly increase the depreciation expense reported on the income statement; that expense is the current period's depreciation, while accumulated depreciation is the total that has been expensed to date and is shown on the balance sheet as a deduction from the asset's cost.

2. The earnings a business makes per item sold is referred to as which of the following?

A. Contra asset

B. Cost of goods sold (COGS)

C. Depreciation

D. Gross profit margin

Focus on what survives after the direct cost of making the item is subtracted from the sale price. That surviving amount is the gross profit, and when you relate it to the sale price, you get the gross profit margin. In other words, gross profit margin shows how much of each sale is left as profit after covering the cost of the goods, expressed as a percentage of revenue. It's calculated as (selling price minus COGS per item) divided by selling price, or equivalently gross profit divided by revenue. The other terms don't fit as well: a contra asset is simply an account that offsets another asset, not earnings; cost of goods sold is the direct cost subtracted to find gross profit, not the earnings metric itself; depreciation is a non-cash expense allocated over time.

3. Which term describes money owed by customers to the business?

A. Accounts payable

B. Accounts receivable

C. Notes payable

D. Notes receivable

Money owed by customers to the business is an asset because it represents future cash inflows. This is recorded as accounts receivable, which arises when you sell goods or services on credit and expect to collect payment later. Accounts receivable sits on the balance sheet as money customers owe to you. Accounts payable would be money your business owes to others, so that's not it. Notes payable refers to formal debt your business owes, a liability. Notes receivable is money owed to you in the form of a promissory note, a specific type of receivable, but the general term for customer debts is accounts receivable.

4. Which entry reflects recognizing a note receivable from a customer?

A. Debit Cash for $25,000 and a Credit Notes Receivable for $25,000

B. Debit Notes Receivable for $25,000 and a Credit Cash for $25,000

C. Debit Interest Revenue for $25,000 and a Credit Notes Receivable for $25,000

D. Debit Notes Payable for $25,000 and a Credit Cash for $25,000

When you recognize a note receivable from a customer, you are establishing an asset that represents the amount the customer promises to pay. The asset you have becomes Notes Receivable, so you debit that account to increase it. The offsetting credit shows where the value came from; in this case, the note was created in exchange for cash you had, so you reduce cash. Put together, the entry is to debit Notes Receivable for the amount and credit Cash for the same amount. This reflects converting cash into a note that you will collect later. The other options don't fit this moment of recognizing a note from a customer: increasing cash while decreasing notes receivable would reverse the direction of the transfer; recognizing interest revenue would pertain to earned interest over time, not the initial recognition of the note; and recording a liability (notes payable) would represent an obligation you owe, not an asset you hold.

5. Which method is commonly used for writing off bad debts?

A. Direct write-off method

B. Accounts receivable aging method

C. Percentage of sales method

D. Allowance method

When a specific receivable is determined to be uncollectible, the direct write-off method handles it by removing that amount from Accounts Receivable and recognizing the loss right away. This is done with a debit to Bad Debt Expense and a credit to Accounts Receivable, which directly reflects the actual write-off event. The other options are estimation approaches used within the allowance method to anticipate bad debts—such as calculating an allowance based on aging or a percentage of sales—and they don't record the actual write-off of a particular receivable at the moment it's deemed uncollectible. Instead, they create or adjust a contra-asset allowance to absorb expected losses. So the direct write-off method is the one that most directly corresponds to writing off a bad debt.

6. Using the straight-line depreciation method, which amount is depreciated for the van?

A. $28,000 minus the salvage value

B. $28,000 plus the salvage value

C. $2,800

D. $28,000

In straight-line depreciation, you depreciate the depreciable base, which is the asset's cost minus its estimated salvage value, and you divide that amount evenly over the asset's useful life. The question asks the total amount that will be depreciated for the van. If the salvage value is zero, the depreciable base equals the full cost, so the total amount depreciated is 28,000. If the salvage value were greater than zero, the depreciable amount would be smaller than 28,000 because you subtract salvage from cost. The other options either would add salvage value or imply a different, non-base figure, but the proper concept is cost minus salvage value, with zero salvage making the total depreciation equal to the full cost.

7. The revenue recognized from both sales increases which element of the accounting equation?

A. Assets

B. Liabilities

<u>C. Owner's Equity</u>

D. Expenses

Revenue recognition increases net income, and net income adds to retained earnings, which is part of owner's equity. So when you earn revenue, the company's profits rise, and those profits flow into a greater balance in retained earnings, boosting owners' equity. While cash or accounts receivable may also rise (affecting assets) as part of the same transaction, the impact that aligns with the accounting equation and reflects the ongoing value to owners is the increase in owner's equity through retained earnings. Expenses, conversely, reduce net income and thus reduce owner's equity, and liabilities aren't directly increased by recognizing revenue.

8. What is accumulated depreciation?

A. The initial cost of acquiring an asset.

B. The amount of money saved to purchase new assets.

<u>C. The total amount of depreciation expense allocated for an asset since it was put into use.</u>

D. The total value of all assets in a business.

Accumulated depreciation is the total amount of depreciation expense that has been allocated to an asset since it started being used. It's a contra-asset account on the balance sheet, so it sits with the asset but reduces its book value over time. Each period, depreciation expense increases this total, reflecting wear, obsolescence, and aging. The asset's net book value equals its original cost minus accumulated depreciation. For example, if a machine costs 100,000 and you record 20,000 of depreciation each year, the accumulated depreciation after five years would be 100,000, and the net book value would be zero (assuming no salvage value). This isn't the asset's initial cost, nor cash saved to buy new assets, nor the total value of all assets in the business.

9. If ending inventory increases while beginning inventory and purchases remain constant, what is the likely effect on COGS?

A. COGS increases

<u>B. COGS decreases</u>

C. COGS remains unchanged

D. COGS becomes negative

The main idea is that COGS is what you subtract from the goods available for sale to find what was sold. The formula is COGS = Beginning Inventory + Purchases − Ending Inventory. If beginning inventory and purchases stay the same, but ending inventory increases, you're subtracting a larger number from the same total. That reduces the amount of cost recognized as COGS. For example, with beginning inventory of 100 and purchases of 200, goods available for sale are 300. If ending inventory is 150, COGS is 300 − 150 = 150. If ending inventory rises to 200, COGS becomes 300 − 200 = 100. So COGS decreases as ending inventory increases. Ending inventory increasing cannot cause COGS to rise; it would only stay the same if ending inventory didn't change, and it would only be negative if ending inventory exceeded the total goods available for sale (beginnings plus purchases), which isn't implied by the given scenario.

10. Which of the following accounts has a normal debit balance?

A. Revenue

B. Cash

C. Accounts payable

D. Notes payable

Normal balances come from the type of account. Assets and expenses normally have debit balances, while liabilities, equity, and revenue normally have credit balances. Cash is an asset, so its normal balance is a debit; increases in cash are recorded with debits and decreases with credits. Revenue increases with credits, giving it a normal credit balance. Accounts payable and notes payable are liabilities and increase with credits, so they also have normal credit balances. Therefore, cash is the account with a normal debit balance.

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!