

# UNLV Accounting Competency Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of 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. Don't worry about getting everything right, 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, and take breaks to retain information better.**

## **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.**

## **7. Use Other Tools**

**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!**

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## **Questions**

- 1. How are dividends treated in accounting?**
  - A. Dividends increase retained earnings**
  - B. Dividends are considered a liability until paid**
  - C. Dividends do not affect the net income**
  - D. Dividends reduce retained earnings**
- 2. What information do employees seek from financial statements?**
  - A. Stability and profitability of their employers**
  - B. Investment opportunities**
  - C. Market trends**
  - D. Debt repayment schedules**
- 3. In accounting, how is an intangible asset different from a tangible asset?**
  - A. Intangible assets have physical form, while tangible do not**
  - B. Intangible assets cannot be sold, while tangible assets can**
  - C. Intangible assets lack physical substance, whereas tangible assets have form**
  - D. There is no difference between the two**
- 4. What type of balance does a contra-asset account have?**
  - A. Debit balance**
  - B. Credit balance**
  - C. No balance**
  - D. Variable balance**
- 5. Which of the following best describes a balance sheet?**
  - A. A financial statement showing income and expenses**
  - B. A report detailing a company's cash flow**
  - C. A statement of a company's assets, liabilities, and equity at a specific point in time**
  - D. A summary of a company's inventory**



- 6. What is the purpose of a trial balance?**
- A. To ensure that total assets equal total liabilities**
  - B. To calculate net income**
  - C. To verify that total debits equal total credits**
  - D. To prepare the balance sheet**
- 7. What is meant by a normal balance for an account?**
- A. It is always a debit balance**
  - B. It can be either a debit or credit balance**
  - C. It is always a credit balance**
  - D. It refers to the highest balance in the account**
- 8. If a cost cannot be linked to revenues or to an accounting period, how is the expense recorded?**
- A. It is deferred until linked to revenues**
  - B. It is amortized over time**
  - C. It is recorded immediately**
  - D. It is capitalized as an asset**
- 9. What does "deferred revenue" indicate?**
- A. Revenue that is not expected to be earned**
  - B. Money received for goods or services not yet delivered**
  - C. Revenue that has been fully earned**
  - D. Funds set aside for future expenses**
- 10. Receivables from employees and owners show advances due from which group?**
- A. Suppliers**
  - B. Customers**
  - C. Related persons**
  - D. Investors**

## **Answers**

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

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## **Explanations**

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## 1. How are dividends treated in accounting?

- A. Dividends increase retained earnings
- B. Dividends are considered a liability until paid
- C. Dividends do not affect the net income
- D. Dividends reduce retained earnings**

Dividends are distributions of a company's earnings to its shareholders, typically paid in cash or additional shares. When dividends are declared, they are recorded as a reduction in retained earnings. This is because retained earnings represent the portion of a company's profit that has not been distributed to shareholders and can be reinvested in the business or kept as reserve funds. By declaring dividends, a company is signaling that it is returning a portion of its profits back to shareholders, which directly diminishes the retained earnings. Essentially, the action moves money from the equity section of the balance sheet to the shareholders, leading to a decrease in total retained earnings. This fundamental accounting treatment reflects the movement of financial performance results toward shareholders while therefore impacting the company's equity position. While dividends do not affect net income as they are not considered an expense, and they are not recorded as liabilities until declared, the primary focus here is that the declaration and payment of dividends lead to a reduction in retained earnings. This is crucial for understanding how shareholder distributions influence a company's financial standing.

## 2. What information do employees seek from financial statements?

- A. Stability and profitability of their employers**
- B. Investment opportunities
- C. Market trends
- D. Debt repayment schedules

Employees typically look for information about the stability and profitability of their employers when reviewing financial statements. This interest stems from their need to assess job security, potential for salary increases, benefits, and overall satisfaction with their employment situation. A company's stability indicates that it is likely to remain operational and continue providing jobs, while profitability suggests that the company is financially healthy enough to invest in its employees and sustain growth. Understanding the financial health of their employer also helps employees make informed decisions about their long-term career plans within the organization. They may evaluate whether the company is performing well enough to support promotions or additional investments in employee development. Additionally, well-performing companies may offer better long-term benefits, making this information crucial for employees' assessments of their workplace. The other options, while relevant in other contexts, may not be primary concerns for employees. Investment opportunities are more aligned with investors and shareholders looking to maximize their return. Market trends can be significant for strategic planning in various capacities but may not directly impact an employee's role or security with the company. Debt repayment schedules are primarily relevant to creditors and financial analysts analyzing a company's liquidity and business risks, rather than employees who are focused on day-to-day job security and corporate health.

**3. In accounting, how is an intangible asset different from a tangible asset?**

**A. Intangible assets have physical form, while tangible do not**

**B. Intangible assets cannot be sold, while tangible assets can**

**C. Intangible assets lack physical substance, whereas tangible assets have form**

**D. There is no difference between the two**

Intangible assets are characterized by the absence of physical substance, which distinguishes them from tangible assets that have a physical presence and can be seen or touched. Tangible assets include items such as machinery, buildings, and equipment, which have a concrete form and can be physically utilized within the business. On the other hand, intangible assets include elements like patents, trademarks, copyrights, and goodwill; these are valuable to the business yet cannot be physically handled. This distinction is crucial in accounting because it affects how these assets are valued, recorded, and amortized on financial statements. Understanding this difference is fundamental for accurately assessing a company's financial health and operational capabilities, as both types of assets contribute differently to the value of the business.

**4. What type of balance does a contra-asset account have?**

**A. Debit balance**

**B. Credit balance**

**C. No balance**

**D. Variable balance**

A contra-asset account is used to reduce the value of an associated asset account and, therefore, has a credit balance. This is distinct from most asset accounts, which typically carry a debit balance. For example, accumulated depreciation is a common contra-asset account that accumulates the total depreciation expense on fixed assets over time. This means that instead of increasing the asset's value, it reduces the net asset value on the balance sheet. The credit balance in a contra-asset account plays a critical role in presenting the financial condition of the entity, as it offsets the related asset to show a more accurate value of what the company owns. This relationship ensures that financial statements reflect the true economic value of assets after accounting for any associated depreciation or impairment.

**5. Which of the following best describes a balance sheet?**

- A. A financial statement showing income and expenses**
- B. A report detailing a company's cash flow**
- C. A statement of a company's assets, liabilities, and equity at a specific point in time**
- D. A summary of a company's inventory**

A balance sheet is best described as a statement of a company's assets, liabilities, and equity at a specific point in time. This financial statement provides a snapshot of what a company owns (assets), what it owes (liabilities), and the residual interest of the owners (equity) at a particular date. The balance sheet is fundamental in accounting as it adheres to the accounting equation:  $\text{Assets} = \text{Liabilities} + \text{Equity}$ . This equation highlights the relationship between what the company controls and how those assets are financed, whether through debt or by the owners themselves. The information contained in the balance sheet is crucial for investors, creditors, and other stakeholders as it helps assess the company's financial health and liquidity. In contrast, a financial statement showing income and expenses would be referred to as an income statement, which focuses on profitability over a period rather than the company's financial position at a moment in time. A report detailing a company's cash flow is known as a cash flow statement, which emphasizes the inflows and outflows of cash, rather than the balances of accounts. Lastly, while a summary of a company's inventory may be a component of the balance sheet (as inventory is an asset), it does not encompass the full scope of what a balance sheet represents. Thus

**6. What is the purpose of a trial balance?**

- A. To ensure that total assets equal total liabilities**
- B. To calculate net income**
- C. To verify that total debits equal total credits**
- D. To prepare the balance sheet**

The purpose of a trial balance is to verify that total debits equal total credits in the accounting records. This step is crucial because it ensures the fundamental principle of double-entry accounting is upheld, where every transaction affects at least two accounts and keeps the accounting equation balanced. By listing all account balances, a trial balance helps accountants identify any discrepancies or errors that might have occurred during the recording of financial transactions. If the trial balance does not balance, it indicates that an error must be investigated and corrected before proceeding to financial statement preparation. While other options might seem relevant to financial reporting, they do not accurately describe the primary function of a trial balance. For instance, ensuring that total assets equal total liabilities is a goal achieved through the balance sheet, not the trial balance itself. Likewise, calculating net income is a function performed after preparing the income statement and involves more than just checking debits and credits. Lastly, a trial balance is not a preparatory step for the balance sheet; rather, it serves as an internal check to ensure the integrity of the accounts prior to preparing any formal financial statements.

**7. What is meant by a normal balance for an account?**

- A. It is always a debit balance**
- B. It can be either a debit or credit balance**
- C. It is always a credit balance**
- D. It refers to the highest balance in the account**

A normal balance for an account refers to the side of the account—debit or credit—that is typically increased. This concept is fundamental in accounting as it helps in understanding how transactions will affect the financial statements. For instance, assets and expenses generally have a normal debit balance, meaning increases in these accounts are recorded as debits. Conversely, liabilities, equity, and revenues have a normal credit balance, meaning increases are recorded as credits. The reason a normal balance can be either a debit or credit is based on the type of account involved. Each account category in accounting has a designated "normal" side that aligns with the rules of double-entry bookkeeping. Understanding this concept is crucial for effective financial recording and reporting, as it helps ensure that the accounting equation ( $\text{Assets} = \text{Liabilities} + \text{Equity}$ ) remains balanced. Differentiating between the types of accounts is essential in correctly identifying their normal balances, which reinforces the importance of understanding each account's nature in financial transactions and reporting.

**8. If a cost cannot be linked to revenues or to an accounting period, how is the expense recorded?**

- A. It is deferred until linked to revenues**
- B. It is amortized over time**
- C. It is recorded immediately**
- D. It is capitalized as an asset**

When a cost cannot be directly linked to revenues or an accounting period, it is recorded immediately as an expense. This approach reflects the principle of matching costs with the revenues they help generate, but if no clear linkage exists, the cost is recognized in the period incurred. This prevents the misleading portrayal of financial statements, which could occur if expenses were deferred indefinitely or capitalized without justification. Immediate recognition of the expense ensures that the financial statements reflect the actual economic activities of the entity during the reporting period. It helps maintain accuracy and transparency, ensuring that stakeholders have a clear view of the organization's financial health without the potential distortion that could arise from delaying the recognition of expenses. In contrast, deferring or capitalizing costs would imply a future economic benefit tied to revenue generation, which is not applicable in this scenario, as the costs do not meet the criteria for linkage. Amortization over time applies only to specific types of costs, typically those that provide benefits over multiple periods, further emphasizing why immediate recognition is appropriate here.



**9. What does "deferred revenue" indicate?**

- A. Revenue that is not expected to be earned**
- B. Money received for goods or services not yet delivered**
- C. Revenue that has been fully earned**
- D. Funds set aside for future expenses**

Deferred revenue refers to payments that have been received in advance for goods or services that have yet to be delivered or performed. This means that the company has an obligation to deliver those goods or services in the future. Until the company fulfills that obligation, the revenue cannot be recognized as earned in the financial statements, hence it is recorded as a liability on the balance sheet. This accounting treatment reflects the principle of revenue recognition, which requires that revenue is only recognized when it is earned and realizable. Therefore, deferred revenue acts as a placeholder indicating that the company is holding onto funds for future delivery of products or services, creating a liability until the revenue can be appropriately recognized. The other options do not accurately describe the nature of deferred revenue; for instance, it is not about funds for future expenses or revenue that is fully earned, but rather represents a financial obligation to provide future goods or services.

**10. Receivables from employees and owners show advances due from which group?**

- A. Suppliers**
- B. Customers**
- C. Related persons**
- D. Investors**

Receivables from employees and owners typically arise from advances made by a company to its employees or owners, which is why the correct choice is related persons. This category encompasses individuals who have a close relationship with the business, allowing for the extension of credit or advances based on their position or involvement with the organization. Advances due from related persons may include loans, travel reimbursements, or other types of financial support that are expected to be repaid. Such receivables are often tracked separately in financial statements to provide clarity about the financial dealings between the company and these individuals. The other groups listed, such as suppliers, customers, and investors, do not fit into this category as they typically represent formal, transactional relationships. Suppliers provide goods and services, customers are the purchasers of products, and investors provide capital in exchange for equity or debt but do not usually receive advances in the same context as employees or owners.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://unlvaccountingcompetency.examzify.com>**

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