

UNLV ACCOUNTING COMPETENCY PRACTICE EXAM (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

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- 1. What does a budget variance indicate?**
 - A. The profit made during the year
 - B. The difference between budgeted amounts and actual amounts
 - C. The total savings achieved
 - D. The performance of investments only
- 2. Receivables from employees and owners show advances due from which group?**
 - A. Suppliers
 - B. Customers
 - C. Related persons
 - D. Investors
- 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 is meant by liquidity in financial terms?**
 - A. The measure of profitability of an asset
 - B. The ability of an asset to be quickly converted into cash without significant loss in value
 - C. The rate of return on investments
 - D. The total revenue generated from sales
- 5. Which of the following best describes the goal of variance analysis?**
 - A. Maximizing sales revenue
 - B. Simplifying accounting processes
 - C. Identifying and understanding performance discrepancies
 - D. Streamlining cash flow

- 6. What can be inferred from a company's break-even point?**
- A. It is the threshold for profit
 - B. It is the maximum loss the company can incur
 - C. It indicates employee performance
 - D. It shows trends in expense reduction
- 7. An example of a long-term asset would be?**
- A. Cash in hand
 - B. Accounts receivable
 - C. Land owned by the business
 - D. Inventory ready for sale
- 8. In financial reporting, what does a longer break-even analysis indicate?**
- A. A more complex business model
 - B. A higher risk tolerance
 - C. A substantial initial investment
 - D. A temporary market disruption
- 9. What can financial statements tell employees about their employer?**
- A. The employer's investment strategies
 - B. The capability to provide remuneration and benefits
 - C. The company's marketing strategies
 - D. The organization's market trends
- 10. When discounted notes are recorded, what is the necessary action?**
- A. They must be disclosed separately
 - B. They can be ignored in the financial statements
 - C. They should increase total revenues
 - D. They require no adjustments

Answers

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

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Explanations

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1. What does a budget variance indicate?

- A. The profit made during the year
- B. The difference between budgeted amounts and actual amounts**
- C. The total savings achieved
- D. The performance of investments only

A budget variance is a key financial metric that represents the difference between what was budgeted in terms of revenues or expenses and what was actually received or spent over a specific period. This measure is crucial for businesses and organizations as it helps in assessing financial performance and controlling budgets. When a budget variance is analyzed, it can provide insights into how well an organization is performing against its financial expectations. A positive variance indicates that actual income exceeded budgeted income or that expenses were lower than expected, which is generally a favorable outcome. Conversely, a negative variance may signal potential issues such as overspending or underperforming revenue, which warrants further investigation and corrective action. Understanding budget variances allows management to make informed decisions about future budgeting, resource allocation, and strategic goals, ensuring that the organization can adapt to financial realities and optimize its performance. Thus, identifying it as the difference between budgeted amounts and actual amounts is fundamental to financial analysis and management.

2. 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.

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 is meant by liquidity in financial terms?

- A. The measure of profitability of an asset
- B. The ability of an asset to be quickly converted into cash without significant loss in value**
- C. The rate of return on investments
- D. The total revenue generated from sales

Liquidity in financial terms refers specifically to the ability of an asset to be quickly converted into cash without experiencing a significant loss in value. This concept is crucial for businesses and investors, as it affects their ability to meet short-term obligations and respond to immediate financial needs. Liquid assets, such as cash or marketable securities, can be easily sold or used for transactions, making them more favorable in times of financial uncertainty. Understanding liquidity helps in assessing the financial health of an organization, as it indicates how well the entity can manage its liabilities and carry out its operations effectively without needing to incur additional costs or losses during the conversion to cash. For example, while inventory might represent a valuable resource, it may not be considered highly liquid due to the time and potential markdowns needed to sell it. Other choices refer to different financial concepts, such as profitability or revenue generation, which do not directly pertain to liquidity. Hence, option B clearly captures the essence of liquidity, making it the correct choice.

5. Which of the following best describes the goal of variance analysis?

- A. Maximizing sales revenue
- B. Simplifying accounting processes
- C. Identifying and understanding performance discrepancies**
- D. Streamlining cash flow

The goal of variance analysis is to identify and understand performance discrepancies between expected and actual financial outcomes. This process involves comparing budgeted figures or standards to actual results to determine where variances have occurred and why. By doing so, an organization can pinpoint areas that are performing better or worse than anticipated, enabling management to take corrective actions where necessary. Understanding these discrepancies can reveal underlying issues such as inefficiencies or unexpected changes in costs, allowing a business to make informed decisions to improve overall performance. The focus is not solely on maximizing sales revenue, simplifying accounting processes, or streamlining cash flow; rather, it is about analyzing the differences in performance metrics to drive continuous improvement and strategic decision-making.

6. What can be inferred from a company's break-even point?

- A. It is the threshold for profit**
- B. It is the maximum loss the company can incur
- C. It indicates employee performance
- D. It shows trends in expense reduction

The break-even point is a critical financial metric that indicates the level of sales needed for a company to cover its total costs, both fixed and variable. When a company reaches its break-even point, it is neither making a profit nor incurring a loss; instead, it has reached a threshold where revenues equal expenses. This information is crucial for management as it helps in understanding the minimum sales volume required to avoid losses. Knowing the break-even point allows companies to set sales targets, price products effectively, and manage costs. It serves as a baseline for profitability; any sales beyond this point contribute to profit, whereas sales below this point will result in losses. Therefore, identifying the break-even point is foundational for business strategy and financial planning, reinforcing the concept that it represents a threshold for profit.

7. An example of a long-term asset would be?

- A. Cash in hand
- B. Accounts receivable
- C. Land owned by the business**
- D. Inventory ready for sale

A long-term asset refers to an asset that is expected to provide economic benefits for a period longer than one year. In this context, owning land exemplifies a long-term asset because it typically is not intended for immediate sale and remains a valuable resource for the business over extended periods. Land can appreciate in value and is often used for operations or future development, further contributing to its classification as a long-term asset. In contrast, cash in hand and accounts receivable are considered current assets. Cash is readily available for use, and accounts receivable represent amounts expected to be collected within a year. Similarly, inventory is also a current asset since it is intended for sale in the short term, typically within the business cycle. Therefore, land stands out as the only option that aligns with the definition of a long-term asset due to its lasting value and utility for the business.

8. In financial reporting, what does a longer break-even analysis indicate?

- A. A more complex business model
- B. A higher risk tolerance
- C. A substantial initial investment**
- D. A temporary market disruption

A longer break-even analysis indicates a substantial initial investment because it suggests that the time taken to recover those initial costs is extended. When a business has a high fixed cost structure, it generally requires a higher level of sales or revenue to cover those initial expenses before it can start generating profit. This situation typically arises in industries with significant capital expenditures, such as manufacturing or healthcare, where large amounts of money are invested upfront in equipment, facilities, or technology. This analysis helps stakeholders understand the time frame needed to reach profitability and assess the financial viability of the business model. In contrast, scenarios like complexity in business models, risk tolerance levels, or temporary market disruptions do not inherently extend the break-even period in the same way that large investments do.

9. What can financial statements tell employees about their employer?

- A. The employer's investment strategies
- B. The capability to provide remuneration and benefits**
- C. The company's marketing strategies
- D. The organization's market trends

Financial statements provide critical insight into an employer's financial health and overall performance, which directly relates to its ability to offer remuneration and benefits to employees. By analyzing elements such as income, profits, and expenses reflected in the financial statements, employees can gauge how well the organization is doing financially. For instance, a strong revenue stream and profitability suggest that the company is in a position to not only maintain current employee salaries and benefits but potentially offer raises, bonuses, and additional perks. Furthermore, stability in the financial statements can signal to employees that their jobs are secure, as a financially sound organization is better equipped to weather economic downturns. In contrast, while investment strategies, marketing strategies, and market trends can be gleaned from different documents and analyses, they do not provide direct information on the immediate ability of the employer to compensate its workforce. The core focus of financial statements is the operational and financial viability of the employer itself, which fundamentally impacts employees' remuneration.

10. When discounted notes are recorded, what is the necessary action?

- A. They must be disclosed separately**
- B. They can be ignored in the financial statements
- C. They should increase total revenues
- D. They require no adjustments

When discounted notes are recorded, it is necessary to disclose them separately in the financial statements. This practice is important because discounted notes are financial instruments that differ in nature from standard notes payable or receivable. They have been sold at a discount, meaning that the company receives less cash than the face value of the note. This can impact the company's liquidity and financial position. Separate disclosure allows stakeholders, such as investors and creditors, to understand the implications of these financial instruments on the company's financial health. It provides clarity regarding the company's obligations and how these notes affect the overall financial statements. Clear disclosure practices ensure transparency and allow for better-informed decision-making by those analyzing the company's financial situation.

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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:

<https://unlvaccountingcompetency.examzify.com>

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

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