

Western Governors University (WGU) ACCT2350 D774 Intro to Business Accounting Practice Exam (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. Which question can be answered by looking at trends in cost variances?**
 - A. What is the overall variance magnitude?**
 - B. Do variances exhibit systematic differences, or are they random?**
 - C. Are variances favorable or unfavorable?**
 - D. Which department caused the variance?**

- 2. ABC overhead allocation is particularly helpful when overhead costs vary by activity and are incurred across multiple products and processes.**
 - A. It is unnecessary when costs are uniform**
 - B. It is useful when overhead varies by activity and product variety**
 - C. It should never be used in manufacturing**
 - D. It is only used in service industries**

- 3. External audits of financial statements are typically performed by which credentialed professional?**
 - A. Certified Public Accountant (CPA)**
 - B. Chartered Accountant (CA)**
 - C. Certified Management Accountant (CMA)**
 - D. Financial Analyst (FA)**

- 4. Which two measures are different ways to examine variances?**
 - A. Dollar amounts and percentages**
 - B. Total costs and total revenues**
 - C. Fixed costs and variable costs**
 - D. Actual and budgeted costs**

- 5. Which items are used to compute Alliah's net income?**
 - A. Revenue and expenses**
 - B. Inventory and accounts payable**
 - C. Capital stock and retained earnings**
 - D. Building and cash**

- 6. How does a comparative balance sheet provide information that is useful to a decision maker?**
- A. It shows cash flows from operating activities**
 - B. It compares last year's balance sheet to this year's balance sheet, allowing for the easy identification of changes**
 - C. It lists only current assets**
 - D. It shows how profits are earned**
- 7. Which factor must be considered when responsibilities are assigned to managers?**
- A. Manager should be held responsible for all costs**
 - B. Only for those costs, revenues, profits, and assets over which they have substantial control**
 - C. Only for profits**
 - D. Only for assets**
- 8. How do the budgets of manufacturing companies differ from those of retail companies?**
- A. Manufacturing budgets include production and product cost budgets.**
 - B. Manufacturing budgets exclude production quantities.**
 - C. Retail budgets focus on depreciation schedules.**
 - D. Both are identical in structure.**
- 9. Which of the following is a long-term asset?**
- A. Cash**
 - B. Inventory**
 - C. Land**
 - D. Accounts Receivable**
- 10. Which characteristic is an advantage of zero-based budgeting?**
- A. Requires that every cost be justified**
 - B. Increases complexity and reduces accountability**
 - C. Guarantees no budget gaps**
 - D. Is always quicker than incremental budgeting**

Answers

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

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Explanations

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1. Which question can be answered by looking at trends in cost variances?

A. What is the overall variance magnitude?

B. Do variances exhibit systematic differences, or are they random?

C. Are variances favorable or unfavorable?

D. Which department caused the variance?

Looking at cost variances over time reveals whether the deviations from standard costs follow a repeatable pattern or occur more randomly. If the variances move in a consistent direction or show a regular pattern across periods, that points to a systematic variance caused by recurring factors like ongoing cost drivers or price changes. If the variances jump around without a discernible pattern, they're more likely random, stemming from irregular, short-term events. So trends help you determine if variances are systematic or random. The other questions focus on how big the variance is, whether it's favorable or unfavorable, or which department is involved, which don't rely on patterns over time.

2. ABC overhead allocation is particularly helpful when overhead costs vary by activity and are incurred across multiple products and processes.

A. It is unnecessary when costs are uniform

B. It is useful when overhead varies by activity and product variety

C. It should never be used in manufacturing

D. It is only used in service industries

Overhead allocation works best when costs come from different activities that drive expenses and these activities affect products or processes in varying ways. Activity-based costing breaks overhead into activity cost pools and assigns those costs to products based on how much each product uses those activities, rather than spreading overhead evenly by volume. When overhead varies by activity and there's a mix of products and processes, ABC provides a more accurate picture of what each product truly costs, which supports better pricing, profitability analysis, and strategic decisions. If overhead were truly uniform across all products, a simpler costing method could suffice, so ABC isn't necessary in that case. It's not limited to manufacturing; it's widely used in manufacturing too because many overhead costs come from activities like setup, quality inspection, and engineering changes. This approach is also not confined to service industries; it's applicable wherever activities drive costs across a range of products or processes.

3. External audits of financial statements are typically performed by which credentialed professional?

- A. Certified Public Accountant (CPA)**
- B. Chartered Accountant (CA)**
- C. Certified Management Accountant (CMA)**
- D. Financial Analyst (FA)**

External audits of financial statements are performed by licensed professionals who can independently examine and express an opinion on the statements. In the United States, that role is filled by Certified Public Accountants. CPAs are licensed by state boards, and meeting education, passing the CPA exam, gaining required experience, and following ethical standards are all part of earning and maintaining that credential. This license enables them to perform audits and issue audit opinions, with public-company audits overseen by the PCAOB and requiring at least one CPA on the engagement team to ensure independence and adherence to auditing standards. The other credentials aren't the typical license for external financial statement audits: Chartered Accountant is the international counterpart used in other countries, CMA is focused on management accounting and internal decision support, and Financial Analyst is a finance role without licensing to conduct audits.

4. Which two measures are different ways to examine variances?

- A. Dollar amounts and percentages**
- B. Total costs and total revenues**
- C. Fixed costs and variable costs**
- D. Actual and budgeted costs**

Variances can be analyzed in two forms: dollar variances and percentage variances. The dollar variance shows the absolute difference between actual and budgeted amounts, telling you exactly how much you are over or under. The percentage variance expresses that same difference relative to the budget (or base), making it easier to compare across items of different sizes. For example, if actual costs are 105,000 and budgeted costs are 100,000, the variance is 5,000 in dollars and 5% as a percentage of the budget. The other options describe cost classifications, or the inputs used to compute variances, not two distinct ways to measure the size of a variance.

5. Which items are used to compute Alliah's net income?

- A. Revenue and expenses**
- B. Inventory and accounts payable**
- C. Capital stock and retained earnings**
- D. Building and cash**

Net income for a period is the result of subtracting expenses from revenues. Revenues are the money earned from selling goods or providing services, while expenses are the costs incurred to generate those revenues. The difference between these two figures appears on the income statement as net income. Therefore, the items used to compute net income are revenue and expenses. Inventory and accounts payable are balance sheet items (assets and liabilities) and don't directly determine net income. Capital stock and retained earnings are equity accounts, reflecting ownership and accumulated earnings, not the calculation of a single period's net income. Building and cash are assets and also don't determine net income directly.

6. How does a comparative balance sheet provide information that is useful to a decision maker?

- A. It shows cash flows from operating activities**
- B. It compares last year's balance sheet to this year's balance sheet, allowing for the easy identification of changes**
- C. It lists only current assets**
- D. It shows how profits are earned**

A comparative balance sheet helps a decision maker see how a company's financial position changes over time by presenting two balance sheets for different dates side by side. This side-by-side view makes it easy to identify what has increased or decreased in assets, liabilities, and equity, which in turn reveals trends in liquidity, solvency, and capital structure. Knowing how working capital, debt levels, and shareholder equity shift from period to period supports decisions about financing, investing, and operations, because you can see precisely where resources grew or were reduced. This isn't about cash flows—that information appears on the statement of cash flows. It isn't limited to current assets or a measure of profits, which is the domain of the income statement. The strength of the comparative balance sheet lies in highlighting changes over time, not in listing a single period's details in isolation.

7. Which factor must be considered when responsibilities are assigned to managers?

- A. Manager should be held responsible for all costs
- B. Only for those costs, revenues, profits, and assets over which they have substantial control**
- C. Only for profits
- D. Only for assets

Responsibility accounting focuses on aligning accountability with the authority someone actually has. When responsibilities are assigned, you look at what the manager can truly influence. The best approach is to hold a manager responsible only for those costs, revenues, profits, and assets over which they have substantial control. This keeps performance fair and meaningful, because outcomes driven by factors outside the manager's influence—like market demand or strategic decisions from higher levels—should not be blamed on them. For example, a production manager can affect controllable costs such as material usage and labor efficiency, as well as how assets are utilized, but they can't directly control overall market prices or demand. Evaluating performance based on what is controllable gives an accurate picture of effectiveness and encourages the right actions.

8. How do the budgets of manufacturing companies differ from those of retail companies?

- A. Manufacturing budgets include production and product cost budgets.**
- B. Manufacturing budgets exclude production quantities.
- C. Retail budgets focus on depreciation schedules.
- D. Both are identical in structure.

Manufacturing budgets are built around planning what and how much to produce, plus the costs tied to making those products. The production budget estimates the units to manufacture and drives the direct materials, direct labor, and overhead budgets, leading to the cost of goods manufactured and sold. That's why the manufacturing budgeting process explicitly includes production and product-cost budgets. Production quantities are not excluded in manufacturing budgets; depreciation schedules aren't the central focus of budgeting, and manufacturing and retail budgets differ in structure because manufacturing combines production planning with cost estimation, while retail centers on sales forecasts and inventory purchases.

9. Which of the following is a long-term asset?

- A. Cash
- B. Inventory
- C. Land**
- D. Accounts Receivable

Long-term assets are resources a company expects to keep and use for more than one year, shown on the balance sheet as noncurrent assets. Land fits this category because it is held for ongoing operations over many years and isn't depreciated like most other long-lived assets. Cash, inventory, and accounts receivable are typically current assets since they are expected to be used or converted to cash within one year or the normal operating cycle. So land stands out as the long-term asset.

10. Which characteristic is an advantage of zero-based budgeting?

- A. Requires that every cost be justified**
- B. Increases complexity and reduces accountability**
- C. Guarantees no budget gaps**
- D. Is always quicker than incremental budgeting**

Zero-based budgeting rests on starting from zero and requiring every cost to be justified for the new period, rather than assuming current expenditures will simply continue. That forcing function makes it advantageous because managers must defend why each expense is needed, which pushes resources toward activities that truly support current goals and prevents automatic carryovers of unnecessary spending. In this way, spending is more clearly linked to value and priorities. Keep in mind, though, the process can be more time-consuming and complex since every cost is reviewed anew. It does not guarantee there will be no budget gaps, as priorities can shift or funding constraints can appear. And it isn't necessarily quicker than incremental budgeting; it's often slower due to the thorough justification required for every item.

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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://wgu-acct2350d774.examzify.com>

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

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