

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. What is a major disadvantage of an incremental budget?**
 - A. It allows for significant changes in strategy easily**
 - B. It ignores last period's data entirely**
 - C. It requires the assumption that this period is very similar to last period**
 - D. It is always faster than zero-based budgeting**

- 2. What is a way that budgeting assists in operating a company?**
 - A. Aligns management decisions with the company's goals and objectives**
 - B. Eliminates all risk**
 - C. Guarantees profits**
 - D. Automates payroll processing**

- 3. In which situation does a company report revenue?**
 - A. When products or services are sold**
 - B. When cash is received**
 - C. On a schedule**
 - D. At year-end only**

- 4. Which action is a use of cash in an investing activity?**
 - A. Buying a machine**
 - B. Paying salaries**
 - C. Paying dividends**
 - D. Collecting accounts receivable**

- 5. How is a cost variance computed?**
 - A. Actual cost minus budgeted cost**
 - B. Budgeted cost minus actual cost**
 - C. Actual cost minus standard cost**
 - D. Budgeted cost minus standard cost**

- 6. Which of these accounts is typically classified as a current liability?**
- A. Land**
 - B. Accounts Payable, Loans Payable, and Unearned Revenue**
 - C. Cash**
 - D. Retained Earnings**
- 7. Which information is contained in the reported amount of net income?**
- A. The amount by which revenues exceed expenses**
 - B. Total cash on hand**
 - C. Total assets minus liabilities**
 - D. Gross profit**
- 8. Which item is a source of cash from a financing activity?**
- A. Borrowing money**
 - B. Paying dividends**
 - C. Purchasing inventory**
 - D. Collecting cash from customers**
- 9. Which item from Alliah's data is a liability?**
- A. Accounts Payable**
 - B. Inventory**
 - C. Cash**
 - D. Revenue**
- 10. Current assets are assets expected to be converted to cash within one year. Which of the following is not a current asset?**
- A. Accounts Receivable**
 - B. Inventory**
 - C. Land**
 - D. Cash**

Answers

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

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Explanations

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1. What is a major disadvantage of an incremental budget?

- A. It allows for significant changes in strategy easily
- B. It ignores last period's data entirely
- C. It requires the assumption that this period is very similar to last period**
- D. It is always faster than zero-based budgeting

Incremental budgeting uses the previous period as the base and makes only small adjustments for the next period. The main drawback is that it assumes this period will be very similar to last period. When conditions change—such as shifts in demand, new programs, or emerging costs—the budget tends to carry forward the old patterns instead of rethinking needs or reallocating resources. This makes the approach less responsive to change and can perpetuate inefficiencies or outdated spending. The other ideas don't fit as well: it doesn't allow significant changes easily, because adjustments are minor rather than revolutionary; it does rely on last period's data as the starting point rather than ignoring it; and while it's generally faster to prepare than zero-based budgeting, it isn't guaranteed to be faster in all cases.

2. What is a way that budgeting assists in operating a company?

- A. Aligns management decisions with the company's goals and objectives**
- B. Eliminates all risk
- C. Guarantees profits
- D. Automates payroll processing

Budgeting plans future operations in financial terms and turns strategic goals into concrete, action-oriented plans. It gives a roadmap for revenue targets, expected costs, capital needs, and cash flows, so managers across departments can coordinate their efforts and allocate resources where they're most needed. By setting clear benchmarks and a common framework, budgeting helps guide decisions, align daily activities with the company's objectives, and provide a basis for evaluating performance as actual results come in. Budgeting doesn't eliminate risk, guarantee profits, or automate payroll. It assists decision-making and control, but it can't remove uncertainty, ensure profits, or replace accounting systems that handle routine payroll processing.

3. In which situation does a company report revenue?

- A. When products or services are sold**
- B. When cash is received
- C. On a schedule
- D. At year-end only

Revenue is recognized when the company has delivered the product or performed the service and has the right to payment, not just when cash is received. This aligns with accrual accounting, where earnings are recorded at the point of sale or when the service is completed, even if payment comes later. That's why recognizing revenue when products or services are sold is the correct approach. The other timing options—recording revenue only when cash is received, on a fixed schedule, or at year-end only—don't fit this principle because revenue should be recorded when the performance obligation is satisfied, not strictly on cash collection or arbitrary dates.

4. Which action is a use of cash in an investing activity?

- A. Buying a machine**
- B. Paying salaries**
- C. Paying dividends**
- D. Collecting accounts receivable**

In a statement of cash flows, activities are categorized as operating, investing, or financing. An investing activity involves cash used for buying or selling long-term assets. Buying a machine is spending cash to acquire a plant asset that will be used in the business for many years, so it counts as an investing cash outflow. The other options fit different categories: paying salaries is an operating cash outflow tied to day-to-day operations; paying dividends is a financing activity related to returning capital to shareholders; collecting accounts receivable is an operating cash inflow from customers.

5. How is a cost variance computed?

- A. Actual cost minus budgeted cost**
- B. Budgeted cost minus actual cost**
- C. Actual cost minus standard cost**
- D. Budgeted cost minus standard cost**

Cost variance measures how much you actually spent compared with what you planned to spend. It is computed as actual cost minus budgeted cost. If the result is positive, you spent more than planned (unfavorable); if negative, you spent less than planned (favorable). The budgeted cost represents the target for the period, while standard cost is a preset cost used in other types of variance analyses, not this particular comparison. For example, if you spent \$12,000 but had budgeted \$10,000, the cost variance is \$2,000 (unfavorable).

6. Which of these accounts is typically classified as a current liability?

- A. Land**
- B. Accounts Payable, Loans Payable, and Unearned Revenue**
- C. Cash**
- D. Retained Earnings**

Current liabilities are obligations a business expects to settle within one year or the operating cycle. Accounts payable are amounts owed to suppliers for purchases on credit, which are due in the short term, so they fit this category. Unearned revenue represents cash received before delivering goods or services, creating an obligation to perform in the future; that obligation is a current liability until the revenue is earned. A loan payable is a debt, and the portion due within one year is classified as a current liability (the noncurrent portion would be long-term). Cash and land arise from assets, not obligations, and retained earnings is equity, not a liability. So the items that typically appear as current liabilities are accounts payable, the current portion of loans payable, and unearned revenue.

7. Which information is contained in the reported amount of net income?

- A. The amount by which revenues exceed expenses**
- B. Total cash on hand**
- C. Total assets minus liabilities**
- D. Gross profit**

Net income shows how profitable the period was, and it's calculated as revenues minus expenses. This bottom-line figure comes from taking all the money earned (revenues) and subtracting all costs and expenses (operating, non-operating, taxes, etc.). That's why the reported amount of net income represents the overall profit after everything is accounted for, and it appears on the income statement. The other options describe different things for which you'd look elsewhere: cash on hand is the cash balance, not the profitability figure; assets minus liabilities equals equity, which is the owners' claim on the business; gross profit is revenues minus the cost of goods sold and doesn't account for other expenses, taxes, or interest. For example, if revenues are 500 and total expenses are 300, net income would be 200, illustrating the profit after all costs.

8. Which item is a source of cash from a financing activity?

- A. Borrowing money**
- B. Paying dividends**
- C. Purchasing inventory**
- D. Collecting cash from customers**

Financing activities cover cash transactions with lenders and owners. Borrowing money increases cash because you receive cash from a lender, which is an inflow from a financing activity and thus a source of cash. Paying dividends also involves financing, but it uses cash rather than provides it, so it's not a source. Purchasing inventory and collecting cash from customers are operating activities, related to day-to-day business operations, not financing. So borrowing money is the source of cash from a financing activity.

9. Which item from Alliah's data is a liability?

- A. Accounts Payable**
- B. Inventory**
- C. Cash**
- D. Revenue**

Liabilities are obligations the business must settle in the future. Accounts Payable fits this definition because it represents amounts the business owes to suppliers for goods or services already received, and it will be paid off with cash or other assets. Inventory and cash are both assets—inventory is what the company owns to sell or use, and cash is the most liquid asset. Revenue is income earned from operations and increases equity, not a liability. Therefore, the item that is a liability is Accounts Payable.

10. Current assets are assets expected to be converted to cash within one year. Which of the following is not a current asset?

A. Accounts Receivable

B. Inventory

C. Land

D. Cash

Current assets are those expected to be converted to cash or used up within one year (or the operating cycle, if longer). Cash is already cash, accounts receivable will be collected, and inventory will be sold for cash within that period, so these are current assets. Land, on the other hand, is a long-term asset kept for ongoing use in the business and not typically sold or converted to cash within a year. Because of that long-term nature, land is classified as a noncurrent (long-term) asset. So the item that is not a current asset is land.

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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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