

Xero Certification Practice Test (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 type of invoice is used to bill a portion of a fixed price contract in Xero?**
 - A. Deposit invoice**
 - B. Tasks and expenses invoice**
 - C. Project amount invoice**
 - D. Regular sales invoice**

- 2. When adding a project to an expense claim, what must you ensure you select?**
 - A. Customer name**
 - B. Expense category**
 - C. Project name**
 - D. Billing address**

- 3. What must be considered when assigning line items in an invoice to a project?**
 - A. Only chargeable tasks can be assigned**
 - B. Line items must come from previous projects**
 - C. They must be invoiced at the same time**
 - D. Existing invoices can be assigned if created before the project**

- 4. Your business regularly provides a service. What type of inventory item would be most suitable?**
 - A. Tracked inventory**
 - B. Untracked inventory**
 - C. Physical inventory**
 - D. Digital inventory**

- 5. What is the purpose of adding billable expenses to an invoice?**
 - A. To provide discounts to customers**
 - B. To remind customers of their due dates**
 - C. To include costs incurred for the work done for that customer**
 - D. To track overall expenses in Xero**

- 6. Which user role is required to register draft assets?**
- A. Standard user**
 - B. Basic user**
 - C. Adviser user**
 - D. Accountant user**
- 7. What should you use to inform a customer about a price adjustment on an invoice?**
- A. A credit note**
 - B. An email notification**
 - C. A new invoice**
 - D. A refund**
- 8. Which feature allows you to see what a business has paid you in the last 12 months?**
- A. The contact transaction history**
 - B. The budget overview**
 - C. The bank reconciliation reports**
 - D. The payment reminders**
- 9. What does the "Filter" function in Xero Expenses allow users to do?**
- A. Select specific expense report dates**
 - B. View claims associated with a particular label**
 - C. Edit expense categories**
 - D. Delete old expenses**
- 10. What should be selected to indicate that you want to track an inventory item?**
- A. Mark as Active**
 - B. Select 'I track this item'**
 - C. Choose 'Visible to all users'**
 - D. Select 'For internal use only'**

Answers

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

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Explanations

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1. What type of invoice is used to bill a portion of a fixed price contract in Xero?

- A. Deposit invoice**
- B. Tasks and expenses invoice**
- C. Project amount invoice**
- D. Regular sales invoice**

The use of a project amount invoice in Xero is specifically designed for billing a portion of a fixed price contract. This type of invoice allows users to effectively manage and bill for projects based on predefined fixed amounts, while also keeping track of the overall project budget. By utilizing a project amount invoice, businesses can ensure that they are invoicing clients accurately for the agreed-upon portions of work completed, which is particularly important in contractual agreements where milestones or phases may dictate when invoices are issued. Additionally, project amount invoices can help in managing cash flow and financial planning by allowing for structured payments as work progresses, thus aligning invoicing with project deliverables. This ensures that financing aligns more closely with the completion of work, providing clarity for both the service provider and the client regarding what has been billed and what is still pending. In contrast, while deposit invoices are also used in some contractual situations, they typically represent an upfront payment rather than billing for completed work based on a fixed contract amount. Tasks and expenses invoices generally detail specific work-related costs rather than a fixed fee arrangement. Regular sales invoices are suitable for one-off sell transactions and do not specifically cater to the structured billing associated with fixed price contracts in projects.

2. When adding a project to an expense claim, what must you ensure you select?

- A. Customer name**
- B. Expense category**
- C. Project name**
- D. Billing address**

When adding a project to an expense claim in Xero, selecting the project name is essential. This is because the project name directly associates the expense with a specific project, allowing for clearer tracking of costs and efficient management of project budgets. By linking expenses to the project, you can effectively monitor profitability, allocate resources, and report on project financials, ensuring accurate and comprehensive financial oversight. The other options, while relevant to different contexts in Xero, do not fulfill the specific requirement of associating an expense with a project. For instance, the customer name might relate to invoicing or sales transactions, but it doesn't directly connect expenses to a project. The expense category is crucial for identifying the nature of the expense itself, thus aiding in reporting and categorization, but it does not tie back to the specific project. Lastly, the billing address is typically more relevant for invoicing and customer details rather than expense claims in the context of project management. Thus, choosing the project name is the necessary step to ensure proper expense attribution to the correct project.

3. What must be considered when assigning line items in an invoice to a project?

- A. Only chargeable tasks can be assigned**
- B. Line items must come from previous projects**
- C. They must be invoiced at the same time**
- D. Existing invoices can be assigned if created before the project**

When working with line items in an invoice that need to be assigned to a project, it's important to understand that existing invoices can indeed be assigned to a project if they were created prior to the project. This flexibility allows businesses to accurately track revenue and expenses associated with specific projects over time. Assigning line items from existing invoices can be particularly useful in scenarios where work may have been partially completed before a formal project was established or when invoices need to be aligned with project budgeting for tracking purposes. This means that businesses can maintain accurate records of their financial transactions as they relate to specific projects, ensuring better project management and reporting. The other options do not align with the functionality of project management within the invoicing system and can limit how projects and invoices interrelate. For instance, it's not necessary for line items to only come from previous projects, nor do they have to be invoiced at the same time. Additionally, while chargeable tasks are relevant, they do not necessarily restrict the assignment of line items to a project. Understanding these principles is key for effectively managing project finances within Xero.

4. Your business regularly provides a service. What type of inventory item would be most suitable?

- A. Tracked inventory**
- B. Untracked inventory**
- C. Physical inventory**
- D. Digital inventory**

When a business primarily provides a service rather than selling physical products, the most suitable type of inventory item is untracked inventory. This is because untracked inventory is typically used for items that are non-physical or have no direct stock count involved. In a service-oriented business, the focus is on the services rendered rather than on managing physical items that need to be tracked in detail. Untracked inventory allows for flexibility since these items do not require monitoring of quantities, making it an ideal choice for services where the main deliverables are intangible. This approach aligns perfectly with businesses that offer services such as consulting, maintenance, or creative work, where tracking physical inventory isn't necessary. In contrast, tracked inventory is suited for businesses that handle physical products, as it requires detailed management and stock counts, which isn't relevant for service-based operations. Similarly, physical and digital inventory types pertain to managing tangible goods and digital products respectively, which are less applicable when the main focus is on providing services instead of selling products. This makes untracked inventory the best choice for businesses whose offerings are centered around services.

5. What is the purpose of adding billable expenses to an invoice?

- A. To provide discounts to customers**
- B. To remind customers of their due dates**
- C. To include costs incurred for the work done for that customer**
- D. To track overall expenses in Xero**

Adding billable expenses to an invoice serves the specific purpose of including costs that have been incurred by a business in the process of providing services or goods to a customer. When businesses incur expenses that are related to a specific client or project, they often have the right to recoup those costs. By itemizing these expenses on the invoice, the business ensures that the customer is aware of the additional charges that relate directly to the work performed on their behalf. This is particularly valuable in cases where services are rendered, and related costs—such as travel, materials, or subcontractor fees—must be passed on to the client. It allows for full transparency and ensures that the business can recover all costs associated with the project, thus maintaining profitability while providing the customer with a detailed statement of what they are being billed for. The other options do not capture this essence: providing discounts relates to price adjustments rather than expense recovery, reminders about due dates concern payment timelines rather than expense inclusion, and tracking overall expenses might relate to financial management but does not specifically address the purpose of directly billing clients for incurred costs.

6. Which user role is required to register draft assets?

- A. Standard user**
- B. Basic user**
- C. Adviser user**
- D. Accountant user**

The adviser user role is required to register draft assets because this role typically has comprehensive permissions that include managing assets within the system. Adviser users are designed to have higher-level access compared to other roles, allowing them to perform tasks that require additional oversight and authority, such as registering and managing draft assets. In Xero, draft assets often require specific approvals or registrations that align with the capabilities granted to adviser users. Other user roles, such as standard, basic, and accountant users, may not have the necessary permissions to perform these specific actions related to asset registration, as they are often limited to more routine tasks within the application. Thus, the adviser user role is correctly associated with the ability to register draft assets due to these broader permissions and responsibilities.

7. What should you use to inform a customer about a price adjustment on an invoice?

- A. A credit note**
- B. An email notification**
- C. A new invoice**
- D. A refund**

Using a credit note to inform a customer about a price adjustment on an invoice is the most appropriate approach because a credit note serves as an official document that indicates a reduction in the amount owed by the customer. When you issue a credit note, you are formally acknowledging the adjustment, providing clarity on the changes made to the invoice, and maintaining accurate records on both the seller's and buyer's accounts. A credit note not only communicates the adjustment effectively but also links directly to the original invoice. This ensures that the customer has a complete understanding of their account balance and the reason for the adjustment. It enhances transparency and helps in preventing potential misunderstandings regarding pricing or payment due. The other options, while useful in different contexts, do not serve the same formalized purpose as a credit note. An email notification may provide a quick way to inform the customer, but it lacks the official documentation that a credit note provides. Issuing a new invoice could confuse customers, as it would not clearly indicate the adjustment was related to a previously issued invoice. A refund is applicable when a transaction needs to be reversed, but it does not serve to adjust the prices indicated on an invoice. Thus, the credit note is the preferred method for handling price adjustments.

8. Which feature allows you to see what a business has paid you in the last 12 months?

- A. The contact transaction history**
- B. The budget overview**
- C. The bank reconciliation reports**
- D. The payment reminders**

The contact transaction history is the feature that allows you to see what a business has paid you in the last 12 months. This feature provides a detailed record of all transactions associated with a specific contact, including invoices issued and payments received. By accessing the transaction history, you can easily track the payments made by that client over the specified period, giving you a comprehensive understanding of your financial relationship with them. In contrast, the budget overview is designed to help with financial planning by comparing actual income and expenses against budgeted amounts, but it does not provide specific transaction details. Bank reconciliation reports primarily focus on reconciling bank statements with your accounting records, and, while useful for ensuring accurate financial records, they do not directly show historical payments from specific customers. Payment reminders are tools to alert you when a customer is due for a payment, but they do not track past payments. Therefore, the contact transaction history is the most appropriate feature for viewing what a business has paid you in the past year.

9. What does the "Filter" function in Xero Expenses allow users to do?

- A. Select specific expense report dates**
- B. View claims associated with a particular label**
- C. Edit expense categories**
- D. Delete old expenses**

The "Filter" function in Xero Expenses is designed to help users refine their view of expense claims based on specific criteria. When focusing on option B, the filter allows users to view claims associated with a particular label, making it easier to track and manage expenses based on predefined categories. This functionality is particularly useful for organizations that utilize labeling to differentiate between various types of expenses or different departments. In contrast, the other options do not accurately represent the capabilities of the "Filter" function. It does not specifically allow users to select dates for expense reports, edit categories, or delete old expenses directly within the filtering process. Instead, the "Filter" function is a powerful tool for organization and clarity within expense reporting, enhancing visibility and management efficiency across labeled claims.

10. What should be selected to indicate that you want to track an inventory item?

- A. Mark as Active**
- B. Select 'I track this item'**
- C. Choose 'Visible to all users'**
- D. Select 'For internal use only'**

To track an inventory item in Xero, the option to select is 'I track this item'. This choice specifically indicates that the item will be monitored within the inventory management system, allowing for accurate tracking of stock levels, sales, and purchasing details. Choosing this option ensures that the item is included in reports related to inventory and that it will be accounted for in the accounting processes for both sales and resupply. Meanwhile, marking an item as active, indicating visibility settings for users, or choosing 'for internal use only' does not specifically relate to tracking inventory. These options cater to other aspects of item management in Xero, such as user permissions or management status, but they do not ensure the item gains the necessary tracking features required for effective inventory management.

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://xerocert.examzify.com>

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

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