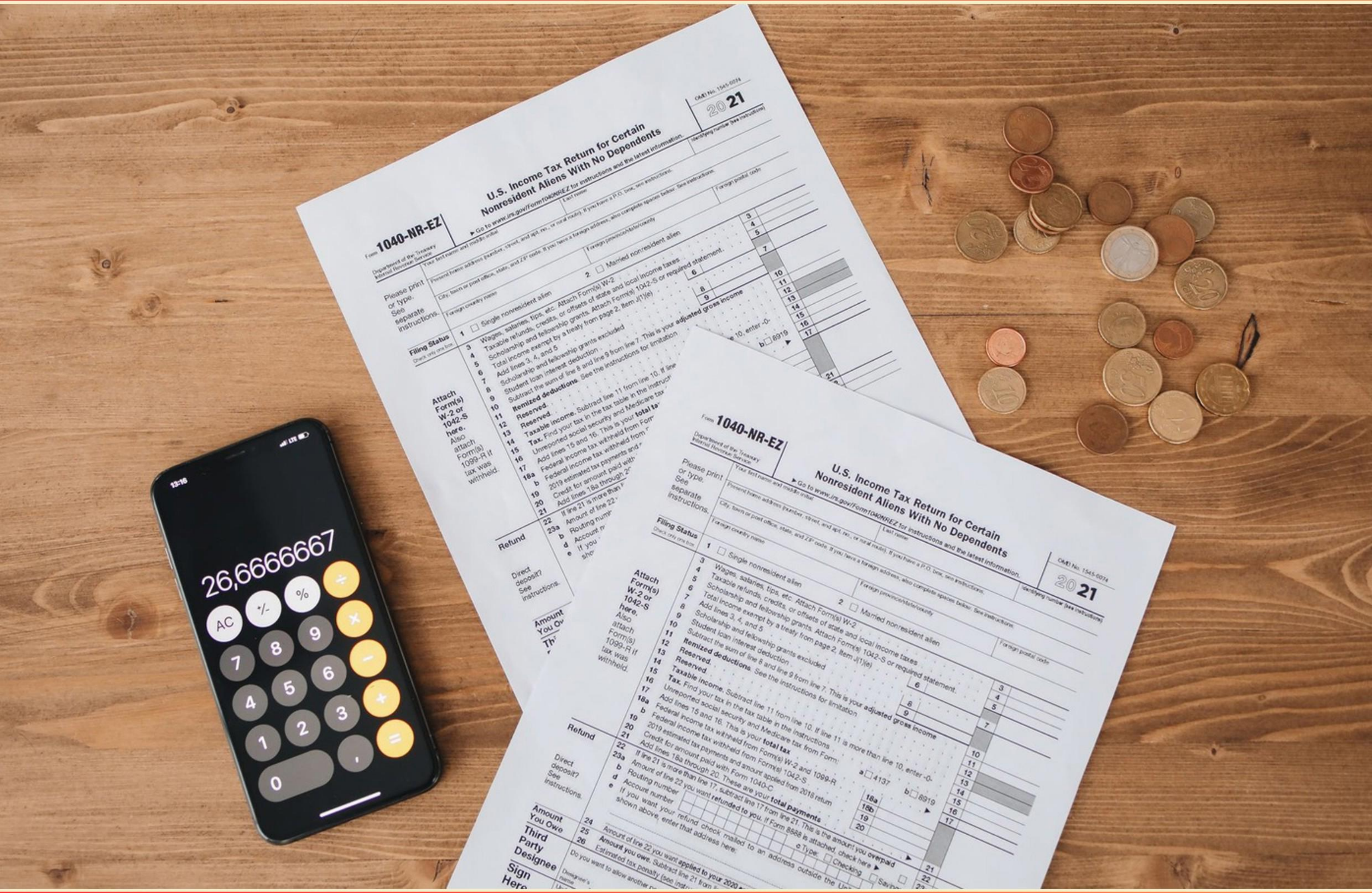
XERO LEVEL 1 ASSOCIATE PRACTICE TEST (SAMPLE)

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

1. **Which expression describes the typical sales workflow from quote to reconciliation?**

   A. Invoice   payment   reconciliation

   B. Dashboard

   C. Quote   accepted quote   invoice   customer payment   reconciliation

   D. Customer

2. **Which statement about bank reconciliation is true regarding deposits from customers?**

   A. It is never used for deposits from customers.

   B. It is only used for payroll entries.

   C. It is rarely used for deposits from customers.

   D. It may be matched to the relevant customer payment or invoice-related transaction.

3. **Which term describes a payment received from a customer that reduces the amount they owe on an invoice?**

   A. Bank balance

   B. Revenue

   C. Customer payment

   D. Outstanding invoice

4. **What is the due date?**

   A. The date the invoice was issued

   B. The date payment is received

   C. The date by which payment is due

   D. The date the invoice was approved

5. **Which document records money owed BY the business to a supplier?**

   A. Invoice

   B. Quote

   C. Bill

   D. Credit note

6. After a quote is accepted, what can be created to request payment?

A. A purchase order

B. A credit note

C. A receipt

D. An invoice

7. Which statement correctly differentiates a purchase order from a bill?

A. A bill records an intended transaction; a purchase order records the actual amount owed.

B. A purchase order records an intended transaction; a bill records the actual amount owed.

C. A purchase order is a payment to a supplier.

D. A bill records the money owed to customers.

8. What happens to a fully paid customer invoice?

A. It remains outstanding

B. It becomes a credit note

C. It is cancelled

D. It is no longer outstanding

9. When is 'Create transaction during reconciliation' used?

A. Used when there is no existing Xero transaction corresponding to the bank statement line; the appropriate transaction is created and reconciled.

B. Used when a matching existing transaction is available to be reconciled.

C. Used when bank rules should apply.

D. Used when you want to reconcile a duplicate.

10. In a simple bank workflow within Xero, what is the first step?

A. Bank feed

B. Bank statement line

C. Find and match existing transaction

D. Create/categorise a new transaction

Answers

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

Explanations

1. Which expression describes the typical sales workflow from quote to reconciliation?

A. Invoice   payment   reconciliation

B. Dashboard

C. Quote   accepted quote   invoice   customer payment   reconciliation

D. Customer

Understanding the sequence of steps in a sales cycle from an offer to cash is what this item tests. The best description shows the flow where a customer views and accepts a quote, turning that quote into a concrete sale, you issue an invoice for that sale, the customer makes payment, and you then reconcile that payment against the invoice and the bank records. This captures how money moves through the system and how matching the payment to the correct invoice keeps your accounts accurate. A path that starts with an invoice misses the essential agreement step, a dashboard isn't describing a workflow, and a standalone "customer" doesn't outline the steps involved. So the full sequence—quote   accepted quote   invoice   customer payment   reconciliation—is the accurate depiction.

2. Which statement about bank reconciliation is true regarding deposits from customers?

A. It is never used for deposits from customers.

B. It is only used for payroll entries.

C. It is rarely used for deposits from customers.

D. It may be matched to the relevant customer payment or invoice-related transaction.

Matching customer deposits during bank reconciliation ties cash receipts to the specific customer transactions. When a deposit shows on the bank statement, you aim to align it with the corresponding customer payment or the invoice-related entry in your books. This keeps the accounts receivable and cash balances in sync, ensuring the deposit is applied to the right invoice or payment so the financial records reflect the actual payment received. Therefore, the statement that deposits from customers may be matched to the relevant customer payment or invoice-related transaction is true. The other options are inaccurate because deposits from customers are indeed used in reconciliation, not limited to payroll, not rarely, and not never.

3. Which term describes a payment received from a customer that reduces the amount they owe on an invoice?

A. Bank balance

B. Revenue

C. Customer payment

D. Outstanding invoice

A payment received from a customer that reduces what they owe on an invoice is called a customer payment. When a customer pays, it directly decreases the amount outstanding on their invoice and increases your cash or bank balance, reflecting that the receivable has been settled. This payment is not the revenue itself—revenue is recognized when the sale occurs, while the payment reduces the accounts receivable. The other options don't fit: a bank balance is the actual cash on hand, not the act of paying; revenue is the income from selling goods or services; an outstanding invoice is the invoice that still hasn't been paid.

4. What is the due date?

A. The date the invoice was issued

B. The date payment is received

C. The date by which payment is due

D. The date the invoice was approved

The key idea is understanding what a due date represents in invoicing. The due date is the deadline for payment—the date by which the buyer is expected to pay the invoice, as defined by the payment terms (for example, Net 30 means payment is due 30 days after the invoice date). It isn't when the invoice was issued, nor the date payment is actually received, nor an internal approval date. The due date is typically calculated from the invoice date and terms and may shift if that date falls on weekends or holidays. So the due date is specifically the date by which payment is due.

5. Which document records money owed BY the business to a supplier?

A. Invoice

B. Quote

C. Bill

D. Credit note

When money is owed by the business to a supplier, the record of that obligation is a bill. This document represents a liability—amounts the business must pay to suppliers—and is how you track payables in your accounting system. A bill is created when you receive the supplier's request for payment, and it sits in accounts payable until you settle it. Understanding the other documents helps see why this is the right one: an invoice is typically issued by a supplier to request payment from you, so it's money owed to you (if you're the seller) or money you owe from the supplier's perspective when used differently; a quote is just an estimated price for work or goods, not a record of money owed; a credit note is a document that reduces the amount owed, usually issued after the original invoice to provide a reduction or refund. The bill specifically captures the obligation you have to pay the supplier.

6. After a quote is accepted, what can be created to request payment?

A. A purchase order

B. A credit note

C. A receipt

D. An invoice

After a quote is accepted, you create an invoice to request payment. An invoice is the formal request for payment and includes the itemized goods or services, quantities, prices, any taxes, the total amount due, payment terms, and a due date. This document prompts the customer to pay and provides a record of the sale. A purchase order is what the buyer uses to authorize the purchase, not something you send to request payment. A credit note adjusts amounts owed, such as for returns or discounts, not for requesting payment. A receipt confirms payment has already been made. So, the invoice is the document used to request payment.

7. Which statement correctly differentiates a purchase order from a bill?

A. A bill records an intended transaction; a purchase order records the actual amount owed.

B. A purchase order records an intended transaction; a bill records the actual amount owed.

C. A purchase order is a payment to a supplier.

D. A bill records the money owed to customers.

A purchase order is a commitment to buy. It's a document you issue before you receive goods or services, outlining what you want, in what quantity, at what price, and when you expect delivery. It signals an intention to purchase and creates a plan, not a payment obligation by itself. A bill (or supplier invoice) is a request for payment after goods or services have been provided. It records the actual amount owed and creates a liability for the buyer once received. So, the statement that a purchase order records an intended transaction and a bill records the actual amount owed matches how these documents function in practice: the purchase order represents what you plan to buy, while the bill shows what you owe for what you received. The other options mix up the roles—e.g., a bill isn't an intended transaction, and a purchase order isn't a payment itself.

8. What happens to a fully paid customer invoice?

A. It remains outstanding

B. It becomes a credit note

C. It is cancelled

D. It is no longer outstanding

The key idea is that outstanding means money is still owed. When an invoice is fully paid, the remaining balance is zero, so the invoice is considered settled and no longer owed. It's not a credit note, which would create a credit to the customer, and it isn't cancelled, which would remove the invoice. In most systems, the invoice is simply marked as paid or closed, kept for records, but it no longer appears as amounts due.

9. When is 'Create transaction during reconciliation' used?

A. Used when there is no existing Xero transaction corresponding to the bank statement line; the appropriate transaction is created and reconciled.

B. Used when a matching existing transaction is available to be reconciled.

C. Used when bank rules should apply.

D. Used when you want to reconcile a duplicate.

The option is used when there isn't a matching Xero transaction for the bank statement line. During reconciliation, you can create the new transaction directly in Xero and then reconcile it to that bank statement line in one step. This is handy when a payment or receipt appeared on the bank feed but hasn't been entered in Xero yet, so the ledger and the bank balance can match. It wouldn't be used if there's already a matching existing transaction to reconcile, and bank rules or handling duplicates aren't what this feature is about. Bank rules relate to automatic matching/categorization, while duplicates are a separate issue; this option specifically covers creating a transaction on the fly when none exists.

10. In a simple bank workflow within Xero, what is the first step?

A. Bank feed

B. Bank statement line

C. Find and match existing transaction

D. Create/categorise a new transaction

Bringing in data from the bank via a bank feed is the starting point. You connect the bank account so transactions flow into Xero automatically, giving you bank statement lines to review. Without that feed, there's nothing to view or match. Once the feed is in place, you review the bank statement lines, then you can find and match existing transactions or create/categorise a new transaction as needed.

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://xerolevel1associate.examzify.com

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