

# YouScience Accounting 1 Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>5</b>
<b>Answers</b> .....	<b>8</b>
<b>Explanations</b> .....	<b>10</b>
<b>Next Steps</b> .....	<b>15</b>

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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. Supplies is classified as an which type of account?**
  - A. Asset**
  - B. Revenue**
  - C. Liability**
  - D. Owner's Equity**
  
- 2. The entry to establish a \$200.00 petty cash fund is**
  - A. Debit Cash, \$200.00; Credit Petty Cash, \$200.00**
  - B. Debit Bank, \$200.00; Credit Cash, \$200.00**
  - C. Debit Petty Cash, \$200.00; Credit Bank, \$200.00**
  - D. Debit Petty Cash, \$200.00; Credit Cash, \$200.00**
  
- 3. An outstanding check is a check that has been reported on the bank statement.**
  - A. True**
  - B. False**
  - C. Not reported yet**
  - D. Only after it clears**
  
- 4. Distinguish between the direct method and indirect method for the cash flow statement.**
  - A. Direct method reports cash receipts and payments; indirect method starts with net income and adjusts for noncash items and changes in working capital.**
  - B. Direct method reports cash receipts and payments; indirect method starts with net income and adjusts for noncash items.**
  - C. Direct method reports noncash items; indirect method reports cash transactions.**
  - D. Indirect method is used for operating activities; direct method is for financing activities.**
  
- 5. Which of the following entries correctly records a bank service charge in the books?**
  - A. Debit Cash; Credit Bank Fees**
  - B. Credit Cash; Debit Bank Fees**
  - C. Debit Bank Fees; Credit Accounts Receivable**
  - D. Debit Bank Fees; Credit Cash**

- 6. Permanent accounts are closed at the end of each accounting year.**
- A. True**
  - B. Sometimes**
  - C. Not closed**
  - D. False**
- 7. What is the relationship between accounts receivable and allowance for doubtful accounts?**
- A. Accounts Receivable is an asset; Allowance for Doubtful Accounts is a contra-asset reducing AR to reflect expected uncollectible amounts.**
  - B. Accounts Receivable is a liability; Allowance is an asset.**
  - C. Both are assets with no offset.**
  - D. Allowance increases AR.**
- 8. Where does Cash appear?**
- A. Balance Sheet**
  - B. Income Statement**
  - C. Statement of Cash Flows**
  - D. Statement of Changes in Equity**
- 9. A journal entry must include:**
- A. Date, accounts debited and credited, amounts, and a brief description**
  - B. Only the accounts affected**
  - C. The company's tax ID**
  - D. The bank reconciliation reference**
- 10. Which description matches a voided check?**
- A. A check that has already been paid.**
  - B. A check that is drawn on an account that is closed.**
  - C. A check that has been canceled by the issuer.**
  - D. A check can't be processed because the business has made the check invalid.**

## Answers

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

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## **Explanations**

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**1. Supplies is classified as an which type of account?**

- A. Asset**
- B. Revenue**
- C. Liability**
- D. Owner's Equity**

Supplies is an asset because it represents a resource the business owns that will yield future benefits as it's used in daily operations. Assets are items the company controls that will help generate economic value, and supplies on hand are expected to be consumed to support activities in the near term, making it a current asset. It's not revenue, which comes from earning income; nor a liability, which is something the business owes; nor owner's equity, which reflects the owner's claim on assets after liabilities. In practice, you'd debit Supplies when you purchase it (increasing the asset) and credit Cash or Accounts Payable. As supplies are used, you debits Supplies Expense and credit Supplies to reflect the consumption.

**2. The entry to establish a \$200.00 petty cash fund is**

- A. Debit Cash, \$200.00; Credit Petty Cash, \$200.00**
- B. Debit Bank, \$200.00; Credit Cash, \$200.00**
- C. Debit Petty Cash, \$200.00; Credit Bank, \$200.00**
- D. Debit Petty Cash, \$200.00; Credit Cash, \$200.00**

Establishing a petty cash fund means moving a fixed amount from the main cash source into a separate petty cash account. Petty cash is an asset kept on hand for small, routine expenses, so you want to increase the petty cash asset while decreasing the main cash asset by the same amount. For this \$200 transfer, the correct entry is to Debit Petty Cash for \$200 and Credit Cash for \$200. This reflects adding \$200 to the petty cash fund and removing \$200 from the general cash balance. The other options would either increase cash, decrease petty cash, or move funds between cash accounts without creating the dedicated petty cash fund.

**3. An outstanding check is a check that has been reported on the bank statement.**

- A. True**
- B. False**
- C. Not reported yet**
- D. Only after it clears**

An outstanding check is a check you've issued and recorded in your own cash ledger, but it hasn't yet been presented to the bank for payment. Because it hasn't cleared, the bank's statement won't show it yet. It will only appear on the bank statement after it clears. So the statement given is false—the check is not reported on the bank statement until it clears.

**4. Distinguish between the direct method and indirect method for the cash flow statement.**

- A. Direct method reports cash receipts and payments; indirect method starts with net income and adjusts for noncash items and changes in working capital.**
- B. Direct method reports cash receipts and payments; indirect method starts with net income and adjusts for noncash items.**
- C. Direct method reports noncash items; indirect method reports cash transactions.**
- D. Indirect method is used for operating activities; direct method is for financing activities.**

The main idea here is how the cash flow statement converts accrual accounting into cash flow from operations. The direct method shows actual cash inflows and outflows from operating activities—cash receipts from customers and cash payments to suppliers, employees, and others. The indirect method starts with net income and adjusts it to cash flow from operating activities by adding back noncash expenses (like depreciation), subtracting gains, and adjusting for changes in working capital accounts such as accounts receivable, inventory, and accounts payable. That description matches the option that states: the direct method reports cash receipts and payments; the indirect method starts with net income and adjusts for noncash items and changes in working capital. It's the best choice because it accurately reflects how each method handles operating activities. The other statements are incomplete or incorrect: one misstates that the indirect method only adjusts for noncash items, another incorrectly says the direct method reports noncash items, and another wrongly assigns the methods to operating versus financing activities.

**5. Which of the following entries correctly records a bank service charge in the books?**

- A. Debit Cash; Credit Bank Fees**
- B. Credit Cash; Debit Bank Fees**
- C. Debit Bank Fees; Credit Accounts Receivable**
- D. Debit Bank Fees; Credit Cash**

When a bank charges a service fee, you're recognizing an expense and reducing cash. In double-entry accounting, expenses are increased with a debit, and cash (an asset) is decreased with a credit. Therefore the correct recording is to debit the Bank Fees expense and credit Cash. This shows the incurred expense and the outflow of cash. Choosing a different approach would either increase cash (debiting Cash), or reduce the expense (crediting the Bank Fees), or involve an unrelated account like Accounts Receivable. The only entry that correctly reflects paying the bank service charge is debiting Bank Fees and crediting Cash.

**6. Permanent accounts are closed at the end of each accounting year.**

- A. True**
- B. Sometimes**
- C. Not closed**
- D. False**

The main idea is that permanent accounts are not closed at year end. Permanent accounts—such as assets, liabilities, and most equity accounts—carry their ending balances into the next accounting period, so their balances remain open. The closing process, by contrast, targets temporary accounts (revenues, expenses, and dividends or withdrawals), transferring their results to retained earnings to start the new period with zero balances for those accounts. This keeps the financial position carried forward intact while resetting the income statement accounts for the new year. So the statement that permanent accounts are closed at the end of the year is false.

**7. What is the relationship between accounts receivable and allowance for doubtful accounts?**

- A. Accounts Receivable is an asset; Allowance for Doubtful Accounts is a contra-asset reducing AR to reflect expected uncollectible amounts.**
- B. Accounts Receivable is a liability; Allowance is an asset.**
- C. Both are assets with no offset.**
- D. Allowance increases AR.**

Accounts receivable is an asset representing money customers owe you. The allowance for doubtful accounts is a contra-asset that reduces that asset to reflect the portion you don't expect to collect. So the net amount you expect to realize is AR minus the allowance, often called net realizable value. On the balance sheet you show AR net of the allowance. You establish the allowance by recognizing a bad debt expense and crediting the allowance account, for example by debiting Bad Debt Expense and crediting Allowance for Doubtful Accounts. When a specific receivable is actually written off, you decrease both accounts: debit the allowance and credit accounts receivable. This reduces AR to the net amount you expect to collect, and it hasn't caused a new expense at write-off time because the expense was recorded when you set up the allowance. This isn't a liability, and the allowance doesn't increase AR; it reduces AR to reflect estimated uncollectible amounts.

## 8. Where does Cash appear?

- A. Balance Sheet**
- B. Income Statement**
- C. Statement of Cash Flows**
- D. Statement of Changes in Equity**

Cash is an asset, so it appears on the Balance Sheet, which shows what the company owns and owes at a specific date. Cash is listed under current assets because it's the most liquid asset. The Income Statement records performance over a period (revenues and expenses) and doesn't show the ending cash balance. The Statement of Cash Flows explains how cash changed during the period, but the ending cash balance is then carried over to the Balance Sheet. The Statement of Changes in Equity tracks changes in owners' equity, not cash. So the primary place cash appears is the Balance Sheet.

## 9. A journal entry must include:

- A. Date, accounts debited and credited, amounts, and a brief description**
- B. Only the accounts affected**
- C. The company's tax ID**
- D. The bank reconciliation reference**

Recording a transaction in a journal requires documenting enough information to trace and verify it later. A journal entry should include the date, the accounts affected with the proper debit and credit sides and their amounts, and a brief description of the transaction. The date anchors the entry in time, the accounts and amounts show the double-entry impact (debits and credits that balance), and the description clarifies the business purpose or nature of the entry. The tax ID isn't part of a journal entry, and bank reconciliation references belong to the reconciliation process rather than the recording of the transaction itself. Therefore, the full set of elements listed is the essential combination for a journal entry.

## 10. Which description matches a voided check?

- A. A check that has already been paid.**
- B. A check that is drawn on an account that is closed.**
- C. A check that has been canceled by the issuer.**
- D. A check can't be processed because the business has made the check invalid.**

A voided check is one that is intentionally marked invalid so it cannot be negotiated or paid, while still letting someone see the account and routing numbers for deposits or set-up. The description that best matches this is that the check can't be processed because the business has made it invalid—voiding stops any payment and keeps the banking details usable for its purpose. The other scenarios describe different statuses: a check that's already been paid is not voided, a check drawn on a closed account is invalid for funds reasons, and a check canceled by the issuer implies cancellation after the fact rather than the deliberate pre-use invalidation of a voided check.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://youscienceaccounting1.examzify.com>**

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

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