

AFP Practice Test Questions and Answers

1. What is the fundamental accounting equation?

- A) $\text{Assets} = \text{Liabilities} + \text{Equity}$
- B) $\text{Revenue} = \text{Expenses} + \text{Profit}$
- C) $\text{Cash} = \text{Investments} + \text{Savings}$
- D) $\text{Income} = \text{Assets} - \text{Liabilities}$

2. What is the fundamental accounting equation?

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3. What does duration measure in a fixed-income investment?

- A) Sensitivity of price to interest rate changes
- B) Time until the bond matures
- C) Coupon payment frequency
- D) Issuer credit quality

4. What role does documentation play in AFP advanced concepts?

- A) It creates accountability, supports communication, and provides a record for future reference
- B) Documentation is optional and rarely needed
- C) It is only necessary for legal compliance
- D) It replaces the need for verbal communication

Answers: 1-A 2-A 3-A 4-A

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