Question 1

The time period for classifying a liability as current is one year or the operating cycle, whichever is:

- (•) longer.
- ( ) possible
- ( ) shorter.
- ( ) probable

Question 2

To be classified as a current liability, a debt must be expected to be paid:

- ( ) a. out of existing current assets.
- ( ) b. by creating other current liabilities.
- ( ) c. within 2 years.
- (•) d. both (a) and (b).

Question 3

Maggie Sharrer Company borrows $88,500 on September 1, 2011, from Sandwich State Bank by signing an $88,500, 12%, one-year note. What is the accrued interest at December 31, 2011?

- ( ) $2,655
- ( ) $10,620
- (•) $3,540
- ( ) $4,425

Question 4

Becky Sherrick Company has total proceeds from sales of $4,515. If the proceeds include sales taxes of 5%, the amount to be credited to Sales is:

- ◯ $4,289.25.
- ◯ No correct answer given.
- ◯ $4,000.
- ◉ $4,300.

Question 5

Employer payroll taxes do *not* include:

- ◯ FICA taxes.
- ◯ federal unemployment taxes.
- ◯ state unemployment taxes.
- ◉ federal income taxes.

Question 6

Sensible Insurance Company collected a premium of $18,000 for a 1-year insurance policy on April 1. What amount should Sensible report as a current liability for Unearned Insurance Premiums at December 31?

- ◯ $0
- ◉ $4,500
- ◯ $13,500
- ◯ $18,000

Question 7

The term used for bonds that are unsecured is:

- ( ) callable bonds.
- (•) debenture bonds.
- ( ) indenture bonds.
- ( ) bearer bonds.

Question 8

Karson Inc. issues 10-year bonds with a maturity value of $200,000. If the bonds are issued at a premium, this indicates that:

- ( ) the contractual interest rate and the market interest rate are the same.
- ( ) the market interest rate exceeds the contractual interest rate.
- ( ) no relationship exists between the two rates.
- (•) the contractual interest rate exceeds the market interest rate.

Question 9

Gester Corporation retires its $100,000 face value bonds at 105 on January 1, following the payment of semiannual interest. The carrying value of the bonds at the redemption date is $103,745. The entry to record the redemption will include a:

- ( ) debit of $5,000 to Premium on Bonds Payable.
- ( ) credit of $1,255 to Gain on Bond Redemption.
- ( ) credit of $3,745 to Loss on Bond Redemption.