

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.