|  |
| --- |
| *Indicate whether the statement is true or false.* |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. When a note payable is repaid, the amount of cash paid equals the principal of the note.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2. Companies reverse accrued warranty entries so that they do not have to remember that the warranty liability accounts reflect an expense from the previous accounting period.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 3. O’Brien, Inc., signs a 90-day, 9% note for $8,000.00. The entry would be recorded in the cash payments journal.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 4. If the term of a note is 180 days and the note is dated April 15, it is due September 15.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 5. The proceeds of a noninterest-bearing note are less than its maturity value. ​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 6. If the principal of a 90-day note is $10,000.00 and the interest due at maturity is $246.58, the interest rate on the note is 10%.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 7. On December 31, Peter, Inc., owes 15 days of accrued interest on a $6,000.00 note payable at 8% interest. The adjusting entry includes a debit to Interest Expense for $20.40.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 8. Adjusting entries for prepaid expenses recognize the portion of the asset used in the current period as an asset.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 9. Supplies may be recorded initially as an expense or as an asset.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 10. A company can elect to repay any portion of a line of credit at any time.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 11. MKF Industries initially records supplies as an expense; therefore, it should record a reversing entry for supplies.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 12. The closing entry for Supplies Expense would be a debit to Supplies Expense and a credit to Income Summary.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 13. The adjusting entry for accrued interest debits an expense account and credits a liability account. Therefore, the closing entry debits a liability account and credits an expense account.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 14. ​The accrual of warranty expenses is an application of the Matching Expenses with Revenue concept.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 15. If Bestone Co. initially records supplies as an expense, the amount in the expense account before adjustment equals the beginning balance in the Supplies Expense account plus all supplies bought during the current fiscal period.​

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |
| --- |
| *Indicate the answer choice that best completes the statement or answers the question.* |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. ​Obtaining capital by borrowing money for a period of time is called

|  |  |  |
| --- | --- | --- |
|   | a.  | ​debt financing |
|   | b.  | issuing a note payable​ |
|   | c.  | ​establishing a line of credit |
|   | d.  | ​issuing a promissory note |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. ​A written and signed promise to pay a sum of money at a specified time is called a

|  |  |  |
| --- | --- | --- |
|   | a.  | ​secured note |
|   | b.  | ​loan document |
|   | c.  | ​principal |
|   | d.  | ​promissory note |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. ​An amount paid for the use of money for a period of time is called

|  |  |  |
| --- | --- | --- |
|   | a.  | ​bank charges |
|   | b.  | ​interest |
|   | c.  | ​principal |
|   | d.  | ​security |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. ​An entry that is the exact opposite of an adjusting entry is known as a(n)

|  |  |  |
| --- | --- | --- |
|   | a.  | ​closing entry |
|   | b.  | ​general journal entry |
|   | c.  | ​opening entry |
|   | d.  | ​reversing entry |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. The interest accrued on borrowed funds is called​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​interest expense |
|   | b.  | ​interest receivable |
|   | c.  | ​interest revenue |
|   | d.  | ​prepaid interest |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. ​When a note is paid at maturity, the credit is to Cash. The entry debits

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Notes Payable for the maturity value of the note |
|   | b.  | ​Notes Payable for the principal of the note and Interest Payable for the interest due on the note |
|   | c.  | ​Notes Payable for the principal of the note and Interest Expense for the interest due on the note |
|   | d.  | ​Notes Payable for the maturity value of the note and Interest Expense for the interest due on the note |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. Expenses paid in one fiscal period but not reported as expenses until a later fiscal period are known as​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​accrued expenses |
|   | b.  | ​matching revenue with expenses |
|   | c.  | ​postponed expenses |
|   | d.  | ​prepaid expenses |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. The original amount of a note is called the​

|  |  |  |
| --- | --- | --- |
|   | a.  | rate of the note​ |
|   | b.  | ​maturity value |
|   | c.  | ​principal |
|   | d.  | ​term of the note |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. ​The date on which the principal of a note is due to be repaid is the

|  |  |  |
| --- | --- | --- |
|   | a.  | ​date of a note |
|   | b.  | ​interest date of a note |
|   | c.  | ​maturity date of a note |
|   | d.  | ​principal date of a note |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. ​A company signed a 90-day note on March 15 of the current year. The maturity date of the note is

|  |  |  |
| --- | --- | --- |
|   | a.  | ​March 15 |
|   | b.  | ​June 13 |
|   | c.  | ​June 15 |
|   | d.  | ​July 10 |

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