

**Chapter 9—Reporting and Analyzing Liabilities**

**Practice Quiz**

1. The following information is available for Compton Company.
- Company XYZ retired \$45,000 of 9.25% bonds before they were supposed to come due.
  - The bonds were retired at 103 (103% of the bond face amount).
  - The loss on the retirement was \$3,100
  - Bond interest has been paid up-to-date.

Based on this information, what is the bond book value?

- a. \$43,157
- b. \$41,900
- c. \$46,350
- d. \$43,250

**Use the following information to answer Questions 2-5.**

On January 2, 2016, Computers-R-Us (CRU) purchased 25 computers from Maxim Distributors on credit at a cost of \$1,000 per computer. The computers were purchased to be held in stock at the store for sale to customers. On January 30, 2016, CRU sold 22 computers at a price of \$1,100 each. The store received cash payments for 10 of these, with the balance sold on credit. On February 15, CRU settled its account with Maxim. On February 28, CRU received payment for the computers sold on credit

2. Based on CRU's information, what transaction should CRU record on January 2, 2016?
- |                          |        |        |
|--------------------------|--------|--------|
| a. Merchandise Inventory | 25,000 |        |
| Accounts Payable         |        | 25,000 |
| b. Accounts Payable      | 25,000 |        |
| Merchandise Inventory    |        | 25,000 |
| c. Cash                  | 25,000 |        |
| Merchandise Inventory    |        | 25,000 |
| d. Merchandise Inventory | 25,000 |        |
| Cash                     |        | 25,000 |
3. Based on CRU's information, the transactions CRU would record on January 30, 2016 would include all of the following *except*:
- |                        |        |        |
|------------------------|--------|--------|
| a. Cost of Goods Sold  | 11,000 |        |
| Merchandise Inventory  |        | 11,000 |
| b. Accounts Receivable | 13,200 |        |
| Sales                  |        | 13,200 |
| c. Cash                | 11,000 |        |
| Sales                  |        | 11,000 |
| d. Cost of Goods Sold  | 22,000 |        |
| Merchandise Inventory  |        | 22,000 |
4. Based on CRU's information, what transaction should CRU record on February 15, 2016?
- |                          |        |        |
|--------------------------|--------|--------|
| a. Cash                  | 25,000 |        |
| Accounts Receivable      |        | 25,000 |
| b. Accounts Receivable   | 25,000 |        |
| Cash                     |        | 25,000 |
| c. Merchandise Inventory | 25,000 |        |
| Cash                     |        | 25,000 |
| d. Accounts Payable      | 25,000 |        |
| Cash                     |        | 25,000 |

5. Based on CRU's information, what transaction should CRU record on February 28, 2016?

a. Cash	13,200	
Accounts Receivable		13,200
b. Cash	13,200	
Merchandise Inventory		13,200
c. Accounts Payable	12,000	
Cash		12,000
d. Cash	13,200	
Accounts Receivable		13,200

6. Jamison Company's total assets were equal to \$16,560 and its total liabilities were equal to \$4,560. Based on this information which of the following statements is *true*?
- Jamison's debt-to-equity ratio is approximately 3.63
  - Jamison's has a greater proportion of debt than equity
  - Jamison's debt-to-equity ratio is approximately 0.28
  - Jamison's debt-to-equity ratio is approximately 0.38

7. On April 30, 2016, one year before maturity, Upton Laboratories retired \$350,000 of 9% bonds payable at 103. The book value of the bonds on April 30 was \$345,600. Bond interest was last paid on April 30, 2016.

What is the gain or loss on the retirement of the bonds?

- \$ 4,400 gain
  - \$ 4,400 loss
  - \$14,900 loss
  - \$14,900 gain
8. Alpine Inc. issued a 120-day note in the amount of \$120,000 on 12/16/16 with an annual rate of 12%.

What amount of interest has accrued as of 12/31/16?

- \$14,400.00
- \$ 1,800.00
- \$ 591.78
- \$ 1,200.00

9. The current portion of long-term debt should be reported:
- a. In the long-term liabilities section of the balance sheet, along with the other long-term debt.
  - b. In the current liabilities section of the balance sheet.
  - c. In a separate section of the balance sheet, between long-term liabilities and stockholders' equity.
  - d. Separately in the long-term liabilities section of the balance sheet.
10. When a corporation has a right to redeem bonds in advance of the maturity date, the bond is known as:
- a. Collateral
  - b. Callable
  - c. Discounted
  - d. Defaulted