

Introductory Financial Accounting for Business, 1e (Edmonds)
Chapter 2 Accounting for Accruals

1) Frank Company earned \$15,000 of cash revenue. Which of the following accurately reflects how this event affects the company's horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	15,000	=	NA	+	15,000	NA	-	NA	=	NA	15,000 OA
B.	15,000	=	NA	+	15,000	15,000	-	NA	=	15,000	NA
C.	15,000	=	NA	+	15,000	15,000	-	NA	=	15,000	15,000 OA
D.	15,000	=	15,000	+	NA	15,000	-	NA	=	15,000	15,000 OA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

2) Jackson Company paid \$500 cash for salary expenses. Which of the following accurately reflects how this event affects the company's horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	NA	=	500	+	(500)	NA	-	500	=	(500)	NA
B.	(500)	=	NA	+	(500)	NA	-	500	=	(500)	(500) OA
C.	(500)	=	NA	+	(500)	NA	-	NA	=	NA	(500) OA
D.	(500)	=	NA	+	(500)	NA	-	500	=	(500)	(500) IA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

3) Perez Company paid a \$300 cash dividend. Which of the following accurately reflects how this event affects the company's horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	NA	=	300	+	(300)	NA	-	300	=	(300)	NA
B.	(300)	=	NA	+	(300)	NA	-	300	=	(300)	(300) FA
C.	(300)	=	NA	+	(300)	NA	-	NA	=	NA	(300) FA
D.	(300)	=	NA	+	(300)	NA	-	NA	=	NA	(300) OA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

4) Garrison Company acquired \$23,000 by issuing common stock. Which of the following accurately reflects how this event affects the company's horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	23,000	=	NA	+	23,000	NA	-	NA	=	NA	23,000 FA
B.	23,000	=	NA	+	23,000	23,000	-	NA	=	23,000	23,000 FA
C.	23,000	=	23,000	+	NA	23,000	-	NA	=	NA	23,000 FA
D.	23,000	=	23,000	+	NA	23,000	-	NA	=	23,000	23,000 OA

- A) Option C
- B) Option A
- C) Option D
- D) Option B

5) Tandem Company borrowed \$32,000 of cash from a local bank. Which of the following accurately reflects how this event affects the company's horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	32,000	=	32,000	+	NA	32,000	-	NA	=	32,000	32,000 FA
B.	32,000	=	NA	+	32,000	NA	-	NA	=	NA	32,000 FA
C.	32,000	=	NA	+	32,000	32,000	-	NA	=	32,000	32,000 FA
D.	32,000	=	32,000	+	NA	NA	-	NA	=	NA	32,000 FA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

6) Zimmerman Company sold land for \$25,000 cash. The original cost of the land was \$25,000. Which of the following accurately reflects how this event affects the company's horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	NA	=	NA	+	NA	NA	-	NA	=	NA	25,000 IA
B.	(25,000)	=	NA	+	(25,000)	NA	-	NA	=	NA	(25,000) IA
C.	25,000	=	25,000	+	NA	NA	-	NA	=	NA	25,000 FA
D.	None of these.										

- A) Option A
- B) Option B
- C) Option C
- D) Option D

7) Reynolds Company experienced an accounting event that affected its financial statements as indicated below:

Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
+	=	NA	+	+	+	-	NA	=	+	+OA

Which of the following accounting events could have caused these effects on the elements of Reynolds' statements?

- A) Paid a cash dividend.
- B) Earned cash revenue.
- C) Borrowed money from a bank.
- D) The information provided does not represent a completed event.

8) Chico Company experienced an accounting event that affected its financial statements as indicated below:

Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
+	=	NA	+	+	NA	-	NA	=	NA	+FA

Which of the following accounting events could have caused these effects on the elements of Chico's financial statements?

- A) Issued common stock
- B) Earned cash revenue
- C) Borrowed money from a bank

9) Delta Company experienced an accounting event that affected its financial statements as indicated below:

Asset	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
-	=	NA	+	-	NA	-	+	=	-	-OA

Which of the following accounting events could have caused these effects on the elements of Delta's statements?

- A) Paid a cash dividend
- B) Incurred a cash expense
- C) Borrowed money from a bank
- D) Earned cash revenue

10) Bledsoe Company acquired \$17,000 cash by issuing common stock on January 1, Year 1. During Year 1, Bledsoe earned \$8,500 of revenue on account. The company collected \$6,000 cash from customers in partial settlement of its accounts receivable and paid \$5,400 cash for operating expenses. Based on this information alone, what was the impact on total assets during Year 1?

- A) Total assets increased by \$20,100.
- B) Total assets increased by \$600.
- C) Total assets increased by \$26,100.
- D) Total assets did not change.

11) Addison Company experienced an accounting event that affected its financial statements as indicated below:

Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
+	=	NA	+	+	+	-	NA	=	+	NA

Which of the following accounting events could have caused these effects on Addison's statements?

- A) Issued common stock
- B) Earned revenue on account
- C) Earned cash revenue
- D) Collected cash from customers in partial settlement of its accounts receivable.

12) Which of the following choices accurately reflects how the recording of accrued salary expense affects the financial statements of a business?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	NA	=	+	+	-	-	-	+	=	NA	NA
B.	NA	=	NA	+	+/-	NA	-	NA	=	NA	NA
C.	NA	=	+	+	-	NA	-	+	=	-	NA
D.	+	=	+	+	NA	NA	-	+	=	-	-OA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

13) Janzen Company recorded employee salaries earned but not yet paid. Which of the following represents the effect of this transaction on the horizontal financial statements model?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	+	=	+	+	NA	+	-	NA	=	+	-OA
B.	NA	=	+	+	-	NA	-	+	=	-	-IA
C.	-	=	NA	+	-	NA	-	+	=	-	NA
D.	NA	=	+	+	-	NA	-	+	=	-	NA

- A) Option A
- B) Option B
- C) Option C
- D) Option D

14) Revenue on account amounted to \$5,000. Cash collections of accounts receivable amounted to \$2,300. Expenses for the period were \$2,100. The company paid dividends of \$450. What was net income for the period?

- A) \$1,200
- B) \$2,900
- C) \$2,850
- D) \$2,450

15) Recognizing an expense may be accompanied by which of the following?

- A) An increase in liabilities
- B) A decrease in liabilities
- C) A decrease in revenue
- D) An increase in assets

16) Which of the following statements is **true** regarding accrual accounting?

- A) Revenue is recorded only when cash is collected.
- B) Expenses are recorded when they are incurred.
- C) Revenue is recorded in the period when it is earned.
- D) Revenue is recorded in the period when it is earned and expenses are recorded when they are incurred.

17) Mize Company provided \$45,500 of services on account, and collected \$38,000 from customers during the year. The company also incurred \$37,000 of expenses on account, and paid \$32,400 against its payables. How do these events impact the elements of the horizontal financial statements model?

- A) Total assets would increase.
- B) Total liabilities would increase.
- C) Total equity would increase.
- D) All of these answer choices are correct.

18) The following account balances were drawn from the Year 1 financial statements of Grayson Company:

Cash	\$ 8,800	Accounts payable	\$ 2,500
Accounts receivable	\$ 3,000	Common stock	?
Land	\$ 16,000	Retained earnings, Jan. 1	\$ 5,400
		Revenue	\$ 19,000
		Expenses	\$ 14,500

What is the balance of the Common Stock account?

- A) \$15,400
- B) \$19,900
- C) \$900
- D) \$20,800

19) Revenue on account amounted to \$9,000. Cash collections of accounts receivable amounted to \$8,100. Cash paid for operating expenses was \$7,500. The amount of employee salaries accrued at the end of the year was \$900. What was the net cash flow from operating activities?

- A) \$900
- B) \$600
- C) \$1,500
- D) \$8,700

20) Warren Enterprises began operations during Year 1. The company had the following events during Year 1:

- 1) The business issued \$40,000 of common stock to its stockholders.
- 2) The business purchased land for \$24,000 cash.
- 3) Services were provided to customers for \$32,000 cash.
- 4) Services were provided to customers for \$10,000 on account.
- 5) The company borrowed \$32,000 from the bank.
- 6) Operating expenses of \$24,000 were incurred and paid in cash.
- 7) Salary expense of \$1,600 was accrued.
- 8) A dividend of \$8,000 was paid to the stockholders of Warren Enterprises.

After closing, what is the balance of the Retained Earnings account as of December 31, Year 1?

- A) \$10,000
- B) \$8,400
- C) \$16,400
- D) \$42,000

21) Rushmore Company provided services for \$45,000 cash during Year 1. Rushmore incurred \$36,000 of operating expenses on account during Year 1, and by the end of the year, \$9,000 of that amount had been paid with cash. If these are the only accounting events that affected Rushmore during Year 1, which of the following statements is **true**?

- A) The amount of net loss shown on the income statement is \$9,000.
- B) The amount of net income shown on the income statement is \$27,000.
- C) The amount of net income shown on the income statement is \$9,000.
- D) The amount of net cash flow from operating activities shown on the statement of cash flows is \$18,000.

[The following information applies to the questions displayed below.]

The following pre-closing accounts and balances were drawn from the records of Carolina Company on December 31, Year 1:

Cash	\$ 4,000	Accounts receivable	\$ 3,400
Dividends	2,000	Common stock	3,900
Land	3,200	Revenue	3,200
Accounts payable	1,800	Expense	2,200
Retained earnings	5,900		

22) What is the amount of total assets that will be reported on the balance sheet as of December 31, Year 1?

- A) \$12,600
- B) \$13,800
- C) \$7,200
- D) \$10,600

23) What is the amount of net income that will be reported on the Year 1 income statement?

- A) \$2,200
- B) \$3,200
- C) \$1,000
- D) \$200

24) The amount of Carolina's retained earnings on December 31, Year 1 was:

- A) \$5,900
- B) \$7,200
- C) \$3,900
- D) \$4,900

[The following information applies to the questions displayed below.]

Nelson Company experienced the following transactions during Year 1, its first year in operation.

- 1) Acquired \$12,000 cash by issuing common stock
 - 2) Provided \$4,600 of services on account
 - 3) Paid \$3,200 cash for operating expenses
 - 4) Collected \$3,800 of cash from customers in partial settlement of its accounts receivable
 - 5) Paid a \$200 cash dividend to stockholders
- 25) What is the amount of net income that will be reported on the Year 1 income statement?
- A) \$1,400
 - B) \$800
 - C) \$1,000
 - D) \$1,200
- 26) What is the amount of net cash flows from operating activities that will be reported on the Year 1 statement of cash flows?
- A) \$400
 - B) \$600
 - C) \$1,400
 - D) \$1,200
- 27) What is the amount of total assets that will be reported on the balance sheet as of December 31, Year 1?
- A) \$12,400
 - B) \$12,600
 - C) \$13,400
 - D) \$13,200
- 28) What is the balance of the retained earnings that will be reported on the balance sheet as of December 31, Year 1?
- A) \$1,200
 - B) \$1,000
 - C) \$1,400
 - D) \$13,200
- 29) On December 31, Year 1, Gaskins Co. owed \$4,500 in salaries to employees who had worked during December but will not be paid until January, Year 2. If the year-end adjustment is properly recorded on December 31, Year 1, what will be the effect of this accrual on net income and cash flows from operating activities reported for Year 1?
- A) No effect on net income; no effect on cash flow from operating activities
 - B) Decrease in net income; no effect on cash flow from operating activities
 - C) Increase in net income; decrease in cash flow from operating activities
 - D) No effect on net income; decrease in cash flow from operating activities

30) On September 1, Year 1, Gomez Company collected \$9,000 in advance from a customer for services to be provided over a one-year period beginning on that date. How much revenue would Gomez Company report related to this contract on its income statement for the year ended December 31, Year 1? How much would the company report as net cash flows from operating activities for Year 1?

- A) \$3,000; \$3,000
- B) \$9,000; \$9,000
- C) \$3,000; \$9,000
- D) \$0; \$9,000

31) Which of the following are "matched" under the matching concept?

- A) Expenses and revenues
- B) Expenses and liabilities
- C) Assets and equity
- D) Assets and liabilities

32) Which of the following financial statements is impacted most significantly by the matching concept?

- A) Balance sheet
- B) Income statement
- C) Statement of changes in stockholders' equity
- D) Statement of cash flows

33) Which of the following is frequently used to describe the expenses that are matched in the same accounting period in which they are incurred?

- A) Market expenses
- B) Matching expenses
- C) Period costs
- D) Working costs

34) If retained earnings decreased during the year, and no dividends were paid, which of the following statements must be **true**?

- A) Expenses for the year exceeded revenues.
- B) The company did not have enough cash to pay its expenses.
- C) Total equity decreased.
- D) Liabilities increased during the year.

35) What is the purpose of the accrual basis of accounting?

- A) Recognize revenue when it is collected from customers.
- B) Match assets with liabilities during the proper accounting period.
- C) Recognize expenses when cash disbursements are made.
- D) Recognizing revenue when it is earned and expenses when they are incurred, regardless of when cash changes hands.

- 36) Which of the following is **not** an element of the fraud triangle?
- A) Reliance
 - B) Rationalization
 - C) Opportunity
 - D) Pressure
- 37) Which of the following is **not** a principle of the AICPA Code of Professional Conduct?
- A) Integrity
 - B) Due Care
 - C) Internal Controls
 - D) Objectivity and Independence
- 38) Which of the following is **not** one of the common elements that are typically present when fraud occurs?
- A) The capacity to rationalize
 - B) The existence of pressure leading to an incentive
 - C) The assistance of others
 - D) The presence of an opportunity
- 39) What is the term used to describe the policies and procedures that are designed to reduce the opportunities for fraud?
- A) Internal controls
 - B) Asset source transactions
 - C) Accounting standards
 - D) Financial systems
- 40) What action did the U.S. Congress take because of the audit failures at Enron, WorldCom and other companies?
- A) Required publicly-traded companies to be audited by a government agency
 - B) Passed the Sarbanes-Oxley Act
 - C) Required companies to begin preparing an additional financial statement
 - D) Passed an amendment to the Securities and Exchange Act
- 41) Which of the following is an asset source transaction?
- A) Issued common stock
 - B) Paid a cash dividend to stockholders
 - C) Collected cash from customers in settlement of accounts receivable
 - D) Accrued salary expense
- 42) Which of the following is an asset use transaction?
- A) Purchased land for cash
 - B) Paid cash for salary expense
 - C) Invested cash in an interest earning account
 - D) Accrued salary expense at the end of the period

- 43) Which of the following is an asset exchange transaction?
- A) Issued common stock
 - B) Accrued salary expense at the end of the accounting period
 - C) Collected cash on accounts receivable
 - D) Earned cash revenue for services provided
- 44) If a company provides services to clients but has not yet collected any cash, how should that transaction be classified?
- A) Claims exchange transaction
 - B) Asset use transaction
 - C) Asset source transaction
 - D) Asset exchange transaction
- 45) Which of the following would be included in the "cash flow from operating activities" section of the statement of cash flows?
- A) Accrual of salary expense at year-end.
 - B) Purchase of land for cash.
 - C) Payments of cash dividends to the owners of the business.
 - D) Cash paid for interest on a note payable.
- 46) Chester Company began Year 2 with a note payable of \$20,000 and interest payable of \$800. During the year, the company accrued an additional \$400 of interest expense, and paid off the note with interest. On the company's Year 2 statement of cash flows, cash flows for financing activities related to the note would be:
- A) \$1,200 outflow
 - B) \$20,000 outflow
 - C) \$20,400 outflow
 - D) \$21,200 outflow
- 47) Which of the following describes the effects of a claims exchange transaction on a company's financial statements?

	Assets	=	Liab.	+	Equity	Rev.	-	Exp.	=	Net Inc.	Stmt of Cash Flows
A.	NA	=	NA	+	NA	NA	-	NA	=	NA	+OA
B.	+	=	+	+	NA	NA	-	NA	=	NA	+OA
C.	NA	=	+	+	-	NA	-	+	=	-	NA
D.	All of these could represent the effects of a claims exchange transaction.										

- A) Option A
- B) Option B
- C) Option C

D) Option D

48) The Merry Maids provided cleaning services to Orange Company on account. Which of the following would describe the transaction's effect on Orange Company's financial statements?

	Accounts Receivable	=	Accounts Payable	+	Common Stock	+	Retained Earnings	Rev.	-	Exp.	=	Net Inc.
A.	NA	=	+	+	NA	+	-	NA	-	NA	=	NA
B.	+	=	NA	+	NA	+	+	+	-	NA	=	+
C.	NA	=	+	+	NA	+	-	NA	-	+	=	-
D.	+	=	NA	+	NA	+	+	NA	-	NA	=	NA

A) Option A

B) Option B

C) Option C

D) Option D

49) The Merry Maids provided cleaning services to Orange Company on account. Which of the following would describe the transaction's effect on the Merry Maids' financial statements?

	Accounts Receivable	=	Accounts Payable	+	Common Stock	+	Retained Earnings	Rev.	-	Exp.	=	Net Inc.
A.	NA	=	+	+	NA	+	-	NA	-	NA	=	NA
B.	+	=	NA	+	NA	+	+	+	-	NA	=	+
C.	NA	=	+	+	NA	+	-	NA	-	+	=	-
D.	+	=	NA	+	NA	+	+	NA	-	NA	=	NA

A) Option A

B) Option B

C) Option C

D) Option D

50) During Year 2, Fancy Foods Incorporated earned \$104,000 of revenue on account. The beginning balance in accounts receivable was \$26,000, and the ending balance was \$4,000. Based solely on this information, what was the amount of cash collected from accounts receivable?

A) \$74,000

B) \$82,000

C) \$126,000

D) \$134,000

51) Fancy Foods Incorporated had an ending balance in accounts payable of \$6,000. The company incurred \$72,000 of operating expenses on account and paid \$90,000 cash to settle accounts payable. Determine the beginning balance in accounts payable.

- A) \$12,000
- B) \$24,000
- C) \$96,000
- D) \$156,000

52) During Year 3, Fancy Foods Incorporated earned \$54,000 of revenue on account. The beginning balance in accounts receivable was \$5,000, and the ending balance was \$10,000. Also, Fancy Foods Incorporated started the year with a beginning balance in accounts payable of \$5,000. Fancy Foods' ending balance in account payable was \$4,000. The company incurred \$12,000 of operating expenses on account. Determine the amount of cash paid to settle accounts payable.

- A) \$13,000
- B) \$24,000
- C) \$96,000
- D) \$156,000

53) Wheaton Co. performed services for a customer on account. Indicate whether each of the following statements about this transaction is true or false.

- _____ a) Assets and equity both increase when the revenue is recognized.
- _____ b) This transaction did not affect cash flows.
- _____ c) The Company recorded an increase in revenue and a decrease in accounts receivable.
- _____ d) Recognition of revenue would be delayed until cash was collected.
- _____ e) This transaction is an example of an asset exchange transaction.

54) Wyatt Company paid \$57,000 in January, Year 2 for salaries that had been earned by employees in December, Year 1. Indicate whether each of the following statements about financial statement effects of the January, Year 2 event is true or false.

- _____ a) The income statement for Year 2 is not affected because the salaries expense had been recognized at the end of December, Year 1.
- _____ b) Cash flows from operating activities decreased on the Year 2 statement of cash flows.
- _____ c) Payment of the salaries in Year 2 increased a liability.
- _____ d) The Year 2 statement of changes in stockholders' equity would not be affected because the salaries expense had been recognized at the end of December, Year 1.
- _____ e) Both assets and equity decreased in Year 2 as a result of this transaction.

55) Indicate whether each of the following statements regarding the four types of accounting events is true or false.

- _____ a) Asset exchange transactions involve an increase in one asset and a decrease in another asset.
- _____ b) An asset source transaction involves an increase in assets and an increase in a corresponding claims account.
- _____ c) An asset use transaction cannot result in an increase in equity.
- _____ d) Asset exchange transactions cannot affect cash flows.
- _____ e) Some claims exchange transactions involve an increase in a liability account and a decrease in an equity account.

56) Indicate whether each of the following statements regarding preparing financial statements is true or false.

- _____ a) Accounts receivable is a liability account.
- _____ b) Salaries payable is on the income statement.
- _____ c) Interest expense is on the income statement.
- _____ d) Accounts payable is on the statement of cash flows.
- _____ e) Notes payable is a liability account.
- _____ f) Interest payable is an asset account.

57) Indicate whether each of the following statements about corporate governance is true or false.

- _____ a) The Financial Accounting Standards Board issues a code of ethical behavior by which public accountants must abide.
- _____ b) The Sarbanes Oxley Act created the Public Company Accounting Oversight Board (PCAOB).
- _____ c) Because of the Sarbanes Oxley Act, audit firms are not permitted to provide many nonaudit services to audit clients.
- _____ d) The fraud triangle identifies opportunity, pressure, and rationalization as the three elements that are typically present when fraud is committed.
- _____ e) An executive found guilty of falsely certifying a company's financial statements faces up to a \$100,000 fine and five years in prison.

58) On January 1, Year 1, Wilson Company borrowed \$70,000 from State Bank. The note stipulates a 3-year term with a 3 percent interest rate. On December 31, Year 1, Wilson recorded an adjusting entry to accrue interest expense. Based solely on these events, indicate whether each of the following statements is true or false.

_____ a) The Year 1 income statement is not affected because interest expense has been accrued but not paid.

_____ b) The Year 1 statement of cash flows will show a \$70,000 cash inflow from investing activities.

_____ c) Accruing interest expense in Year 1 increased a liability.

_____ d) Accruing interest expense is a claims exchange transaction.

_____ e) Both assets and equity decreased in Year 1 as a result of this transaction.

59) The term "recognition" means to report an economic event in the financial statements.

60) Companies that use accrual accounting recognize revenues and expenses at the time that cash is received or paid, respectively.

61) The term "accrual" describes an earnings event that is recognized before cash is received or paid.

62) A company may recognize a revenue or expense without a corresponding cash collection or payment in the same accounting period.

63) A payment to an employee in settlement of salaries payable decreases an asset and decreases equity.

64) An increase in an expense may be accompanied by a decrease in a liability.

65) Accrual accounting usually fails to match expenses with revenues.

66) The matching concept leads accountants to select the recognition alternative that produces the lowest amount of net income.

67) The governance of a corporation includes the roles and responsibilities of the board of directors, managers, shareholders, and auditor.

68) The ethical standards for certified public accountants only require that such accountants comply with applicable laws and regulations.

69) Certified public accountants are obligated to act in a way that serves the public interest.

70) The bankruptcies of Enron and WorldCom both indicated the occurrence of major audit failures.

- 71) The Sarbanes-Oxley Act includes several significant reforms that affect the auditing profession, but it did not reduce an audit firm's ability to provide nonaudit services to its audit clients.
- 72) The internal controls of a business are designed to reduce the probability of occurrence of fraud.
- 73) Providing services to customers on account is an asset exchange transaction.
- 74) The collection of an account receivable is a claims exchange transaction.
- 75) The cash payment of interest is classified as a financing activity on the statement of cash flows.
- 76) Accrued interest expense is an asset use transaction.
- 77) Some claims exchange transactions increase liabilities and decrease stockholders' equity.
- 78) The primary difference between notes payable and accounts payable is that notes payable generally have longer terms and usually require interest charges.
- 79) Issuing a note is an asset use transaction.
- 80) The balance in accounts receivable represents the amount of cash the company is required to pay in the future.
- 81) Accounts receivable is an asset account on the balance sheet.
- 82) Accounts payable is reported on the income statement.
- 83) Sales on account decrease the balance in accounts receivable.
- 84) Expenses incurred on account increase the accounts receivable balance.