

1. The most common type of liability is:

- A. One that comes into existence due to a loss contingency.
- B. One that must be estimated.
- C. One that comes into existence due to a gain contingency.
- D. One to be paid in cash and for which the amount and timing are known.

Answer – D

2. Which of the following is not a characteristic of a liability?

- A. It represents a probable, future sacrifice of economic benefits.
- B. It must be payable in cash.
- C. It arises from present obligations to other entities.
- D. It results from past transactions or events.

Answer - A

3. Which of the following is the best definition of a current liability?

- A. An obligation payable within one year.
- B. An obligation payable within one year of the balance sheet date.

C. An obligation payable within one year or within the normal operating cycle, whichever is longer.

D. An obligation expected to be satisfied with current assets or by the creation of other current liabilities.

Answer – D

4. Which of the following is not a liability?

A. An unused line of credit.

B. Estimated income taxes.

C. Sales tax collected from customers.

D. Advances from customers.

Answer – A

5. Current liabilities normally are recorded at their:

A. Present value.

B. Cost.

C. Maturity amount.

D. Expected value.

Answer – C