

CHAPTER 4 REVIEW

Transactions That Affect Assets, Liabilities, and Owner's Equity

Part 1 Accounting Vocabulary (7 points)

Directions: *Using terms from the following list, complete the sentences below. Write the letter of the term you have chosen in the space provided.*

Total Points	82
Student's Score	

- | | | | |
|------------------------|-----------|----------------------------|----------------------|
| A. accounting equation | C. credit | E. double-entry accounting | G. ledger |
| B. balance side | D. debit | F. T account | H. chart of accounts |

- F 0. A _____ is a tool used by accountants to analyze business transactions.
1. The _____ of an account is the same side used to increase the account.
2. The left side of the T account is the _____ side.
3. Assets = Liabilities + Owner's Equity is the _____.
4. The _____ side is the right side of the T account.
5. _____ is the financial recordkeeping system in which each business transaction affects at least two accounts.
6. A _____ is a list of all the accounts a business uses.
7. Accounts are grouped together in a _____.

Part 2 The Rules of Debit and Credit (15 points)

Directions: *Read each of the following statements to determine whether the statement is true or false. Write your answer in the space provided.*

- T 0. Each account has a specific side that is its normal balance side.
1. Every business transaction affects at least two accounts that are on different sides of the basic accounting equation.
2. For every debit entry made in one account, a credit entry must be made in another account.
3. The T account is an inefficient method for analyzing many business transactions.
4. Double-entry accounting is the recordkeeping system in which each business transaction affects at least one account.
5. "Debit" means to increase an account balance.
6. The normal balance side of an account is the same side that is used to record increases to the account.
7. Liability and capital accounts are increased on the debit side.
8. Debits and credits are used to record increases and decreases in each account affected by a business transaction.
9. Asset accounts are increased on the credit side.
10. A credit is an amount entered on the right side of the T account.
11. If the accounting equation is not in balance after a transaction has been recorded, one reason may be that the debit or credit part of the transaction was not recorded.
12. When analyzing business transactions, you should ask yourself which accounts are affected.
13. A credit to an asset account will decrease the account, while a credit to a liability account will increase that account.
14. The normal balance side of an owner's capital account is the debit side.
15. If one asset account is debited for \$75 and a different asset account is credited for \$75, the total assets will increase by \$75.

Part 3 Analyzing Asset, Liability, and Capital Accounts (20 points)

Directions: For each T account below, indicate the debit and credit sides, the increase and decrease sides, and the normal balance side. The first account has been completed as an example.

Store Equipment		Accounts Payable		Cash in Bank	
Debit	Credit				
Increase	Decrease				
Balance					

Accounts Receivable		Abe Dunn, Capital	

Part 4 Analyzing Business Transactions (40 points)

Directions: Analyze the following transactions by answering the questions in the table below. Use the account names that follow. The first transaction has been completed as an example.

Cash in Bank	Office Equipment	Accounts Payable
Accounts Receivable	Office Supplies	J. Adams, Capital

- The business bought office supplies from Central Supply for \$850 cash.
- The business sold a used laser printer on account for \$1,500.
- Ms. Adams invested \$75,000 of her personal savings in the business.
- The business purchased word processing equipment for \$9,500 on account from Northern Office Equipment Company.
- The business paid \$3,500 on account to Northern Office Equipment Company.
- Ms. Adams transferred an office file cabinet of her own valued at \$375 to the business.

Trans. No.	Which accounts are affected?	What is the classification of each account?	Is each account increased or decreased?	Which account is debited and for what amount?	Which account is credited and for what amount?
0	Office Supplies	Asset	Increased	\$ 850	
	Cash in Bank	Asset	Decreased		\$ 850
1					
2					
3					
4					
5					