

## Accounting Chapter 3 Test

### True/False

Indicate whether the statement is true or false.

- \_\_\_\_\_ 1. After each transaction, the basic accounting equation should remain in balance.
- \_\_\_\_\_ 2. A business transaction affects at least two accounts.
- \_\_\_\_\_ 3. "Assets + Liabilities = Owner's Equity" is another way to express the basic accounting equation.
- \_\_\_\_\_ 4. The increases and decreases caused by business transactions are recorded in specific accounts.
- \_\_\_\_\_ 5. The free enterprise system is based on the right to own property.
- \_\_\_\_\_ 6. One of the purposes of accounting is to provide financial information about property and the rights to that property.
- \_\_\_\_\_ 7. The owner's claims to the assets of a business are liabilities.
- \_\_\_\_\_ 8. A creditor has a financial claim to the assets of a business.
- \_\_\_\_\_ 9. An account is a record of only the increases in the balance of a specific item such as cash or equipment.
- \_\_\_\_\_ 10. The total financial claims do not have to equal the total cost of the property.

### Multiple Choice

Identify the choice that best completes the statement or answers the question.

- \_\_\_\_\_ 11. If the creditor's financial claim to property totals \$1,000 and the owner's financial claim to property totals \$11,000, the property value is \_\_\_\_\_.
  - a. \$10,000
  - b. \$11,000
  - c. \$12,000
  - d. \$1,000
- \_\_\_\_\_ 12. The account Accounts Receivable is an example of a(n) \_\_\_\_\_.
  - a. asset
  - b. liability
  - c. owner's equity
  - d. none of the above
- \_\_\_\_\_ 13. All of the following account titles are asset titles *except* \_\_\_\_\_.
  - a. Office Furniture
  - b. Accounts Payable
  - c. Cash in Bank
  - d. Equipment
- \_\_\_\_\_ 14. A business transaction that involves a purchase on account is considered to be a(n) \_\_\_\_\_.
  - a. cash transaction
  - b. credit transaction
  - c. investment by the owner
  - d. expense transaction

- \_\_\_\_ 15. Each of the following is a business expense **except** a payment for \_\_\_\_.
- a. advertising
  - b. monthly rent
  - c. utility bills
  - d. equipment
- \_\_\_\_ 16. The purchase of a desk on account will increase Office Furniture and will also increase \_\_\_\_.
- a. Cash in Bank
  - b. Accounts Payable
  - c. Accounts Receivable
  - d. Marie Krabish, Capital
- \_\_\_\_ 17. The word *equities* refers to claims against the assets of a business by \_\_\_\_.
- a. both creditors and owners
  - b. creditors only
  - c. owners only
  - d. customers only
- \_\_\_\_ 18. If Paul Abdou deposits \$30,000 in a checking account in the name of his business, the two accounts affected are \_\_\_\_.
- a. Cash in Bank and Computer Equipment
  - b. Cash in Bank and Accounts Receivable
  - c. Cash in Bank and Paul Abdou, Capital
  - d. Cash in Bank and Accounts Payable

### Matching

*Match each item with the correct statement below.*

- |                         |                     |
|-------------------------|---------------------|
| a. account              | k. expenses         |
| b. accounting equation  | l. financial claims |
| c. accounts payable     | m. investments      |
| d. accounts receivable  | n. liabilities      |
| e. asset                | o. on account       |
| f. business transaction | p. owner's equity   |
| g. capital              | q. property         |
| h. credit               | r. property rights  |
| i. creditor             | s. revenue          |
| j. equity               | t. withdrawal       |

- \_\_\_\_ 19. An economic event that causes a change in assets, liabilities, or owner's equity is called a(n) \_\_\_\_.
- \_\_\_\_ 20. The owner's investment in the business is represented by the \_\_\_\_ account.
- \_\_\_\_ 21. The total amount of money to be received in the future for goods or services sold on credit is the \_\_\_\_.
- \_\_\_\_ 22. Anything of value that is owned or controlled by an individual or a business is called \_\_\_\_.
- \_\_\_\_ 23. When an owner takes cash or other assets out of a business for personal use, the transaction is called a(n) \_\_\_\_.
- \_\_\_\_ 24. Any property or item of value owned by a business is a(n) \_\_\_\_.

## Accounting Chapter 3 Test Answer Section

### TRUE/FALSE

- |            |        |                |
|------------|--------|----------------|
| 1. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 2. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 3. ANS: F  | PTS: 1 | NAT: NBEA I.A. |
| 4. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 5. ANS: T  | PTS: 1 |                |
| 6. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 7. ANS: F  | PTS: 1 | NAT: NBEA I.A. |
| 8. ANS: T  | PTS: 1 | NAT: NBEA I.A. |
| 9. ANS: F  | PTS: 1 | NAT: NBEA I.A. |
| 10. ANS: F | PTS: 1 | NAT: NBEA I.A. |

### MULTIPLE CHOICE

- |            |        |                             |
|------------|--------|-----------------------------|
| 11. ANS: C | PTS: 1 | NAT: NBEA I.A.              |
| 12. ANS: A | PTS: 1 |                             |
| 13. ANS: B | PTS: 1 |                             |
| 14. ANS: B | PTS: 1 |                             |
| 15. ANS: D | PTS: 1 |                             |
| 16. ANS: B | PTS: 1 | NAT: NBEA I.A.              |
| 17. ANS: A | PTS: 1 |                             |
| 18. ANS: C | PTS: 1 | NAT: NBEA I.A.   NBEA II.C. |

### MATCHING

- |            |        |                             |
|------------|--------|-----------------------------|
| 19. ANS: F | PTS: 1 | NAT: NBEA I.A.              |
| 20. ANS: G | PTS: 1 | NAT: NBEA I.A.              |
| 21. ANS: D | PTS: 1 | NAT: NBEA I.A.              |
| 22. ANS: Q | PTS: 1 | NAT: NBEA I.A.              |
| 23. ANS: T | PTS: 1 | NAT: NBEA I.A.   NBEA II.C. |
| 24. ANS: E | PTS: 1 | NAT: NBEA I.A.              |