

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

Total Points	81
Student's Score	

PART A Accounting Vocabulary (6 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.

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

- E 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. The _____ side is the right side of the T account.
4. _____ is the financial recordkeeping system in which each business transaction affects at least two accounts.
5. A _____ is a list of all the accounts a business uses.
6. Accounts are grouped together in a _____.

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

Directions: Read each of the following statements to determine whether the statement is true or false.

Answer

- | | | | |
|----------------------------------|---|---|--|
| <input checked="" type="radio"/> | T | F | 0. Each account has a specific side that is its normal balance side. |
| <input type="radio"/> | T | F | 1. Every business transaction affects at least two accounts that are on different sides of the basic accounting equation. |
| <input type="radio"/> | T | F | 2. For every debit entry made in one account, a credit entry must be made in another account. |
| <input type="radio"/> | T | F | 3. The T account is an inefficient method for analyzing many business transactions. |
| <input type="radio"/> | T | F | 4. Double-entry accounting is the recordkeeping system in which each business transaction affects at least one account. |
| <input type="radio"/> | T | F | 5. "Debit" means to increase an account balance. |
| <input type="radio"/> | T | F | 6. The normal balance side of an account is the same side that is used to record increases to the account. |
| <input type="radio"/> | T | F | 7. Liability and capital accounts are increased on the debit side. |
| <input type="radio"/> | T | F | 8. Debits and credits are used to record increases and decreases in each account affected by a business transaction. |
| <input type="radio"/> | T | F | 9. Asset accounts are increased on the credit side. |
| <input type="radio"/> | T | F | 10. A credit is an amount entered on the right side of the T account. |
| <input type="radio"/> | T | F | 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. |
| <input type="radio"/> | T | F | 12. When analyzing business transactions, you should ask yourself which accounts are affected. |
| <input type="radio"/> | T | F | 13. The normal balance side of an owner's capital account is the debit side. |

Concept Assessment cont.

PART C 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 Increase Balance	Credit Decrease				
Accounts Receivable		Abe Dunn, Capital			

PART D 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					

CHAPTER 4**Quick Quiz****Transactions That Affect Assets, Liabilities, and Owner's Capital****PART A True or False**

Directions: Read each of the following statements to determine whether the statement is true or false.

Answer

- | | | |
|---|---|---|
| T | F | 1. The normal balance side for an asset account is the debit side. |
| T | F | 2. "Debit" means the increase side of an account. |
| T | F | 3. A credit to a liability account decreases the account balance. |
| T | F | 4. Assets are increased on the debit side. |
| T | F | 5. Capital is increased on the credit side. |
| T | F | 6. Liabilities are decreased on the credit side. |
| T | F | 7. The basic accounting equation may be expressed as
$A - L = OE$ |
| T | F | 8. The right side of a T account is always the debit side. |
| T | F | 9. For every debit there must be an equal credit. |
| T | F | 10. A debit to one asset account and a credit to another asset account will result in the basic accounting equation being out of balance. |
| T | F | 11. The left side of a T account is always the credit side. |
| T | F | 12. Credit means to decrease a liability. |

Quick Quiz cont.

PART B Identify the Normal Balance**Directions:** For each T account below, indicate with an (N) the normal balance side.

Computer Equipment		Accounts Payable		Cash in Bank	
Debit (N)	Credit	Debit	Credit	Debit	Credit

Accounts Receivable		Abe Dunn, Capital		Office Equipment	
Debit	Credit	Debit	Credit	Debit	Credit

PART C Complete the T Account**Directions:** Analyze the transactions below and enter them in the T accounts provided.

- Ms. Adams invested \$12,000 cash in the business.
- Bought office equipment for cash, \$1,000.
- Bought a computer on account, \$3,000.

Cash in Bank		Office Equipment		Computer Equipment	

Accounts Payable		J. Adams, Capital	

CHAPTER 4**Chapter Quiz****Transactions That Affect Assets, Liabilities, and Owner's Capital****Short Answer**

Directions: Complete the following questions with a short answer.

1. What is an account?

2. Describe the purpose of a ledger in an accounting system.

3. Explain double-entry accounting.

4. What is a debit?

5. What is a credit?

6. How does a debit affect an asset account?

7. How does a credit affect the owner's capital account?

8. What is a normal balance?

9. Why must the accounting equation remain in balance after each transaction?

10. How would you decrease a liability account?

Name _____

Date _____

Class _____