

Chapter 4

Review Problem

Jason Searcy owns and operates Searcy, Athletics. The accounts used for recording and reporting business transactions are:

Cash in Bank	Office Equipment	Accounts Payable – Kessler's Sports, Inc
Accounts Receivable	Computer Equipment	Jason Searcy, Capital
Processing Supplies	Accounts Payable – Office Depot	

1. Prepare a T account for each account used
2. Analyze each business transaction
3. Record the transaction
4. After recording all the transactions, compute the balance
5. Compare your debits and credits

Jason completed these transactions during the first month of operation.

1. Jason Searcy invested \$30000 in the business to begin operation
2. Purchased computer equipment for \$2200, check 101
3. Invested Computer equipment valued at \$825, in the business
4. Bought a used cash register, \$975, on account from Kessler's Sports, INC.
5. Purchased processing supplies for \$973, Check 102
6. Paid \$500 on account to Kessler's sports, Inc, check 103.
7. Purchased paper, ribbons, and other processing supplies for \$395, on account from Office Depot.
8. Purchased a desk for \$594, check 104
9. Paid Office depot, \$395 on account, check 105

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	
<i>Debit</i> (N)	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>

Accounts Receivable		Abe Dunn, Capital		Office Equipment	
<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>

PART C Complete the T Account

Directions: Analyze the transactions below and enter them in the T accounts provided.

1. Ms. Adams invested \$12,000 cash in the business.
2. Bought office equipment for cash, \$1,000.
3. 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?
