

Name: \_\_\_\_\_

## Accounting Chapter 3 Review

1. The four phases of accounting are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
  2. The accounting equation is \_\_\_\_\_ = \_\_\_\_\_ + \_\_\_\_\_.
  3. Items owned by a business that have monetary value are known as \_\_\_\_\_.
  4. \_\_\_\_\_ is the interest of the owners in a business.
  5. Money owed to an outsider is a(n) \_\_\_\_\_.
  6. The difference between assets and liabilities is \_\_\_\_\_.
  7. Financial events that occur in a business are termed \_\_\_\_\_.
  8. An investment in the business increases \_\_\_\_\_ and \_\_\_\_\_.
  9. To purchase "on account" is to create a(n) \_\_\_\_\_.
  10. When the words "paid on account" occur, it means a reduction of the asset \_\_\_\_\_ and reduction of the liability \_\_\_\_\_.
  11. Income increases net assets and also \_\_\_\_\_.
  12. A withdrawal of cash reduces cash and \_\_\_\_\_.
- 1.1. What effect do the transactions below have on the owner's equity (capital)?**
- (a) Fran Johnson invested \$5,000 in the business.
  - (b) She bought equipment on account, \$2,400.
  - (c) She paid half of the bill owed to the creditor.
  - (d) She received \$2,000 in fees.
  - (e) She paid salaries for the week, \$800.
  - (f) She withdrew \$400 from the business.
  - (g) She paid rent for the month, \$900.
  - (h) Inventory of supplies decreased \$350 during the month.

**1.2.** Compute the amount of the missing element:

	<b>Assets</b>	<b>Liabilities</b>	<b>Owner's Equity</b>
(a)	\$24,000	\$19,000	?
(b)	\$16,500	?	\$12,300
(c)	?	\$2,700	\$14,000
(d)	\$15,665	\$9,406	?

**1.3.** Transactions completed by J. Epstein, M.D., appear below. Indicate increase (+), decrease (-), or no change (0) in the accompanying table.

	<b>Assets</b>	<b>=</b>	<b>Liabilities</b>	<b>+</b>	<b>Owner's Equity</b>
(a) Paid rent expense for month					
(b) Paid biweekly salary for lab assistant					
(c) Cash fees collected for the week					
(d) Bought medical equipment, paying cash					
(e) Bought equipment on account					
(f) Paid a creditor (liability) money owed					

**1.4.** Mr. Allen begins business, investing \$4,000 in cash, equipment valued at \$12,000, and \$1,000 worth of supplies. What is the equity of the firm?

**1.5.** If Mr. Allen had included a \$6,000 note payable (written liability), in Prob. 1.4, what would then have been his Owner's Equity?