

CHAPTER 4 Transactions That Affect Assets, Liabilities, and Owner's Equity

Study Plan

Check Your Understanding

Section 1 *Read Section 1 on pages 72–76 and complete the following exercises on page 77.*

- Thinking Critically
- Computing in the Business World
- Problem 4-1 *Applying the Rules of Debit and Credit*

Section 2 *Read Section 2 on pages 78–82 and complete the following exercises on page 83.*

- Thinking Critically
- Communicating Accounting
- Problem 4-2 *Identifying Increases and Decreases in Accounts*

Summary

Review the Chapter 4 Summary on page 85 in your textbook.

- Key Concepts

Review and Activities

Complete the following questions and exercises on pages 86–87 in your textbook.

- Using Key Terms
- Understanding Accounting Concepts and Procedures
- Case Study
- Conducting an Audit with Alex
- Internet Connection
- Workplace Skills

Computerized Accounting

Read the Computerized Accounting information on page 88 in your textbook.

- Making the Transition from a Manual to a Computerized System*
- A Quick Overview of Peachtree Accounting*

Problems

Complete the following end-of-chapter problems for Chapter 4 in your textbook.

- Problem 4-3 *Identifying Accounts Affected by Transactions*
- Problem 4-4 *Using T Accounts to Analyze Transactions*
- Problem 4-5 *Analyzing Transactions into Debit and Credit Parts*
- Problem 4-6 *Analyzing Transactions into Debit and Credit Parts*

Challenge Problem

- Problem 4-7 *Analyzing Transactions Recorded in T Accounts*

Chapter Reviews and Working Papers

Complete the following exercises for Chapter 4 in your Chapter Reviews and Working Papers.

- Chapter Review
- Self-Test

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	
<i>Debit</i>	<i>Credit</i>				
<i>Increase</i>	<i>Decrease</i>				
<i>Balance</i>					
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	<i>Office Supplies</i>	<i>Asset</i>	<i>Increased</i>	<i>\$ 850</i>	
	<i>Cash in Bank</i>	<i>Asset</i>	<i>Decreased</i>		<i>\$ 850</i>
1					
2					
3					
4					
5					

Working Papers for Section Problems**Problem 4-1** Applying the Rules of Debit and Credit

Account Title	Account Classification	Increase Side	Decrease Side	Normal Balance
<i>Cash in Bank</i>	<i>Asset</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>

Problem 4-2 Identifying Increases and Decreases in Accounts

1. a. _____

- b. _____

2. a. _____

- b. _____

3. a. _____

- b. _____

Working Papers for End-of-Chapter Problems

Problem 4-3 Identifying Accounts Affected by Transactions

- 1. _____

- 2. _____

- 3. _____

- 4. _____

Analyze: _____

Problem 4-4 Using T Accounts to Analyze Transactions

Analyze: _____

Name _____

Date _____

Class _____

Problem 4-5 Analyzing Transactions into Debit and Credit Parts

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Analyze:

Problem 4-6 Analyzing Transactions into Debit and Credit Parts

Sum of debit balances = _____ . Sum of credit balances = _____ .

Analyze: _____

Problem 4-7 Analyzing Transactions Recorded in T Accounts

Trans. No.	Account Debited	Increase (I) or Decrease (D)	Account Credited	Increase (I) or Decrease (D)	Description
1	Cash in Bank	I	Richard Tang, Capital	I	Richard Tang invested \$15,000 in the business.
2					
3					
4					
5					
6					
7					
8					
9					
10					

Analyze: _____

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Self-Test

Part A True or False

Directions: Circle the letter T in the Answer column if the statement is true; circle the letter F if the statement is 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. |

Part B Identify the Normal Balance

Directions: For each T account below, indicate with an (N) the normal balance side. The first account has been completed as an example.

Computer Equipment		Accounts Payable		Cash in Bank	
Debit	Credit	Debit	Credit	Debit	Credit
(N)					
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	
Debit	Credit	Debit	Credit	Debit	Credit
Accounts Payable		J. Adams, Capital			
Debit	Credit	Debit	Credit		