

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

Study Plan

Check	Your	Understan	ding
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Section 1	 Read Section 1 on pages 72–76 and complete the following exercises 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				



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Part 1 Accounting Vocabulary (7 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. accounting equation B. balance side		C. credit D. debit	E. double-entry accounting F. T account	G. ledger H. chart of accounts
	 The of The left side of Assets = Liabit The side is the interpretable to accordance 	an account is the of the T account lities + Owner's le is the right side in ancial records ounts. It of all the account is th	ountants to analyze business transe same side used to increase the is the side. Equity is the de of the T account. seeping system in which each but ounts a business uses. or in a	e account.
Part 2	The Rules of	of Debit and	d Credit (15 points)	
Directions:	Read each of the answer in the spo		ents to determine whether the state	ment is true or false. Write your
			de that is its normal balance side	
			ects at least two accounts that a	re on different sides of the basic
	accounting ed		one account, a credit entry mu	st he made in another account
			t method for analyzing many b	
			e recordkeeping system in whic	
		t one account.		
			account balance.	s used to record increases to the
	account.	alance side of an	account is the same side that is	s used to record increases to the
		capital accounts	are increased on the debit side.	
			record increases and decreases i	
	business trans			
			on the credit side.	
	U. A credit is an	amount entered	on the right side of the T accounts in balance after a transaction	INT.
l	may be that t	nig equation is i	not in balance after a transactior it part of the transaction was no	ot recorded.
1:			isactions, you should ask yourse	
			ill decrease the account, while a	
	will increase t	hat account.		
1.	4. The normal b	alance side of ar	owner's capital account is the	debit side.
1			l for \$75 and a different asset ac	count is credited for \$75, the
	total assets w	ill increase by \$7	/5.	

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	
Debit	Credit		,	
Increase	Decrease			
Balance				
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	1
Accounts Receivable	Office Supplies	J. Adams, Capital	

- **0.** The business bought office supplies from Central Supply for \$850 cash.
- 1. The business sold a used laser printer on account for \$1,500.
- **2.** Ms. Adams invested \$75,000 of her personal savings in the business.
- **3.** The business purchased word processing equipment for \$9,500 on account from Northern Office Equipment Company.
- **4.** The business paid \$3,500 on account to Northern Office Equipment Company.
- 5. 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					

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
Cash in Bank	Asset	Debit	Credit	Debit
		1		

Problem 4-2 Identifying Increases and Decreases in Accounts

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b.			
2. a.			 -
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3.a.			
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-	A 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4		
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Working Papers for End-of-Chapter Problems

Problem 4-3 Identifying Accounts Affected by Transactions

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Drobler A.A. Heing T	Accounts to Analyza Transacti	one
Problem 4-4 Using 1	Accounts to Analyze Transacti	ons
	7	
1	I	l
nalyze:		

Problem 4-5	Analyzing '	Transactions into Debit and Credit Parts
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		-
nalyze:		

arts
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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			Seed of the seed o		
7			32 00 00 00 00		
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 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 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.

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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.

- 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		
	J. L.		