

Study Guide 1

Name	Perfect Score	Your Score
Identifying Accounting Terms	16 Pts.	
Identifying Accounting Concepts and Practices	14 Pts.	
Analyzing How Transactions Change an Accounting Equation	10 Pts.	
Analyzing a Balance Sheet	10 Pts.	
Total	50 Pts.	

Part One—Identifying Accounting Terms

Directions: Select the one term in Column I that best fits each definition in Column II. Print the letter identifying your choice in the Answers column.

Column I	Column II	Answers
A. account	1. Planning, recording, analyzing, and interpreting financial information. (p. 4)	1. _____
B. account balance	2. A planned process for providing financial information that will be useful to management. (p. 4)	2. _____
C. account title	3. Organized summaries of a business's financial activities. (p. 4)	3. _____
D. accounting	4. A business that performs an activity for a fee. (p. 6)	4. _____
E. accounting equation	5. A business owned by one person. (p. 6)	5. _____
F. accounting records	6. Anything of value that is owned. (p. 7)	6. _____
G. accounting system	7. Financial rights to the assets of a business. (p. 7)	7. _____
H. asset	8. An amount owed by a business. (p. 7)	8. _____
I. balance sheet	9. The amount remaining after the value of all liabilities is subtracted from the value of all assets. (p. 7)	9. _____
J. capital	10. An equation showing the relationship among assets, liabilities, and owner's equity. (p. 7)	10. _____
K. equities	11. A business activity that changes assets, liabilities, or owner's equity. (p. 9)	11. _____
L. liability	12. A record summarizing all the information pertaining to a single item in the accounting equation. (p. 9)	12. _____
M. owner's equity	13. The name given to an account. (p. 9)	13. _____
N. proprietorship	14. The amount in an account. (p. 9)	14. _____
O. service business	15. The account used to summarize the owner's equity in a business. (p. 9)	15. _____
P. transaction	16. A financial statement that reports assets, liabilities, and owner's equity on a specific date. (p. 13)	16. _____

Part Two—Identifying Accounting Concepts and Practices

Directions: Place a *T* for True or an *F* for False in the Answers column to show whether each of the following statements is true or false.

Answers

- | | |
|--|-----------|
| 1. Accounting is the language of business. (p. 4) | 1. _____ |
| 2. Keeping personal and business records separate is an application of the business entity concept. (p. 6) | 2. _____ |
| 3. Assets such as cash and supplies have value because they can be used to acquire other assets or be used to operate a business. (p. 7) | 3. _____ |
| 4. The relationship among assets, liabilities, and owner's equity can be written as an equation. (p. 7) | 4. _____ |
| 5. The equation is called the accounting equation and does not have to be in balance to be correct. (p. 7) | 5. _____ |
| 6. The sum of the assets and liabilities of a business always equals the investment of the business owner. (p. 7) | 6. _____ |
| 7. Recording business costs in terms of hours required to complete projects and sales in terms of dollars is an application of the unit of measurement concept. (p. 9) | 7. _____ |
| 8. The capital account is an owner's equity account. (p. 9) | 8. _____ |
| 9. If two amounts are recorded on the same side of the accounting equation, the equation will no longer be in balance. (p. 10) | 9. _____ |
| 10. When a company pays insurance premiums in advance to an insurer, it records the payment as a liability because the insurer owes future coverage. (p. 10) | 10. _____ |
| 11. When items are bought and paid for later this is referred to as buying <i>on account</i> . (p. 11) | 11. _____ |
| 12. When cash is paid on account, a liability is increased. (p. 11) | 12. _____ |
| 13. The Going Concern accounting concept affects the way financial statements are prepared. (p. 13) | 13. _____ |
| 14. On a balance sheet, a single line means that amounts are to be added or subtracted. (p. 14) | 14. _____ |

Name _____

Part Three—Analyzing How Transactions Change an Accounting Equation

Directions: For each of the following transactions, select the two accounts in the accounting equation that are changed. Decide if each account is increased or decreased. Place a "+" in the column if the account is increased. Place a "-" in the column if the account is decreased.

Transactions

- 1-2. Received cash from owner as an investment. (p. 9)
- 3-4. Paid cash for supplies. (p. 10)
- 5-6. Paid cash for insurance. (p. 10)
- 7-8. Bought supplies on account from Ling Music Supplies. (p. 11)
- 9-10. Paid cash on account to Ling Music Supplies. (p. 11)

Trans. No.	Assets			=	Liabilities	+	Owner's Equity
	Cash	Supplies	Prepaid Insurance	=	Accts. Pay.—Ling Music Supplies	+	B. Treviño, Capital
1-2.							
3-4.							
5-6.							
7-8.							
9-10.							