

Study Guide 2

Name		Perfect Score	Your Score
	Identifying Accounting Terms	4 Pts.	
	Identifying Accounting Concepts and Practices	15 Pts.	
	Analyzing How Transactions Change an Accounting Equation	12 Pts.	
	Analyzing a Balance Sheet	9 Pts.	
	Total	40 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. expense	1. An increase in owner's equity resulting from the operation of a business. (p. 26)	1. _____
B. revenue	2. A sale for which cash will be received at a later date. (p. 26)	2. _____
C. sale on account	3. A decrease in owner's equity resulting from the operation of a business. (p. 27)	3. _____
D. withdrawals	4. Assets taken out of a business for the owner's personal use. (p. 28)	4. _____

Part Two—Identifying Accounting Concepts and Practices Related to Changes That Affect Owner's Equity

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. A transaction for the sale of goods or services results in an increase in owner's equity. (p. 26) | 1. _____ |
| 2. When cash is received for services performed, the asset account Cash is increased and the owner's equity account is decreased. (p. 26) | 2. _____ |
| 3. Accounts Receivable is a liability account. (p. 26) | 3. _____ |
| 4. Regardless of when payment is made when services are sold, the revenue should be recorded at the time of the sale. (p. 26) | 4. _____ |
| 5. A transaction that increases accounts receivable and increases owner's equity is a sale on account. (p. 26) | 5. _____ |
| 6. Owner's equity is decreased by a sale on account. (p. 26) | 6. _____ |
| 7. When cash is paid for expenses, the business has less cash; therefore, the asset account Cash is decreased and the owner's equity account is increased. (p. 27) | 7. _____ |
| 8. Cash is increased by expenses. (p. 27) | 8. _____ |
| 9. Recording an expense transaction in an accounting equation increases liabilities. (p. 27) | 9. _____ |
| 10. When a company makes payments for advertising and charitable contributions, the company is paying expenses. (p. 27) | 10. _____ |
| 11. When a company receives cash from a customer for a prior sale, the transaction decreases the cash account balance and increases the accounts receivable balance. (p. 28) | 11. _____ |
| 12. A withdrawal is a transaction that decreases cash and decreases owner's equity. (p. 28) | 12. _____ |
| 13. When cash is paid to the owner for personal use, assets decrease and owner's equity decreases. (p. 28) | 13. _____ |
| 14. An owner may withdraw only cash from a business; other assets must remain in the business at all times for the accounting equation to be in balance. (p. 28) | 14. _____ |
| 15. Three transactions that affect owner's equity are receiving cash on account, paying expenses, and paying for supplies bought on account. (p. 28) | 15. _____ |

Name _____

Part Three—Analyzing How Transactions That Affect Owner's Equity 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 sales. (p. 26)
- 3-4. Sold services on account to Kids Time. (p. 26)
- 5-6. Paid cash for rent. (p. 27)
- 7-8. Paid cash for telephone bill. (p. 27)
- 9-10. Received cash on account from Kids Time. (p. 28)
- 11-12. Paid cash to owner for personal use. (p. 28)

Trans. No.	Assets				=	Liabilities	+	Owner's Equity			
	Cash	+	Accts. Rec.— Kids Time	+	Supplies	+	Prepaid Insurance	=	Accts. Pay.—Ling Music Supplies	+	B. Treviño, Capital
1-2.											
3-4.											
5-6.											
7-8.											
9-10.											
11-12.											

Part Four—Analyzing a Balance Sheet

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. A balance sheet may be prepared on any date. (p. 30) | 1. _____ |
| 2. The accounts on the left side of the accounting equation are reported on the left side of the balance sheet. (p. 30) | 2. _____ |
| 3. Few businesses need to prepare a balance sheet every day. (p. 30) | 3. _____ |
| 4. The balance sheet reports the balances of the asset, liability, and owner's equity accounts. (p. 30) | 4. _____ |
| 5. The heading of a balance sheet contains the name of the business, name of the report, and date of the report. (p. 30) | 5. _____ |
| 6. The accounts on the left side of the accounting equation include the liabilities and owner's equity. (p. 30) | 6. _____ |
| 7. The total of the left side of the balance sheet is equal to the right side, and these totals need not be on the same line. (p. 30) | 7. _____ |
| 8. Asset accounts are shown on the right side of the balance sheet. (p. 30) | 8. _____ |
| 9. Owner's equity accounts are presented above liability accounts on the balance sheet. (p. 30) | 9. _____ |