

1

Asset, Liability, Owner's Equity, Revenue, and Expense Accounts

STUDY GUIDE QUESTIONS

PART 1 True/False

For each of the following statements, circle T if the statement is true and F if the statement is false.

- T F 1. The term *owner's equity* means the owner's investment.
- T F 2. When an asset is purchased for cash, the owner's equity account is decreased.
- T F 3. People who loan money to a company are considered the company's debtors.
- T F 4. A business entry is considered an economic unit.
- T F 5. Equipment is considered an asset.
- T F 6. Expenses have the effect of decreasing owner's equity.
- T F 7. The amounts owed by charge customers are recorded in the Accounts Receivable account.
- T F 8. Withdrawals by the owner decrease owner's equity.
- T F 9. When a business receives a payment from a charge customer, the revenue account is not affected.
- T F 10. An accountant keeps a separate record for each asset, liability, owner's equity, revenue, and expense account.

PART 2 Completion—Language of Business

Complete each of the following statements by writing the appropriate words in the spaces provided.

1. A one-owner business is called a(n) _____.
2. Debts owed by a business are called _____.
3. A person or business to whom money is owed is called a(n) _____.
4. The categories listed under the classifications Assets, Liabilities, Owner's Equity, Revenues, and Expenses are called _____.
5. An event affecting a business that can be expressed in terms of money and that must be recorded in the accounting records is called a(n) _____.
7. The equation expressing the relationship of assets, liabilities, and owner's equity is called the _____.
8. The _____ is the official list of account titles to be used to record the transactions of a business.
9. A financial interest in or claim to an asset is called _____.

10. _____ represents the amount a business earns by providing or performing a service for a customer.
11. If the owner takes cash out of the business each month, this is called a(n) _____.
12. The account used to record the amounts owed by charge customers is _____.
13. _____ are the costs related to the earning of revenue.

PART 3 Classifying Accounts

The office of financial consultant S. Morton has the following accounts:

Income from Services
 Office Equipment
 Supplies Expense
 Accounts Payable
 Building
 Cash
 Rent Expense

Wages Expense
 Mortgage Payable
 Land
 S. Morton, Capital
 Prepaid Insurance
 Neon Sign
 S. Morton, Drawing

List each account under the appropriate heading.

Assets	Owner's Equity
	Revenue
	Expenses
Liabilities	

PART 4 Analyzing Transactions

Here are some typical transactions of Myers Insect Control Service. For each transaction, indicate the increase (+) or the decrease (-) in Assets (A), Liabilities (L), Owner's Equity (OE), Revenue (R), or Expenses (E) by placing the appropriate sign(s) in the appropriate column(s). The first transaction is given as an example.

0. *Example:* Owner invested cash
1. Payment of rent
2. Sales of services for cash
3. Investment of equipment by owner
4. Payment of insurance premium for two years
5. Payment of wages
6. Sales of services on account
7. Withdrawal of cash by owner
8. Purchase of supplies on account
9. Collection from charge customer previously billed.
10. Payment made to creditor on account

A	L	OE	R	E
+		+		