

# Answers to Study Guide Questions

## CHAPTER 1

### PART 1 True False

- |      |       |
|------|-------|
| 1. T | 6. T  |
| 2. F | 7. T  |
| 3. F | 8. T  |
| 4. T | 9. T  |
| 5. T | 10. T |

### PART 2 Completion—Language of Business

- |                                    |                         |
|------------------------------------|-------------------------|
| 1. sole proprietorship             | 8. chart of accounts    |
| 2. liabilities                     | 9. equity               |
| 3. creditor                        | 10. Revenue             |
| 4. accounts                        | 11. withdrawal          |
| 5. transaction                     | 12. Accounts Receivable |
| 6. capital                         | 13. Expenses            |
| 7. fundamental accounting equation |                         |

### PART 3 Classifying Accounts

#### Assets

- Office Equipment
- Building
- Cash
- Land
- Prepaid Insurance
- Neon Sign

#### Liabilities

- Accounts Payable
- Mortgage Payable

#### Owner's Equity

- S. Morton, Capital
- S. Morton, Drawing

#### Revenue

- Income from Services

#### Expenses

- Wages Expense
- Rent Expense
- Supplies Expense

### PART 4 Analyzing Transactions

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
+		+		
-				+
+			+	
+		+		
+ -				
-				+
+			+	
-		-		
	+			+
+ -				
-	-			