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T Accounts, Debits and Credits, Trial Balance, and Financial Statements

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. Expenses have the effect of decreasing owner's equity.
- T F 2. A summary of assets, liabilities, and owner's equity shows the financial position of an economic unit.
- T F 3. The third line in the heading of a balance sheet indicates one specific date.
- T F 4. The amounts owed by charge customers are recorded in the Accounts Payable account.
- T F 5. The net income for a given financial period is found in both the income statement and the balance sheet.
- T F 6. To prepare the financial statements for a business, you should prepare the balance sheet first, followed by the income statement, and then the statement of owner's equity.
- T F 7. The net income is the connecting link between the income statement and the statement of owner's equity.
- T F 8. An income statement is prepared at the end of the financial period to show the results of operations.
- T F 9. When a business receives a payment from a charge customer, the revenue account is not affected.
- T F 10. If the owner withdraws more than the amount of the net income, there will be a decrease in owner's equity.

PART 2 Completion—Language of Business

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

1. The left hand side of any account is the _____ side.
2. The small, penciled-in figures used to record the totals of each side of a T account are called _____.
3. If the digits are switched around when you record a number, the error is called a(n) _____.
4. The device used to prove that the total of all the debit balances equals the total of all the credit balances is called a(n) _____.

5. A(n) _____ is used to record a transaction that has more than one debit and/or more than one credit.
6. The right-hand side of any account is called the _____ side.

PART 3 Accounting Entries

The following transactions were completed by C. R. Hendricks, Physical Therapist. Using appropriate account titles, record the transactions in pairs of T accounts, and show plus and minus signs with each T account. List accounts to be debited in the left-hand T account column and accounts to be credited in the right-hand T account column.

0. *Example:* Paid electric bill, \$92.

Utilities Expense		Cash	
+	-	+	-
(0) 92		(0) 92	

a. Bought professional equipment on account, \$760.

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b. Billed patients for services performed, \$764.

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c. Paid rent for the month, \$950.

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d. Bought supplies on account, \$410.

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e. Paid telephone bill, \$76.

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f. Collected \$610 from patients previous billed.

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g. Paid creditors on account, \$500.

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h. Paid salary of assistant, \$990.

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i. Bought office equipment for cash, \$342.

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- j. Returned \$200 of supplies bought previously on credit in **d** and received a reduction in the bill.

