

Analyzing Accounting Transactions

Concepts and Practices

Name: _____

1. An accounting device used to analyze transactions is a “T-Account”. True / False
2. The amount recorded on the RIGHT side of a “T-Account is a Debit. True / False
3. Each ASSET account has a normal DEBIT balance. True / False
4. Each LIABILITY account has a normal CREDIT balance. True / False
5. The balance of an account increases on the same side as its normal balance. True / False
6. ASSET accounts increase with CREDIT balance. True / False
7. Each transaction changes the balance in at least 2 accounts. True / False
8. A list of accounts used by a business is a CHART OF ACCOUNTS. True / False
9. When cash is paid for supplies, the SUPPLIES account is increased by a DEBIT. True / False
10. Common accounting practice is to record WITHDRAWALS as DEBITS directly in the owner’s CAPITAL account. True / False
11. The LEFT side of an ASSET account is the CREDIT side because the ASSET accounts are on the LEFT side of the ACCOUNTING EQUATION. True / False
12. A DRAWING account is DECREASED BY DEBITS and INCREASED BY CREDITS. True / False
13. Increases in EXPENSE accounts are recorded as DEBITS, because they decrease the OWNER’S CAPITAL account. True / False
14. The NORMAL balance side of an ACCOUNTS RECEIVABLE account is a CREDIT. True / False
15. ACCOUNTS PAYABLE accounts are increased with a DEBIT. True / False
16. ADVERTISING EXPENSE is increased with a DEBIT. True / False
17. CASH is increased with a CREDIT. True / False
18. PREPAID INSURANCE is decreased with a CREDIT. True / False
19. To summarize withdrawal information separately from the other records, owner withdrawal transactions are recorded in the OWNER’S CAPITAL account. True / False
20. Increases to LIABILITY accounts are recorded on the DEBIT side True / False

Analyzing Transactions into DEBIT and CREDIT PARTS

Anna Botik is a physician that makes home-health care visits. She bills clients for her services. This month she had the following transactions:

1. Received cash from owner as an investment, \$4,500.00
2. Paid cash for supplies, \$700.00
3. Bought supplies on account from Medical Wholesalers, Inc., \$185.00
4. Received cash from service fees previously billed, \$900.00
5. Paid cash on account to Medical Wholesalers, Inc., \$75.00
6. Paid cash to the owner for personal use, \$300.00
7. Billed for medical services provided to a client, Ally Katz, \$150.00
8. Paid cash for malpractice insurance, \$300.00
9. Received cash on account from Ally Katz, \$125.00
10. Paid cash for rent, \$950.00

The beginning balances in her accounts are:

CASH: \$1,200.00 MEDICAL WHOLESALERS: \$200.00 Anna Botik Capital: \$1000.00

Directions

“Open” each account on the T-Account form provided. Record the beginning balances identified above. Analyze each transaction into its debit and credit parts. Write the debit or credit amounts in the proper T-Account to show how each transaction changes account balances. Write the date of the transaction in parentheses before each amount.

When you are done, “foot” each T-Account (calculate the balances as of the 11th day of the month. We will assume that Anna Botik took the rest of the month off and did not work and there were no more transactions.

Prepare a TRIAL BALANCE to prove that the debits equal the credits you have written in the T-Accounts – there will be another form for that.

Once you “prove” your debits/credits, create an Income Statement, Owner’s Equity Statement, and then a new BALANCE SHEET – forms will be provided when you are ready to do this.