

Business and Personal Finance © 2012

Chapter 7: Financial Accounting

Check Your Answers: Section Assessment

Section 1

Review Key Concepts

- 1.** To collect, record, and report on financial transactions that affect a business.
- 2.** Assets—property or items owned by the business. Liabilities—creditors' claims to the assets of a business. Owner's equity—owner's claim to assets.
- 3.** Businesses keep financial records according to an established set of principles and procedures. Every effective business, large and small, follows GAAP. Businesses generate financial statements by following the universally accepted steps of the accounting cycle.

Higher Order Thinking

- 4.** Check for mathematical errors, transposed or misplaced numbers, and accidental omissions or duplications when transferring numbers from the general journal to the general ledger.

21st Century Skills

- 5. Work Creatively with Others** Role plays will vary but should demonstrate an understanding that accounting systems differ for different kinds of businesses. For example, a graphic designer would need accounts for office equipment and mailing supplies, but probably not for delivery equipment.

Mathematics

- 6. Accounting Transactions** T-accounts should show \$1,500 debit for office equipment and \$1,500 credit for Cash; \$15,000 debit for delivery equipment and \$15,000 credit for accounts payable; \$7,500 credit for inventory, \$1,875 debit for cash, and \$5,625 debit for accounts receivable. The net change in total assets = $\$1,500 - \$1,500 + 15,000 - \$7,500 + \$1,875 + \$5,625 = \$15,000$. The net change in total liabilities = $\$15,000$. The net change in owner's equity = $\$0$.