

Glencoe Accounting

Chapter 3: Business Transactions and the Accounting Equation

I-Summary

In this chapter, you learned how the basic accounting equation is used to keep all accounting records in balance. You analyzed business transactions to see how they affected each part of the accounting equation. Cash, credit, revenue and expense, withdrawals, and investment transactions were examined for Roadrunner Delivery Service. Remember: A strong understanding of the basic accounting equation is the key to understanding the effects of any business transaction.

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I-Quiz

1. Which item best describes a financial claim in accounting?
 - A. a loss covered by insurance
 - B. money owed on a purchase
 - C. a legal right to an item
2. How would office furniture be classified in the analysis of a business transaction?
 - A. as a capital account
 - B. as a liability account
 - C. as an asset account
3. If a business deposits \$1,000 from a customer in payment of his account, which two accounts are affected?
 - A. Cash in Bank and Accounts Payable
 - B. Cash in Bank and Capital
 - C. Cash in Bank and Accounts Receivable
4. How would Accounts Payable be classified?
 - A. as a liability account
 - B. as an asset account
 - C. as an owner's equity account

Answer Key

1. C
2. C
3. C
4. A