# Chapter 1

Evaluating Transactions

## True/False Questions

1. Accounting provides information for employees within a business, but cannot do so for individuals outside of a business.
   1. True
   2. False
2. Assets represent amounts owed to entities outside of the business.
   1. True
   2. False
3. Notes Payable is a liability account.
   1. True
   2. False
4. Accounts Payable is an asset account.
   1. True
   2. False
5. The John Doe, Capital account represents amounts withdrawn from a business by the owner.
   1. True
   2. False
6. Double-Entry Bookkeeping dictates that at least two accounts must be impacted by every transaction.
   1. True
   2. False
7. All transactions must involve at least three accounts.
   1. True
   2. False
8. The sale of services to a customer on account results in an increase in the Service Revenue account and an increase in the Accounts Receivable account.
   1. True
   2. False
9. The accounting equation must be in balance after every transaction.
   1. True
   2. False
10. Recording transactions allows a company to maintain a running balance for each account at all times.
    1. True
    2. False

## Multiple Choice Questions

1. Which of the following represents the correct Accounting Equation?
   1. Assets + Liabilities = Owner’s Equity
   2. Assets = Liabilities – Owner’s Equity
   3. Assets = Liabilities + Owner’s Equity
   4. Liabilities – Assets = Owner’s Equity
2. Each of the following is an Owner’s Equity account except\_\_\_\_\_\_.
   1. Rent Expense
   2. John Doe, Capital
   3. Service Revenue
   4. Supplies
3. Which of the following would not be considered a transaction?
   1. The renaming of a business
   2. The purchase of office furniture for cash
   3. The sale of goods to a customer
   4. An investment of cash into a business by the owner
4. Which two accounts would be impacted when a business purchases pens and pencils on account?
   1. Furniture & Cash
   2. Supplies & Accounts Payable
   3. Cash & Supplies
   4. Accounts Receivable & Accounts Payable