

# Topic 11



## Accounting for expenses and Income



Revenue: Income generated by providing services.

Receipt of Income

	dr	cr
cash/bank ↑	x	
income ↑		x

Income

<u>Prepaid / Advance</u>	<u>Arrears / Owing</u>
<ul style="list-style-type: none"> <li>• Income received but services not yet provided.</li> <li>• Current liability [Credit nature]</li> <li>• Other payable</li> </ul>	<ul style="list-style-type: none"> <li>• Services provided but amount not yet received</li> <li>• Current Asset [Debit nature]</li> <li>• Other Receivable</li> </ul>

Income / Revenue

	\$			\$
balance b/d [Arrears]	200	balance b/d [Advance]		1000
<u>Income Statement</u>	<u>12750</u>	Bank / Cash [Receipts]		15000
		Bad Debt		100
balance c/d [Prepaid]	3500	balance c/d [Arrears]		350
	<u>16450</u>			<u>16450</u>

Income = Receipt + b/d prepaid (-) c/d prepaid + c/d owing (-) b/d owing + bad debt

12750 = 15000 + 1000 (-) 3500 + 350 (-) 200 + 100

Note: Any 1 missing figure can be calculated from above ledger account

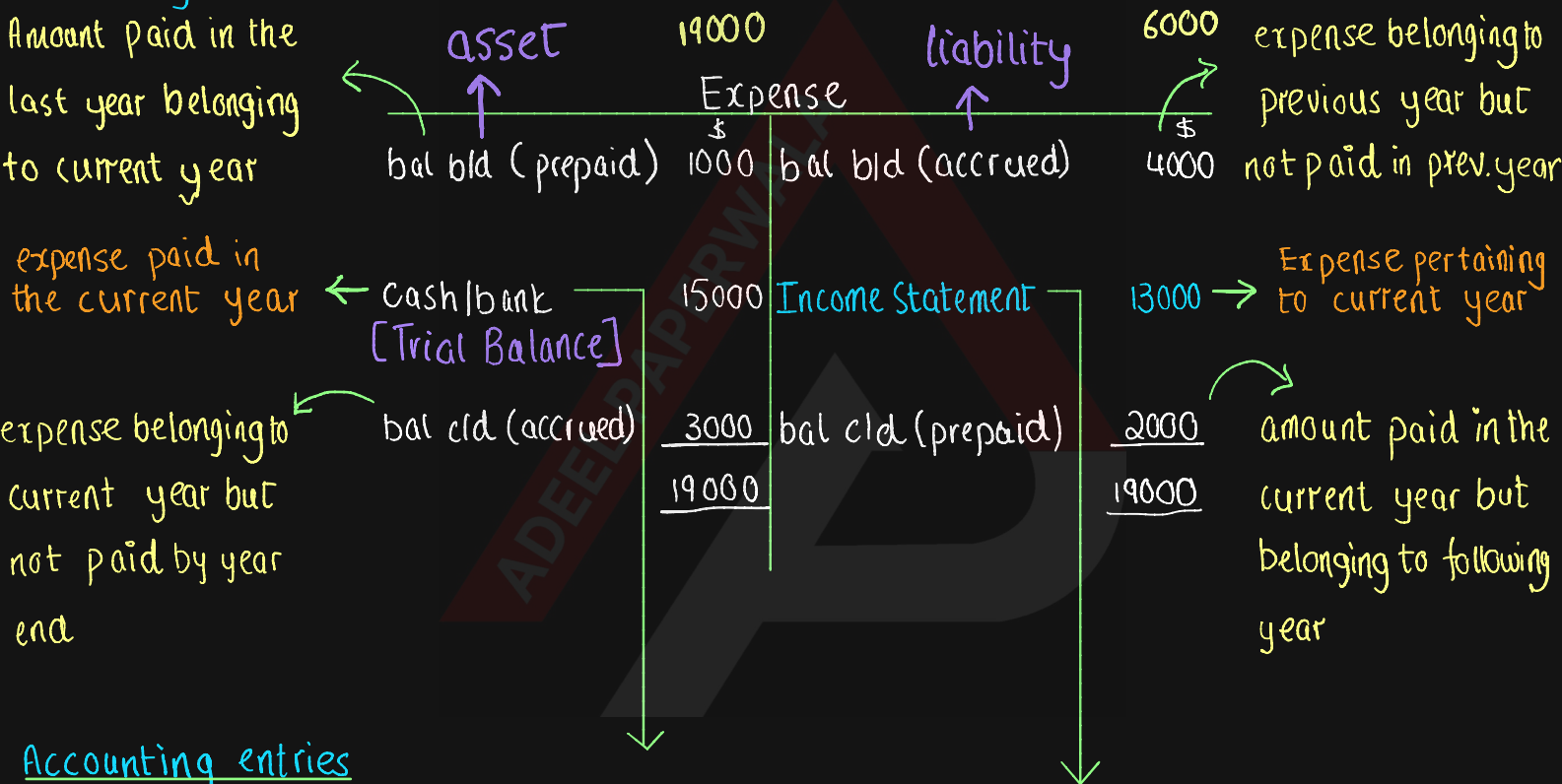
## Income/Revenue

- Income in advance/prepaid income:
  - Amount received but services not yet provided
  - Treated as a current liability
  - (-) from income
- Income in arrears/accrued income:
  - Services provided but amount not yet received
  - Treated as current Asset
  - + to income

## Expenses

- Expenses in advance/prepaid expenses:
  - Amount paid but services not yet received
  - Treated as current Asset
  - (-) from expenses
  - unpaid / arrears
- Accrued/Outstanding/Owing expenses:
  - Services availed but amount not yet paid
  - Treated as a current liability
  - + to expense

## Accounting for expenses:



## Accounting entries

1.
 

	dr	cr		dr	cr
expenses ↑	15000		2. Income statement	13000	
bank/cash ↓		15000	expense		13000

$$\text{Expense} = \text{Amount paid} + \text{bld prepaid (-) cld prepaid} + \text{cld accrued (-) bld accrued}$$

$$\text{Expense} = \text{Amount paid (-) cld prepaid} + \text{cld accrued} + \text{bld prepaid (-) bld accrued}$$

# Accounting for Revenue/Income



## Accounting entries

2. Revenue/Income	dr	6000	cr	6000	1. Cash/Bank	dr	10000	cr	10000
Income Statement (Revenue)					Revenue/Income				

Income = Amount received + bld prepaid (-) cld prepaid + cld accrued (-) bld accrued

Income = Amount received (-) cld prepaid + cld accrued

	prepaid	arrears / accrued
1 Jan 2020 (b/d)	<del>400</del>	<del>300</del>
31 Dec 2020 (c/d)	500	200

rent received during the year amounted to \$7200.

	800		7800
	Revenue / Income		\$
bal b/d (arrears)	300	bal b/d (prepaid)	400
Income Statement	7000	Cash / Bank (receipts)	7200
bal c/d (prepaid)	500	bal c/d (arrears)	200
	7800		7800