

# Lesson 8.1 - Accounting for Current Assets – Other Receivables

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## 8.1.1 Other Receivables

These receivables include various forms of nontrade receivables which do not generally result from the operations of the business.

It includes and means borrower receivables that are not sold on the business platform.

It includes and means client receivables that are not sold on the business platform.

Examples include interest receivable, wage advances, loans to company officers, loans to other companies, advances to employees, and income taxes refundable.

Therefore, companies generally classify and report them as separate items in the balance sheet.

## 8.1.2 Type of Other Receivables

Common examples of nontrade or other receivables include:

- Interest Income receivable
- Rental Income receivable
- Prepayment
- Deposit Paid
- Staff / Others Loan or Advances

All the above shall reported in Balance Sheet and classified under Current Assets

### 8.1.3 Interest Income Receivables

Interest receivable refers to the interest that has been earned by investments, loans, or overdue invoices but has not actually been paid yet.

Define in a simple way, interest receivable is the expected interest revenue a company will receive. It is reasonably expected to be paid within a year.

We should accrue or take up expected interest earned in the financial year despite no payment received. This is to comply with Accrual and Revenue recognition concept.

Interest receivable is generally recorded as a current asset on the balance sheet.

Refer to Lesson 7 – Fixed Deposit Interest for details application and it is also applied to all other source of interest income.

For example, loan interest income charge to borrower and late interest charged on overdue invoices.

### 8.1.4 Rental Income Receivables

Rent Receivable is rent that has been earned but not received as of the date of the balance sheet.

We should accrue or take up rental income earned in the financial year despite no payment received. This is to comply with Accrual and Revenue recognition concept.

Rental Income shall accrue as per term and condition as stated in tenancy agreement. Accounting treatment should be as follows:

Dr	Rental Receivables
	Cr     Rental Income

Dr	Bank
	Cr     Rental Receivables

## 8.1.5 Prepayment

Prepayments are amounts paid for by a business in advance of the goods or services being received later.

Any payment made in advance can be considered a prepayment.

Prepayment may include:

- Expenses Prepaid for example insurance
- Rental Expenses paid in advance

These expenses paid for next accounting year. Therefore, it should be charged out as expenses in next accounting year.

a) Accounting Treatment for this accounting year:

Dr	Prepayment
	Cr      Bank

(Expenses paid in advance for next accounting year)

b) Accounting Treatment for next year using Journal Entreis

Dr	Expenses
	Cr      Prepayment

(Expenses charged out from prepayment)

## 8.1.6 Deposit Paid

A deposit is payment you made to someone as a form of security. The purpose of a deposit is to secure an operation

You are not allowed to withdraw the amount of deposit paid until all term and condition in an agreement was fulfill and the said amount of deposit paid will be refunded to you.

Failure to fulfill the term and condition, such deposit paid will be forfeited and write of to P&L as expenses.

Deposit may include:

- Rental / Utility deposit paid in a tenancy agreement

Purpose for the above is to secure the landlord for any financial damages

- a) Accounting Treatment during deposit payment

Dr     Rental/Utility Deposit Paid  
       Cr     Bank

- b) Accounting Treatment during deposit refund

Dr     Bank  
       Cr     Rental/ Utility Deposit Paid

- c) Accounting Treatment when deposit being forfeited

Dr     Forfeited Deposit  
       Cr     Rental/ Utility Deposit Paid

- Deposit / booking fee paid for a purchase of goods or services

This is payment required by supplier to secure an order / service. For example, pay 10% booking fee to secure a hotel ball room for wedding dinner.

Usually this payment will later contra will final invoice after goods/services has been delivered

- a) Accounting Treatment during deposit payment

Dr     Booking Fee / Purchase Deposit  
       Cr     Bank

- b) Accounting Treatment upon received final supplier invoice

Dr     Purchases / Expenses  
       Cr     Account Payables

c) Accounting Treatment upon contra of deposit payment

Dr	Account Payables
Cr	Booking Fee / Purchase Deposit

## 8.1.7 Staff / Other Loan or Advances

Sometimes, company will grant loan or advances either to:

- Staff
- Other third party that connected with the company

Accounting treatment in this situation is very simple and straight forward.

Dr	Loan Receivables
Cr	Bank

This Loan Receivables Account reported in Balance Sheet under Current Assets if it is repayable within 1 year. If it is repayable more than one year shall classified under Non-Current Assets

Some company will charge interest for loan given out because they need to earn other income.

Application of Interest Income and Interest Income Receivables same as fixed deposits interest income.

## 8.1.8 Summary

A non-trade receivable would be:

- when borrow money to someone and shall be return in future date
- Prepayment made for future service/goods
- Deposits payment for security purpose and shall be refunded
- Other income earned but payment received in future date

