

Lesson 9.1 : Accounting for Liabilities

- 9.1.1 Definition of Liabilities
- 9.1.2 Classification of Liabilities
- 9.1.3 Account Payable
- 9.1.4 Accrued Expenses
- 9.1.5 Deferred Revenue
- 9.1.6 Deposit Received
- 9.1.7 Income Received in Advance

Accounting Equation = Balance Sheet

Total Assets

Current Assets
+
Non-Current Assets

Total Liabilities

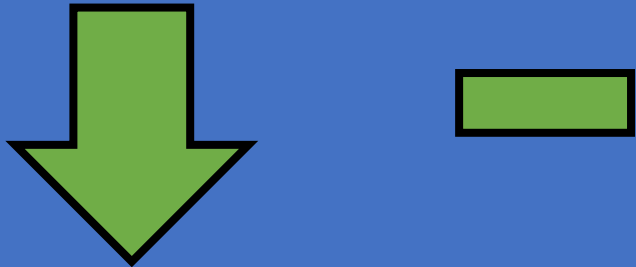
Current Liabilities
+
Non-Current Liabilities

Total Shareholders' Equity

Share Capital
+
Retained Earnings

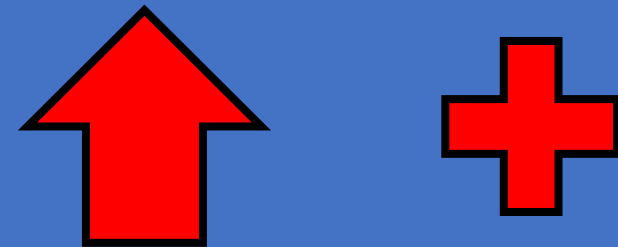
Liabilities

Debit



- Purchase return
- Settlement of account

Credit



- Purchase from Supplier
- Bank Borrowing / Hire Purchase
- Accrued Expenses
- Deferred Revenue
- Tax Payable

Liabilities

A Liability is:

1. a present obligation
2. arising from past event
3. resulting in an outflow of money from the company

Account Payables

Trade Payable

Outstanding arising from Purchase of Trading Goods

Non-Trade Payable

Outstanding arising from non trading goods purchase. i.e deposit received, income received in advance or loan from others.

Accrual, EPF Payable, Salary Payable, Tax Payable

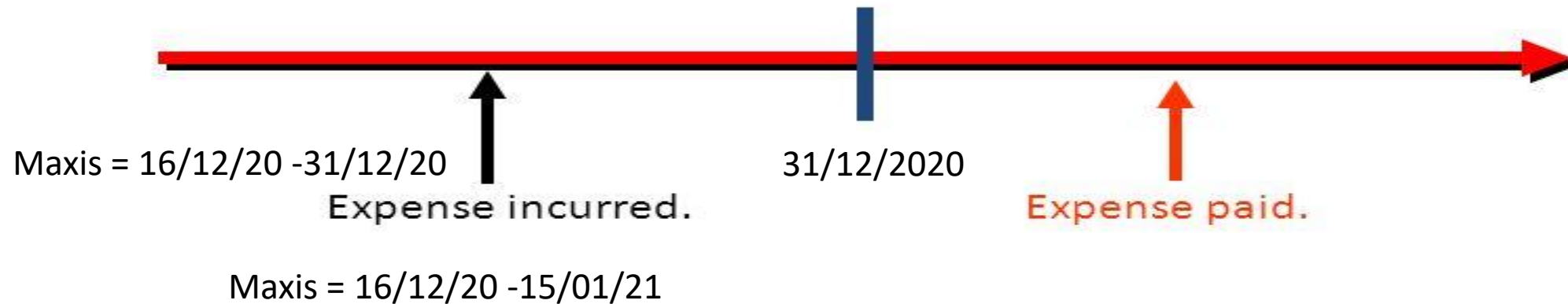
Accounts Payable Journal Entries

Date	Particulars	Debit (Amount)	Credit (Amount)
5-Feb-19	Purchases A/c	\$5,000	
	To Accounts payable A/c		\$5,000
(Being inventory purchased on credit)			

Date	Particulars	Debit (Amount)	Credit (Amount)
25-Feb-19	Accounts payable A/c	\$5,000	
	To Cash A/c		\$5,000
(Being cash paid to the supplier for inventory purchased on 05-feb-19)			

Accrued Expenses

End of
accounting period.



Examples include accrued rent, accrued interest, and accrued wages.

Accrued Expenses Journal Entries

Date	Description	Debit	Credit
31/12/ 2019	Telephone Bill	xxxx	
	Accrual Expenses		xxxx
(Being Telephone Bill for Dec 2019 received late and now accrued)			

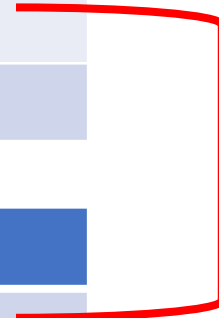
Date	Description	Debit	Credit
10/01/2020	Accrued Expenses	xxxx	
	Cash/ Bank		xxxx
(Being payment for Dec 2019 telephone Bill)			

You may create different chart of account for different expenses not necessarily credited into Accrued Expenses. For example:
Salary Payable, EPF Payable, Income Tax Payable

Income Received in Advance

Date	Description	Debit	Credit
31/12/ 2019	Cash / Bank	xxxx	
	Rental Received in Advance		xxxx
(Being rental received for next year)			

Date	Description	Debit	Credit
15/1/2020	Rental Received in Advance	xxxx	
	Rental Income		xxxx
(Being Rental Income charged out)			



Record Deferred Revenue

Coaching Fees (5 months) \$ 5000

(Jan., feb., march, April and May 2015)

Time of Preparing Financial Statements 31st March 2015

Identification of Deferred Revenue

\$ 2000

April and May 2015

Bank Account Debit \$ 2000

Deferred Coaching Fees Revenue Credit \$ 2000

Income Statement

Balance Sheet

Incomes

31st March 2015

Current Liabilities

Total Coaching Fees \$ 5000

Less Deferred - \$ 2000

Earned \$ 3000
=====

Deferred Coaching Fees Revenue \$ 2000

Deferred Revenue Journal Entries

Date	Description	Debit	Credit
31/12/ 2019	Cash / Bank	xxxx	
	Accrued / Deferred Revenue		xxxx
(Being payment received for goods and services to be delivered next year on 15/1/2020)			

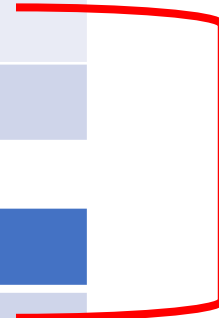
Date	Description	Debit	Credit
15/1/2020	Accrued / Deferred Revenue	xxxx	
	Sales		xxxx
(Being sales of goods and Services)			



Loan From Someone

Date	Description	Debit	Credit
31/12/ 2019	Cash / Bank	xxxx	
	Amount Due to Director		xxxx
(Being advances from Directors)			

Date	Description	Debit	Credit
15/1/2020	Amount Due to Director	xxxx	
	Bank		xxxx
(Being Loan Repayment)			



Deposit Received

Date	Description	Debit	Credit
31/12/ 2019	Cash / Bank	xxxx	
	Deposit Received		xxxx
(Being Deposit Received)			

Date	Description	Debit	Credit
15/1/2020	Deposit Received	xxxx	
	Bank		xxxx
(Being Deposit Refunded)			

