

**SANGAM SKM COLLEGE – NADI**  
**Lesson Notes-Week1**  
**YEAR 11**  
**ACCOUNTING**

<b>STRAND</b>	4. Measuring Periodic Income
<b>Sub Strand</b>	4.1 Balance Day Adjustments
<b>Content Learning Outcome</b>	Examine balance day adjustments and account for them in the financial records of the business

**Notes**

**Balance Day Adjustments**

- Are adjustments carried out at the end of the financial year to reflect the performance of the business

**Purpose of Balance Day Adjustments**

- To match costs against related income and also to update the accounts at the end of the financial period

Accounting Concepts relating to Balance Day Adjustments are *Accrual Basis*, *Matching* and *Accounting Period Concept*

**1. Prepayments (Expenses Paid in Advance, Unexpired Cost, Prepaid Expenses)**

- are expenses which are paid during the year but relates to the next accounting period
- they are Current Assets

**Rules for Posting**

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
	Prepaid Expense Expense Account (to record expense prepaid on balance day)	xx	xx

**2. Expenses Due (Accrued Expenses, Expenses Accrued, Unpaid Expenses, Expenses Owed)**

- are expenses which have been incurred but not yet paid
- they are Current Liabilities

**Rules for Posting**

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
	Expense Account Expense Due (to record expense due on balance day)	xx	xx

**Illustrative Example**

Trial Balance of ABC Enterprise as at 31st March 2021. (Extract)

<b>Ledger Accounts</b>	<b>Dr \$</b>	<b>Cr \$</b>
Wages	7 100	
Office Expenses	3 250	
Insurance	1 100	
Advertising	300	
Sales		67 300
Accounts Payable		4 530

**The following Adjustments are required at the balance date:**

1. Wages due \$180.
2. Insurance paid in advance \$200.
3. Office Expenses prepaid \$250
4. Advertising Due \$70

**Note:** When preparing entries for Balance Day Adjustments, you will use the amounts in the additional information. You will NOT use the amounts in the Trial Balance.

Solutions:

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
1	Wages Wages Due (to record Wages Due on balance day)	180	180
2	Insurance Prepaid Insurance (to record insurance paid in advance on balance day)	200	200

The entries above are prepared using the Rules of Posting in your notes. You will also notice that instead of writing 'Expense Account', we have written the actual expense name, that is, 'Wages' for number 1 and 'Insurance' for number 2. The explanations in the brackets after the entry are called 'Narrations'

### Activity

Prepare the balance day adjustments for numbers 3 and 4.

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
3			
4			

**SANGAM SKM COLLEGE – NADI**  
**Lesson Notes – Week 2**  
**YEAR 11**  
**ACCOUNTING**

<b>STRAND</b>	4. Measuring Periodic Income
<b>Sub Strand</b>	4.1 Balance Day Adjustments
<b>Content Learning Outcome</b>	Examine balance day adjustments and account for them in the financial records of the business

**Notes (continued from Lesson Notes – Week 1)**

**3. Income Accrued (Revenue/Income Due, Income in Arrears, Income Receivable)**

- are revenue earned during the period but not received on balance day
- they are Current Assets

**Rules for Posting**

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
	Revenue Due Revenue Account (to record revenue due on balance day)	xx	xx

**4. Revenue Received in Advance (Unearned Revenue, Income in Advance)**

- revenue that is not earned but received in advance on balance day
- they are Current Liabilities

**Rules for Posting**

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
	Revenue Account Revenue Received in Advance (to record revenue received in advance on balance day)	xx	xx

**Illustrative Example**

Trial Balance of DEF Enterprise as at 31<sup>st</sup> March 2021. (Extract)

<b>Ledger Accounts</b>	<b>Dr \$</b>	<b>Cr \$</b>
Wages	6 100	
Accounts Receivable	3 250	
Advertising	600	
Sales		47 200
Rent		8 000
Commission		300
Interest		200

**The following Adjustments are required at the balance date:**

1. Interest received in advance in advance \$30.
2. Rent Due \$250

**Note:** When preparing entries for Balance Day Adjustments, use the amounts in the additional information.

Solutions:

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
1	Interest Interest Received in Advance (to record interest received in advance on balance day)	30	30
2	Rent Due Rent (to record Rent due on balance day)	250	250

The entries above are prepared using the Rules of Posting in your notes. You will also notice that instead of writing 'Revenue Account', we have written the actual revenue name, that is, 'Interest' for number 1 and 'Rent' for number 2.

### Activity

Trial Balance of ACE Enterprise as at 30<sup>th</sup> June 2021. (Extract)

<b>Ledger Accounts</b>	<b>Dr \$</b>	<b>Cr \$</b>
Wages	6 100	
Accounts Receivable	3 250	
Advertising	600	
Rent		7 000
Commission		400
Interest		230

#### Additional Information:

1. Commission received in advance \$100
2. Interest in arrears \$70
3. Rent received in advance \$300

#### Required

Prepare the General Journal entries for the Balance Day Adjustments above

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
1			
2			
3			

**SANGAM SKM COLLEGE – NADI**  
**Lesson Notes – Week 3**  
**YEAR 11**  
**ACCOUNTING**

<b>STRAND</b>	4. Measuring Periodic Income
<b>Sub Strand</b>	4.1 Balance Day Adjustments
<b>Content Learning Outcome</b>	Examine balance day adjustments and account for them in the financial records of the business

**Notes (continued from Lesson Notes – Week 2)**

**5. Depreciation**

- refers to the writing off of the cost of a fixed asset over its useful life

**Rules for Posting**

<b>Date</b>	<b>Particulars</b>	<b>DR(\$)</b>	<b>CR(\$)</b>
	Depreciation (name of FA)	xx	
	Provision for Depreciation (name of FA) (to record depreciation of (name of FA))		xx

- **Provision for Depreciation** (or Accumulated Depreciation) is the total amount of depreciation that has accumulated for a particular asset

**Straight Line Method of Depreciation (Fixed Installment Method)**

<p><b>Depreciation per year</b> = <math>\frac{\text{Original Cost} - \text{Scrap Value}}{\text{Estimated Useful Life}}</math>      <b>OR</b></p> <p><b>Depreciation per year</b> = Original Cost x Rate</p>
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**Illustrative Example**

Trial Balance of XYZ Enterprise as at 31<sup>st</sup> March 2021. (Extract)

<b>Ledger Accounts</b>	<b>Dr \$</b>	<b>Cr \$</b>
Wages	17 100	
Plant	20 000	
Cash at bank	12 502	
Vehicle	15 000	
Sales		97 100
Interest Received		380
Provision for depreciation on Plant		4 000

**Additional Information**

1. Depreciate plant at 10% per annum on straight line basis.
2. Provide depreciation for vehicle at 5% per annum on straight line basis.

<p><b>Note:</b> For the additional information above, we will use the 2<sup>nd</sup> formula which is  Depreciation per yr = Original Cost x Rate, to calculate for depreciation  So, for Plant, it will be \$20 000 x 10% = \$2 000  for Vehicle, it will be \$15 000 x 5% = \$750</p>
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**Required**

Prepare the General Journal entries for the Balance Day Adjustments.

Solutions:

Date	Particulars	DR(\$)	CR(\$)
1	Depreciation - Plant Provision for depreciation - Plant (to record depreciation of Plant)	2 000	2 000
2	Depreciation - Vehicle Provision for depreciation - Vehicle (to record depreciation of Vehicle)	750	750

**Activity**

Trial Balance of ACE Enterprise as at 30<sup>th</sup> June 2021. (Extract)

Ledger Accounts	Dr \$	Cr \$
Equipment	16 000	
Building	120 000	
Advertising	700	
Rent		7 000
Commission		400
Interest		230

**Additional Information:**

1. Provide depreciation for Equipment at 5% per annum
2. Depreciate Building at 10% per annum using straight line method
3. Prepaid advertising \$50
4. Rent due \$200

**Required**

Prepare the General Journal entries for the Balance Day Adjustments above

Date	Particulars	DR(\$)	CR(\$)
1			
2			
3			
4			