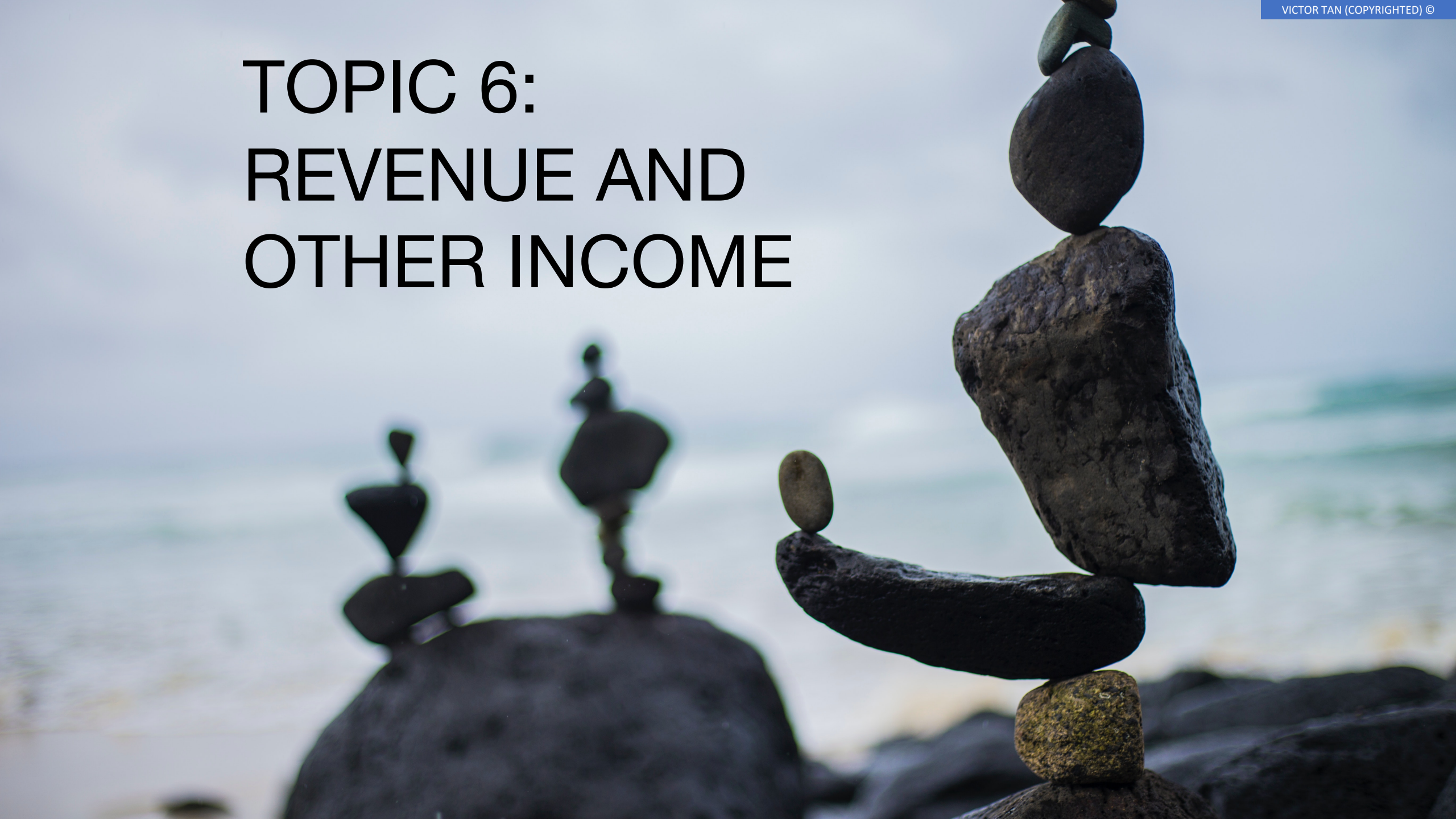TOPIC 6:
REVENUE AND
OTHER INCOME

THE ABOUT

# CHAPTER ANALYSIS

**MASTERY**

- Slightly difficult topic
- 3 key concepts

**EXAM**

- Calculating income
- Preparing journal entries for adjustments in income
- Interpreting income ledger accounts

**WEIGHTAGE**

- Medium overall weightage
- Constitute to around **5%** of marks for past 5 year papers

KEY CONCEPTS

# REVENUE RECOGNITION THEORY
# INCOME RECEIVABLES
# INCOME RECEIVED IN ADVANCED

## ACCOUNTING THEORIES

o Accrual basis of accounting theory

Business activities that have occurred should be recorded in the relevant accounting period.

o Revenue recognition theory

Revenue is earned when goods have been delivered or services have been provided.

## INCOME

o   Income is earned through business activities.

o   Sales revenue is earned from selling goods.

Net sales revenue = Sales revenue – sales returns

## INCOME RECEIVABLE

o Income receivables refer to income that is earned but not received.

o Income receivables is recorded as a current asset.

o The amount should be added to income.

o Profit will increase after we adjust for income receivables.

o Current asset will increase after we adjust for income receivables.

## INCOME RECEIVABLE

- ○ Income will be <span style="color:red">understated</span> if income receivables is not adjusted.

- ○ Profit will be <span style="color:red">understated</span> if income receivables is not adjusted.

- ○ Current assets will be <span style="color:red">understated</span> if income receivables is not adjusted.

## INCOME RECEIVED IN ADVANCE

o   Income received in advance refers to income that has been received but service has not been provided.

o   Income received in advance is recorded as a current liability.

o   The amount should be subtracted from income.

o   Profit will decrease after we adjust for income received in advance.

o   Current liability will increase after we adjust for income received in advance.

## **INCOME RECEIVED IN ADVANCE**

o Income will be <span style="color:red">overstated</span> if income received in advance is not adjusted.

o Profit will be <span style="color:red">overstated</span> if income received in advance is not adjusted.

o Current liability will be <span style="color:red">understated</span> if income received in advance is not adjusted.

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