

Cambridge IGCSE · Accounting 0452 · Notes

Other payables and other receivables

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Read first: [The double entry system of book-keeping](#)

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What you need to know

By the end of this topic you should be able to:

1. **Explain why costs and revenues must be matched:** each year's income statement shows the expenses **used** and the income **earned** in that year, whether or not the money was paid or received in that year, so that the profit for the year is correct.
2. **Record accrued expenses and prepaid expenses** in the expense's ledger account and by journal entry: an expense owing at the year end (an **other payable**) and an expense paid in advance (an **other receivable**).
3. **Record accrued income and prepaid income** in the income's ledger account and by journal entry: income still owed to the business at the year end (an **other receivable**) and income received in advance (an **other payable**).

You also need to say where each balance goes in the statement of financial position and how an adjustment changes profit. The full income statement and statement of financial position are practised in the financial statements topics.

Understand it

Money moves on one date, the cost belongs to a period

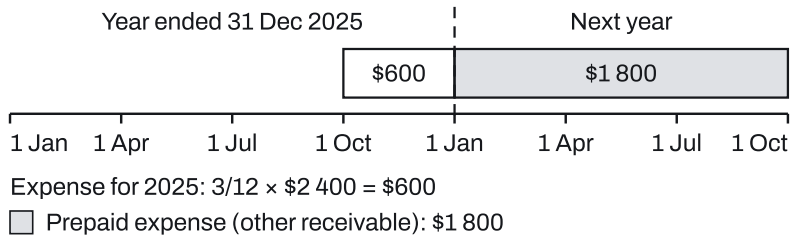
A business pays rent, insurance and electricity bills on dates that suit the landlord, the insurer or the electricity company, not on its own year end. So the cash paid in a year is rarely the same as the cost of that year:

- the electricity used in December may not be billed until January;
- a year's insurance paid on 1 October covers nine months of next year too.

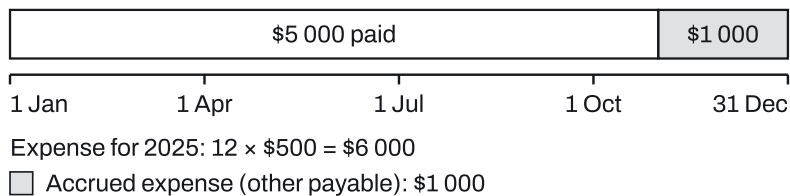
The **matching principle** (also called the **accruals** principle) says the income statement must show the expenses **incurred** in the year and the income **earned** in the year, set against each other. If the business just used the cash figures, one year's profit would be too high and the next too low, and profits could not be compared from year to year.

So at every year end the book-keeper adjusts each expense and income account for amounts that belong to the year but haven't been paid (**accrued**) and amounts that have been paid but belong to next year (**prepaid**).

Insurance: \$2 400 paid on 1 Oct 2025 for 12 months



Rent: \$500 a month, paid up to 31 Oct 2025



The four adjustments

Adjustment	What it means	Where the year-end balance goes	Statement of financial position
Accrued expense (expense owing)	Used this year, not paid yet	Credit balance on the expense account	Current liabilities: other payables
Prepaid expense (expense paid in advance)	Paid this year, belongs to next year	Debit balance on the expense account	Current assets: other receivables
Accrued income (income owing, in arrears)	Earned this year, not received yet	Debit balance on the income account	Current assets: other receivables
Prepaid income (income received in advance)	Received this year, belongs to next year	Credit balance on the income account	Current liabilities: other payables

A quick way to remember it: **anything owed to the business, or paid for but not yet used, is an asset; anything the business owes, or has been paid for but not yet provided, is a liability.** A tenant who has paid next month's rent is owed a month of your premises, so that's a liability of yours.

Recording an expense: the rent account

Every expense account is laid out the same way. Payments go on the **debit** side; the **income statement** takes the expense for the year from the **credit** side; the year-end adjustment is the balance carried down.

Using the rent in the diagram (\$500 a month, \$5 000 paid by bank, November and December unpaid):

Rent account

Date	Details	\$	Date	Details	\$
2025			2025		
Jan–Oct	Bank	5 000	Dec 31	Income statement	6 000
Dec 31	Balance c/d	1 000			
		6 000			6 000
			2026		
			Jan 1	Balance b/d	1 000

Notice the order of work: you **know the income statement figure first** (12 months at \$500), put it in, then the balance c/d is the figure that makes the two sides agree. The \$1 000 comes down on the **credit** side: a liability, an accrued expense.

Next year the \$1 000 is paid on, say, 10 January 2026. It is debited against that opening credit balance, so it doesn't count again as 2026 rent.

The insurance in the diagram works the other way. \$2 400 was paid, only \$600 belongs to 2025, so \$1 800 is carried down on the **credit** side and brought down on the **debit** side on 1 January: a prepaid expense, an asset.

Insurance account

Date	Details	\$	Date	Details	\$
2025			2025		
Oct 1	Bank	2 400	Dec 31	Income statement	600
				Balance c/d	1 800
		2 400			2 400
2026					
Jan 1	Balance b/d	1 800			

Recording income: the rent receivable account

An income account is the **mirror image**. Money received goes on the **credit** side (the other half of the entry is a debit in the bank account); the **income statement** gets the income for the year from the **debit** side.

Suppose Nia lets part of her shop for \$400 a month (\$4 800 a year) and received \$4 000 by bank during 2025, so two months are owed at the year end:

Rent receivable account

Date	Details	\$	Date	Details	\$
2025			2025		

Date	Details	\$	Date	Details	\$
Dec 31	Income statement	4 800	Various	Bank	4 000
			Dec 31	Balance c/d	800
		4 800			4 800
2026					
Jan 1	Balance b/d	800			

The \$800 comes down on the **debit** side: the tenant owes Nia \$800, accrued income, a current asset. If instead the tenant had paid \$5 200 (a month in advance), the balance would be \$400 on the **credit** side: prepaid income, a current liability.

Balances at the start of the year

Last year's closing balance is this year's opening balance, on the same side it came down on. Each one is **reversed out** of this year's figure automatically, because it sits on the opposite side to the income statement entry:

- an opening **accrued expense** (credit) was last year's cost, so the payment that clears it is not this year's expense;
- an opening **prepaid expense** (debit) was paid last year, but it is this year's cost, so it is added to this year's expense.

The same reasoning, reversed, applies to income. You don't need to decide "add or subtract" if you draw the account: put every figure on its side and let the account balance.

Journal entries

The year-end transfer is the entry that closes each account to the income statement:

Transfer	Debit	Credit
Expense for the year	Income statement	Expense account (for example Rent)
Income for the year	Income account (for example Rent receivable)	Income statement

The accrual or prepayment itself is recorded **in the same account** as a balance carried down and brought down, not as a separate entry to bank. Journals for payments and receipts follow the usual double entry: paying insurance is Dr Insurance, Cr Bank; receiving rent is Dr Bank, Cr Rent receivable.

Other receivables and other payables in the statement of financial position

In the statement of financial position the balances are grouped under the headings the syllabus uses:

- **Other receivables** (current assets): prepaid expenses and accrued income, next to trade receivables.

- **Other payables** (current liabilities): accrued expenses and income received in advance, next to trade payables.

For example, at 31 December 2025 the business in the diagram shows insurance prepaid \$1 800 in other receivables and rent accrued \$1 000 in other payables.

Key facts and formulas

There is no formula list in the IGCSE Accounting exam, so everything here must be learnt.

Formula	Status
Expense for the year = paid + closing accrued – opening accrued + opening prepaid – closing prepaid	Learn it
Income for the year = received + closing accrued income – opening accrued income + opening prepaid income – closing prepaid income	Learn it
Part of a payment for this year = payment $\times \frac{\text{months falling in this year}}{\text{months the payment covers}}$	Learn it
Cash paid (or received) = amount for the year + closing prepaid – opening prepaid – closing accrued + opening accrued	Learn it
Expense account: debit balance = prepaid expense (asset); credit balance = accrued expense (liability)	Learn it
Income account: debit balance = accrued income (asset); credit balance = income received in advance (liability)	Learn it
Transfers: expense, Dr income statement, Cr expense account; income, Dr income account, Cr income statement	Learn it
Prepaid expenses and accrued income: current assets (other receivables); accrued expenses and prepaid income: current liabilities (other payables)	Learn it

How to do it

We have 58 tagged questions for this topic from 2021 to 2025 (40 different, as many appear on two or three paper variants): 41 one-mark multiple-choice questions from Paper 1 and 17 twenty-mark Paper 2 questions where this topic is one or more parts. 10 questions mix more than one type, so the counts add up to 75.

Question type	Questions
Say what a balance is and where it goes in the statement of financial position	17
Prepare an expense account with an accrual or prepayment	14
Calculate the expense or income for the year	11

Question type	Questions
Explain the matching principle	10
Prepare an income account with income owing or received in advance	7
Calculate the cash paid or received, or a closing balance	6
Effect of an adjustment on profit, assets and liabilities	6
Record the adjustment: ledger sides and journal entries	4

1. Say what a balance is and where it goes in the statement of financial position (17 questions)

1. **Decide: expense account or income account?** Rent, rates, insurance, electricity, wages, stationery: expense. Rent receivable, rental income, commission receivable, interest receivable: income.
2. **Look at the side of the balance b/d** (or, if you're shown the c/d, the opposite side).
3. **Read it off the table:** expense debit = prepaid; expense credit = accrued (owing); income debit = accrued (owed to us); income credit = received in advance.
4. **Place it:** owed to the business or paid in advance for a cost = current asset (other receivables); owed by the business or received in advance for income = current liability (other payables).

Variations you will meet:

- **An account is printed and you choose the statement.** Look at both balances: the b/d at the start and the c/d at the end. A debit b/d on 1 January and a c/d on the credit side on 31 December (so a debit b/d next year) means **prepaid at both dates**.
- **"What does the closing balance represent?" from two figures.** For rent receivable with \$4 100 received and \$4 500 transferred to the income statement, more was earned than received, so \$400 is **accrued income**.
- **A debit balance on a stationery (or fuel, or packing materials) account at the start of the year** is the **inventory** of those items unused at the last year end: it was bought last year and will be used this year, just like a prepayment.
- **Two expense accounts at once:** in a first year, insurance paid \$2 200 but \$1 950 charged means \$250 prepaid; rent paid \$4 000 but \$4 800 charged means \$800 accrued. Paid more than charged: prepaid. Paid less: accrued.
- **Written part: "identify the section of the statement of financial position"** for rent receivable received in advance: **current liabilities**. For insurance prepaid and commission owing to the business: **current assets**, as other receivables.
- **Short time spans.** Three months' insurance of \$1 200 paid on 1 May, year end (or date asked) 31 May: one month used (\$400), so **\$800 prepaid in current assets**.

2. Prepare an expense account with an accrual or prepayment (14 questions)

1. **Opening balances** on 1st day of the year: a **prepaid** expense on the **debit** side, an **accrued** expense on the **credit** side, each as "Balance b/d".
2. **Payments**: each one on the **debit** side, dated, with the detail "Bank" (or "Cash"). Keep separate payments on separate lines if dates are given. A **refund** goes on the **credit** side, detail "Bank".
3. **Work out the expense for the year** (the income statement figure). Often the question gives it ("rent charge for the year"); otherwise use the months, or the formula, or let the account balance after step 4.
4. **Closing balances**: a closing **prepaid** amount on the **credit** side as "Balance c/d"; a closing **accrued** amount on the **debit** side as "Balance c/d".
5. **Income statement** on the credit side at the year end with the expense for the year. Total both sides (they must agree) and **bring the balances down** on the first day of next year, on the opposite side.

Variations you will meet:

- **A payment that crosses the year end.** "\$2 700 paid in November for 1 November to 31 January", year end 31 December: 2 months belong to this year (\$1 800), 1 month (\$900) is prepaid. The payment is debited in full; don't take the prepayment off the payment itself.
- **A combined account (rent and rates)** with a prepaid rent and accrued rates: **four** balance lines, two b/d and two c/d, one on each side. Enter each on its own side; the income statement figure is whatever balances the account.
- **An expense split between two statements.** In a manufacturing business the transfer is split, for example half to the manufacturing account and half to the income statement.
- **A club's expense account** (rent and insurance): exactly the same, but the transfer goes to the **income and expenditure account**, and payments come from **bank**, not "receipts and payments".
- **Insurance paid on a fixed date each year** for the next 12 months, with a different year end: expense = the months of last year's payment that fall in this year + the months of this year's payment that fall in this year. For a 31 March year end and premiums paid every 1 January, that is $\frac{9}{12}$ of last January's premium + $\frac{3}{12}$ of this January's.

3. Calculate the expense or income for the year (11 questions)

1. Write down the cash paid (or received) in the year.
2. **Expense**: add the closing accrued and the opening prepaid; subtract the opening accrued and the closing prepaid.
3. **Income**: add the closing accrued income and the opening prepaid income; subtract the opening accrued income and the closing prepaid income.
4. If you're unsure, sketch the T account and let the figure balance it.

For example, electricity paid \$2 900, owing \$210 at the start and \$340 at the end: $2\,900 - 210 + 340 = 3\,030$.

Variations you will meet:

- **Two expenses in one question** (one accrued, one prepaid at both dates): work each separately with its own rule.
- **"A further \$X had been used since the last invoice"** means an accrual of \$X at the year end.
- **A credit balance at the start of an expense account** is an opening accrual: subtract it.
- **Income questions** use words such as "the tenant was in arrears", "clients owed commission", "fees owed by clients": all accrued income.
- **Which side of the income statement:** an expense is a debit there; rent receivable is a **credit** (income).

4. Explain the matching principle (10 questions)

1. **Name it:** matching (or accruals). Adjusting for rent prepaid applies matching, **not** prudence.
2. **Say what it does:** the income statement includes the revenue earned and the expenses incurred in the **same** period, whether or not cash has been paid or received.
3. **Say why it matters, for this business:** the profit for the year is correct (not overstated or understated), so it can be compared with other years and used for decisions.

Variation: "State how the matching principle is applied when the rent payable account is prepared": the income statement is charged only with the rent for this year; the part paid for next year is carried forward as a prepayment.

5. Prepare an income account with income owing or received in advance (7 questions)

1. **Opening balances:** income **owing to the business** (accrued, in arrears) on the **debit** side; income **received in advance** on the **credit** side.
2. **Receipts:** each on the **credit** side, dated, detail "Bank". The detail is the other account, "Bank", **not** the tenant's name.
3. **Income for the year** (months $\times$ monthly amount, or the annual rent): **debit** side, "Income statement".
4. **Balance** the account: if the credit side is short, the balance c/d is on the credit side (the tenant owes you: accrued income, brought down on the **debit**); if the debit side is short, the balance c/d is on the debit side (prepaid income, brought down on the **credit**).
5. Total, and bring the balance down on the first day of the next year.

Variations you will meet:

- **A receipt that includes next year's rent.** Enter the full amount received; the part for next year becomes the closing balance. Don't subtract it from the receipt.
- **Opening arrears given in months:** "three months' rent owing" at \$150 a month is a debit b/d of \$450.
- **Commission receivable** or **interest receivable** accounts work exactly like rent receivable.

6. Calculate the cash paid or received, or a closing balance (6 questions)

1. **Working backwards:** cash = the amount for the year, adjusted for the balances the other way. For income: received = income for the year + closing prepaid income – opening prepaid income – closing arrears + opening arrears.
2. **A closing balance from the other figures:** put the opening balance, the cash and the income statement figure in a T account; the difference is the balance c/d, and it comes down on the **other** side.
3. **State the side** as well as the amount when asked: a balance "carried down" is on the opposite side to the balance "brought down".

Variations you will meet:

- **Monthly amounts.** Annual rent \$6 000 is \$500 a month, so "two months in advance" is \$1 000.
- **A payment covering more than 12 months.** \$7 200 for 18 months is \$400 a month. At the end of the first year 6 months remain, \$2 400 prepaid: carried down on the **credit** side, brought down on the **debit** side.
- **An income account with arrears at the start and more received than earned:** the tenant has paid ahead, so the closing balance is **prepaid income**, carried down on the debit side and brought down on the credit side.

7. Effect of an adjustment on profit, assets and liabilities (6 questions)

1. **Accrued expense:** expense up, **profit down**, current liabilities up.
2. **Prepaid expense:** expense down, **profit up**, current assets up.
3. **Accrued income:** income up, **profit up**, current assets up.
4. **Prepaid income:** income down, **profit down**, current liabilities up.
5. If an adjustment was **left out**, profit is wrong in the **opposite** direction: forgetting \$300 of wages owing overstates profit by \$300 and understates current liabilities by \$300.

Variation: loan interest. A loan received part-way through the year only costs interest for the months it was held. A 6% loan of \$10 000 received 4 months before the year end costs $10\,000 \times 6\% \times \frac{4}{12} = 200$ for the year; if unpaid, that \$200 is an accrued expense. (A loan itself is a capital receipt, never income.)

8. Record the adjustment: ledger sides and journal entries (4 questions)

1. **Closing prepaid expense:** credit the expense account with "Balance c/d", then debit it with "Balance b/d" next year.
2. **Closing accrued expense:** debit the expense account with "Balance c/d", then credit it with "Balance b/d".
3. **Journal for the year-end transfer:** expense, Dr income statement, Cr the expense account; income, Dr the income account, Cr income statement. Work out the amount first: commission received \$6 300 during the year, of which \$450 was owing at the start and nothing at the end, gives commission for the year of \$5 850.

Worked examples

Example 1

Priya's financial year ends on 31 December. On 1 January 2025 she owed \$320 for electricity. During 2025 she paid the following electricity bills by bank transfer:

Date	\$
15 January	320
10 April	540
12 July	495
9 October	510

At 31 December 2025 electricity of \$580 had been used since the last bill.

(a) Prepare the electricity account for the year ended 31 December 2025. Balance the account and bring down the balance on 1 January 2026. **[6]**

(b) Name the heading and section of the statement of financial position in which the balance at 31 December 2025 appears. **[1]**

(a) The expense for the year = $1\,865 - 320 + 580 = 2\,125$ (payments $320 + 540 + 495 + 510 = 1\,865$).

Electricity account

Date	Details	\$	Date	Details	\$
2025			2025		
Jan 15	Bank	320	Jan 1	Balance b/d (1)	320
Apr 10	Bank	540	Dec 31	Income statement (1)OF	2 125
Jul 12	Bank	495			
Oct 9	Bank (1) all four	510			
Dec 31	Balance c/d (1)	580			
		2 445			2 445
			2026		
			Jan 1	Balance b/d (1)	580

(1) for the dates.

(b) Other payables, in current liabilities. **(1)**

Example 2

Omar's financial year ends on 30 June. On 1 July 2024 his insurance was prepaid by \$450. On 1 October 2024 he paid \$2 160 by bank for insurance for the year 1 October 2024 to 30 September 2025. On 15 January 2025 he received a refund of \$90 by bank for an overpayment.

(a) Calculate the insurance prepaid at 30 June 2025. **[1]**

(b) Prepare the insurance account for the year ended 30 June 2025. Balance the account and bring down the balance on 1 July 2025. **[5]**

(a) July to September 2025 is 3 months of the new policy: $2\,160 \times \frac{3}{12} = 540$. **(1)**

(b) Expense for the year = $450 + 2\,160 - 90 - 540 = 1\,980$.

Insurance account

Date	Details	\$	Date	Details	\$
2024			2025		
Jul 1	Balance b/d (1)	450	Jan 15	Bank (1)	90
Oct 1	Bank (1)	2 160	Jun 30	Income statement (1)OF	1 980
				Balance c/d	540
		2 610			2 610
2025					
Jul 1	Balance b/d (1)OF	540			

The refund is a **credit**, because it reduces the cost; its detail is "Bank", not "Refund". The \$540 is **not** taken off the \$2 160: the payment goes in whole and the prepayment appears as the balance.

Example 3

Kwame rents out a storeroom for \$750 a month. His financial year ends on 31 December. On 1 January 2025 the tenant had already paid January's rent. During 2025 the tenant paid Kwame by bank transfer: 1 March \$2 250, 1 July \$3 000 and 1 October \$1 500.

(a) Prepare the rent receivable account for the year ended 31 December 2025. Balance the account and bring down the balance on 1 January 2026. **[5]**

(b) State where the balance on 1 January 2026 appears in Kwame's statement of financial position. **[1]**

(c) Kwame forgot to make this year-end adjustment. State the effect on his profit for the year. **[1]**

(a) Rent for the year = $12 \times 750 = 9\,000$. Received $2\,250 + 3\,000 + 1\,500 = 6\,750$.

Rent receivable account

Date	Details	\$	Date	Details	\$
2025			2025		
Dec 31	Income statement (1)	9 000	Jan 1	Balance b/d (1)	750
			Mar 1	Bank	2 250
			Jul 1	Bank	3 000
			Oct 1	Bank (1) all three	1 500
			Dec 31	Balance c/d	1 500
		9 000			9 000
2026					
Jan 1	Balance b/d (1)OF	1 500			

(1) for the dates. The opening \$750 is prepaid income, so it starts on the **credit** side. The tenant owes \$1 500 (two months) at the year end.

(b) Current assets, as other receivables (accrued income). **(1)OF**

(c) Profit for the year would be **understated by \$1 500**. **(1)OF**

Example 4

Farah's financial year ends on 31 March. Her rent and rates account had these balances.

	1 April 2024	31 March 2025
Rent prepaid	600	650
Rates owing	180	210

During the year ended 31 March 2025 she paid \$11 400 by bank for rent and rates.

(a) Prepare the rent and rates account for the year ended 31 March 2025. Balance the account and bring down the balances on 1 April 2025. **[6]**

(b) Explain why the matching principle is important when Farah prepares her income statement. **[2]**

(a)

Rent and rates account

Date	Details	\$	Date	Details	\$
2024			2024		
Apr 1	Balance b/d (1)	600	Apr 1	Balance b/d (1)	180
2025			2025		

Date	Details	\$	Date	Details	\$
Mar 31	Bank (1)	11 400	Mar 31	Income statement (1)OF	11 380
	Balance c/d	210		Balance c/d	650
		12 210			12 210
Apr 1	Balance b/d (1)	650	Apr 1	Balance b/d (1)	210

The income statement figure is the one that makes the sides agree: $600 + 11\,400 + 210 - 180 - 650 = 11\,380$. Each balance is brought down on the side opposite to where it was carried down: the prepaid rent on the debit, the rates owing on the credit.

(b) It makes sure the income statement includes only the rent and rates for the year ended 31 March 2025, whether or not they were paid in that year (1), so that Farah's profit for the year is correctly calculated and can be fairly compared with other years (1).

Common mistakes

- **Reversing the whole account.** Examiners report "complete reversals" nearly every year, especially for income accounts: receipts from a tenant go on the **credit** of rent receivable, and the income statement transfer on the **debit**. Check: in an expense account the bank entries are debits; in an income account they are credits.
- **Opening balances on the wrong side, or left out.** An accrued income or prepaid expense b/d is a **debit**; an accrued expense or income received in advance b/d is a **credit**. Leaving out the opening accrual in a rental income account was a common error in 2025.
- **Wrong details.** The detail is the other account: "Bank", not "Refund", "Insurance paid", the tenant's name ("Barry") or "Receipts and payments"; "Balance b/d", not "Owing", "Accrual" or "Prepayment"; "Income statement" (or "Income and expenditure" for a club), not "Profit".
- **Taking the prepayment off the payment.** When a payment covers part of next year, enter it in full; the prepaid part appears only as the balance c/d.
- **Forgetting to bring the balance down**, or bringing it down on the same side it was carried down.
- **Classifying income owed to you as a liability.** Commission receivable owing is a current asset (other receivables); rent received in advance is a current liability. Examiners saw commission owing put in current liabilities, and rent received in advance put in current assets.
- **Leaving the accruals out of the statement of financial position**, or labelling them vaguely. Rental income prepaid belongs in other payables; accrued expenses in other payables; prepaid expenses and accrued income in other receivables.
- **Naming prudence** when asked which principle is applied by adjusting for a prepayment. It is **matching** (accruals).
- **Defining instead of explaining.** "Explain why the matching principle is important" wants the effect: correct profit for the year, comparable profits, reliable decisions.

- **Including items that don't belong**, such as trade receivables, inventory, wages or depreciation, in a rent or insurance account.

How to get the marks

- **Ledger accounts**: every line needs a **date**, the **detail** (the other account's name) and the amount on the correct side. Mark schemes give a mark for the dates, a mark for each opening balance, for the payments or receipts, for the income statement transfer and for the balance brought down.
- **"Balance the account and bring down the balance"**: total both sides with equal totals on the same line, and show the balance b/d on the first day of the next year. The balance b/d usually earns its own mark, following your own figure (**OF**).
- **Keep payments separate** when they have different dates, and never net a refund against a payment.
- **Calculations**: show the working (for example $2\,160 \times \frac{3}{12}$) so a slip still earns the method mark.
- **"State"** needs a short answer (for example "current assets" or "matching"). **"Explain"** needs the point and what it leads to.
- **Statement of financial position extracts**: use the headings **Current assets** and **Current liabilities** and the labels **Other receivables** and **Other payables** (or clear labels such as "Insurance prepaid" and "Commission receivable accrued").
- **Multiple choice**: draw the T account in the margin. The wrong options are usually the cash figure, the opening and closing balances added the wrong way, or the right amount on the wrong side.

Quick check

1. A business paid wages of \$24 600 during the year. Wages of \$400 were owing at the start of the year and \$650 at the end. Calculate the wages expense for the year.
2. At the start of the year clients owed a business \$300 commission. During the year it received \$5 200 commission, which included \$150 paid in advance for next year. Calculate the commission receivable for the year and state where the \$150 appears in the statement of financial position.
3. A trader's year ends on 31 December. She pays insurance on 1 April each year for the next 12 months: \$1 800 on 1 April 2024 and \$2 040 on 1 April 2025. Calculate the insurance expense for 2025 and the insurance prepaid at 31 December 2025.
4. A tenant pays \$6 000 a year in rent. At the start of the year he had paid one month in advance; at the end of the year he owed two months. How much rent was received from him in the year?
5. A trader forgot to record \$300 of wages owing at the year end. State the effect on (i) profit for the year and (ii) current liabilities.

Answers

1. $24\,600 - 400 + 650 = 24\,850$.
2. $5\,200 - 300 - 150 = 4\,750$ for the year. The \$150 is income received in advance: a current liability, in other payables.
3. $\text{Expense} = 1\,800 \times \frac{3}{12} + 2\,040 \times \frac{9}{12} = 450 + 1\,530 = 1\,980$. Prepaid at 31 December 2025 = $2\,040 \times \frac{3}{12} = 510$.
4. Monthly rent \$500. Received = $6\,000 - 500 - 1\,000 = 4\,500$ (one month was already paid last year, and two months are still owed).
5. (i) Profit is overstated by \$300. (ii) Current liabilities are understated by \$300.

Past questions to try

- **0452/23/O/N/21 Q4**: parts (a), (c) and (d), an insurance account with a refund, an electricity account and a rent receivable account with rent received in advance.
- **0452/21/M/J/24 Q4**: part (a), a rent receivable account for a tenant's first year.
- **0452/13/M/J/23 Q22**: insurance paid on 1 January, charged to a year ending 31 March.
- **0452/11/M/J/22 Q22**: the effect of accrued income on profit and the statement of financial position.