SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____
Grade and Section: _____ **Date:** _____
Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)
Subject: *Fundamentals of ABM 1*
Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: LA-11. Types of Major Accounts: Liabilities
Learning Target: 1) To discuss liability as a major account
2) To cite examples of a liability account
References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, pp. 35-36
2) Q. J. Abcede, CVIF Learning Activities

In this Learning Activity, we will talk about another type of major account, the Liability account.

Liabilities have the following characteristics:

- These are present obligations resulting from a past transaction or event (e.g., getting a loan from the bank to acquire a building).
- Because these are obligations, they should be settled in the future.
- These can be settled by paying cash, delivering goods, performing or providing services, or in some other form.

In simple terms, liabilities refer to the debts of the business.

Examples of Liabilities:

a. Accounts payable – This refers to the obligations of an enterprise to its suppliers for goods/raw materials purchased or services received on account or on credit.
b. Salaries and wages payable – This refers to the obligations of an enterprise to its employees for salaries not yet paid.
c. Utilities payable – This refers to the obligations of an enterprise to utility companies for payable Internet, electricity, light and water charges.
d. Advances from customers – Also called Unearned revenue, these are obligations of an enterprise to its customers in the form of goods or services which have been paid in advance.
e. Loans payable – These are obligations of an enterprise to lenders or creditors such as banks and other financial institutions.

Short Discussions: Answer each item in at most two simple sentences only.

Why is it important for an enterprise to settle its obligations to its:

1. suppliers?
2. customers?
3. employees?
4. lenders?