LEARNING AS ONE NATION

Expanded Project

FABM1_13

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-13. Types of Major Accounts: Income

Learning Target:
1) To discuss income as a major account
2) To cite examples of an income account

References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, pp. 37-38
2) Q. J. Abcede, CVIF Learning Activities

Income refers to the increases in the economic benefits during a period. This can come in the form of cash inflows, decreases in liabilities that increase equity, and enhancement of assets. Income includes both revenues and gains.

a. **Revenue** – This is income earned from the ordinary activities of an enterprise which can come in the form of sales, fees, dividends, rent, interest, or royalties.
Examples of business transactions that produce revenues:
- A barber has provided haircutting services in exchange for cash. *(service fee)*
- Kitchen utensils are sold to a customer, either for cash or on credit. *(sales revenue)*
- A building owner receives monthly payments from tenants. *(rent revenue)*

b. **Gain** – This is income earned outside the ordinary activities of an enterprise but meet the definition of income as an increase in the economic benefits.
Examples of business transactions that give rise to gains:
- A company's delivery truck is sold for a price higher than the recorded value or book value of the vehicle in the accounting records.
- Land is sold at a price higher than its acquisition cost.

Vocabulary Exercise: Identify the accounting term being described by each statement. Choose your answer from the box and write it on the blank.

_____1. This refers to money going into the enterprise.
_____2. This is a payment made by an enterprise to another enterprise in exchange for intellectual property rights.
_____3. This refers to the original cost of an asset minus depreciation or any impairment costs made against it.
_____4. This means buying something with an arrangement of paying later.
_____5. This refers to all costs related to the purchase of an asset.

Royalty	On credit	Acquisition cost
Book value	Inflow	