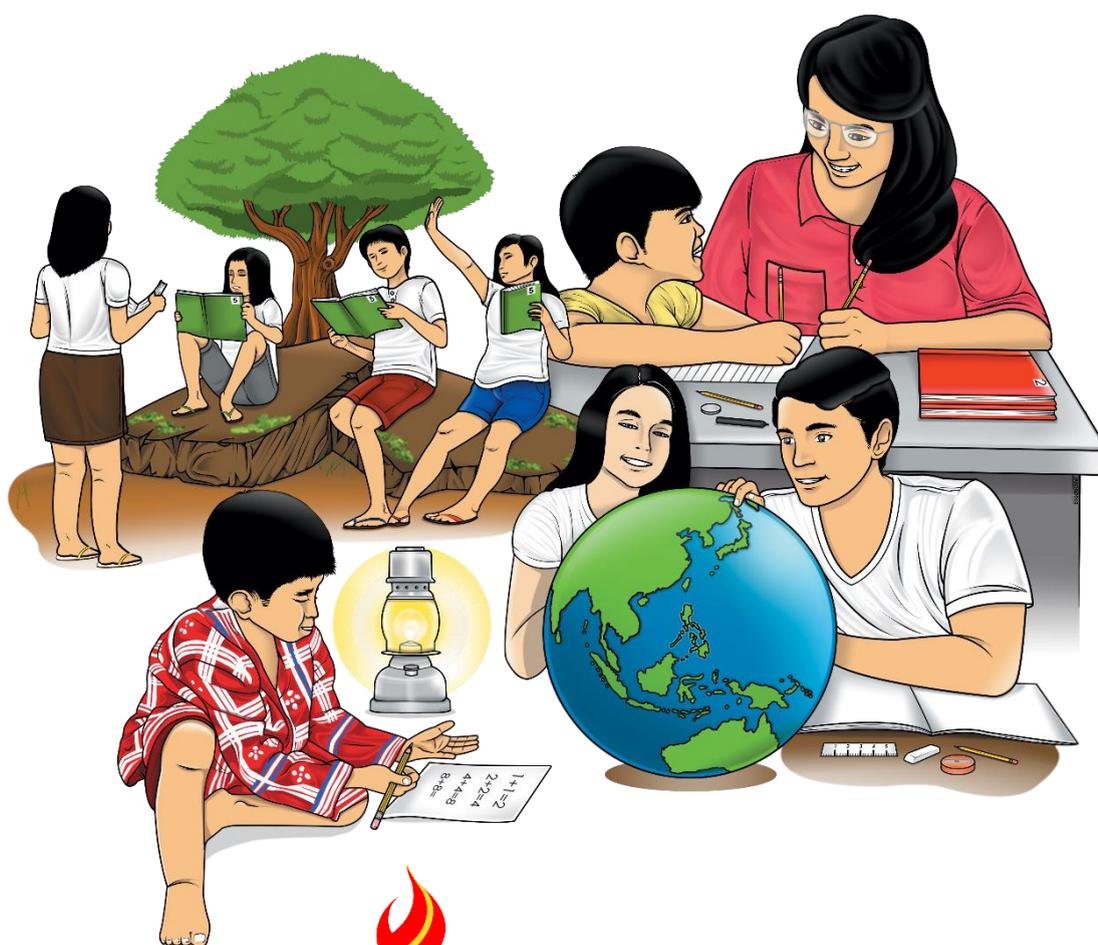


Senior High School



# Entrepreneurship

Quarter 2 — Module 10  
Bookkeeping



Entrepreneurship – Grade 12

Alternative Delivery Mode

Quarter 2 - Module 10

Second Edition, 2021

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#### **Development Team of the Module**

<b>Writers:</b>	<b>Joel Y. Yacas</b>	<b>Janice B. Dominguez</b>
	<b>Naneth M. Valdehuesa</b>	<b>Ronee D. Quicho</b>
	<b>Mary Cris A. Maquilan</b>	<b>Marylinda T. Puzon</b>
	<b>Charity E. Parel</b>	<b>Denver E. Neri</b>
	<b>Lorena Fe S. Anub</b>	<b>Ethel Lalaine B. Morales</b>
<b>Evaluators:</b>	<b>Cherryl F. Descallar</b>	<b>Jessie Cris N. Abroguena</b>
	<b>Eddy Lou T. Hamak</b>	<b>Milger A. Baang</b>
	<b>Sherriemae V. Reazol</b>	
<b>Illustrator &amp; Layout Artist:</b>	<b>PSSg Edzel M. Dominguez, Ivy O. Niñeza</b>	
<b>Management Team:</b>	<b>Arturo B. Bayocot, PhD, CESO III, Regional Director</b>	
	<b>Victor G. De Gracia Jr., PhD, CESO V, ARD</b>	
	<b>Mala Epra B. Magnaong, Chief CLMD</b>	
	<b>Bienvenido U. Tagolimot, Jr., PhD, Reg EPS ADM</b>	
	<b>Elson C. Jamero, EPS-Designate-TLE</b>	
	<b>Marie Emerald A. Cabigas, PhD, Reg EPS, LRMS</b>	
	<b>Erlinda G. Dael, CESE, PhD, CID Chief</b>	
	<b>Celieto B. Magsayo, Div LR Supervisor</b>	
	<b>Andrian S. Tecson, Div ADM Coordinator</b>	

Senior High School

# Entrepreneurship

## Quarter 2 - Module 10

### Bookkeeping



## Introductory Message

### For the Learner

Have you ever dreamed of becoming the next multi-millionaire? If you're thinking that winning the lottery is the only way to become one, well, think again. It is not chance that gives you millions, instead being a millionaire is a result of hard work and determination. Starting your own business is a good beginning towards fulfilling your dreams. Entrepreneurship is the way! You may often hear the word entrepreneur and entrepreneurship. But what do these terms mean? You may refer to an entrepreneur as the person managing the business and entrepreneurship as the business venture. Some may say there is no difference.

So, what does this module provide you towards reaching your dreams?

1. It outlines the concepts and basic principles, and processes of developing a business plan.
2. It helps you understand the environment and market in your locality as a factor in developing a business concept.
3. It allows you to experience starting and operating your own business.

Substantial knowledge of entrepreneurial principles and processes is important as this increases the chances of making your business successful.

In this module, you are guided with a set of learning parts that will help you understand the underlying principles of entrepreneurship.

1. What I Need to Do – the part used to introduce the learning objectives in this module.
2. What I Know – this is an assessment as to your level of knowledge to the subject matter at hand, meant specifically to gauge previous knowledge.
3. What's In – the part used to connect your previous learning with the new lesson.
4. What's New – the part used to introduce new lesson through a story, an activity, a poem, song, situation or activity.
5. What is It – the part that will help you discover and understand entrepreneurial concepts.
6. What's More – the part that will help enrich your learnings of entrepreneurial concepts.
7. What I Have Learned – the part that will help you process what you have learned In the lesson.
8. What I Can Do – the part that allows you to apply what you have learned into real life situations.
9. Assessment – the part that evaluates your level of mastery in achieving the learning objectives.
10. Additional Activities – the part that enhances your learning and improves your mastery of the lesson



## ***What I Need to Know***

Welcome to this module. In this module you will learn how to record business transactions, prepare journal entries, post them to the general ledger, make some adjustments if necessary and prepare trial balance report. This is your tool to keep track of the operations of your business.

### **This module is divided into two lessons:**

Lesson 1 – Performing Key Bookkeeping Tasks

Lesson 2 – Identifying where there is profit or loss for a business

After reading this module, you should be able to:

1. Understand the basic concepts of bookkeeping;
2. Apply the skills by performing key bookkeeping tasks; and
3. Identify whether the business is profitable or not.

To achieve the above objectives, it is suggested that you have to do the following:

- Read and understand the texts carefully.
- Follow the directions and/or instructions in the activities and exercises diligently.
- Answer all the given test and activities.



## ***What I Know***

Before starting with this module, let us evaluate what you already know about bookkeeping by answering the pre-assessment questions below.

**PRETEST – Multiple Choice:** Identify the correct answer among the given choices. In your answer sheet, write the letter only.

1. A source document evidencing those orders have been **placed** by the customer waiting to be served by the supplier.
  - A. Purchase request
  - B. Purchase invoice
  - C. Purchase order
  - D. Purchase check
2. A source document evidencing those goods have been **delivered** by the supplier to the customer.
  - A. Supplier's sales invoice
  - B. Vale slip
  - C. Customer's sales invoice
  - D. Customer's delivery receipt
3. A source document issued by the supplier acknowledging that **full** payment has been received from the customer.
  - A. Official receipt
  - B. Purchase receipt
  - C. Delivery receipt
  - D. Receiving report
4. All of the following are examples of source documents, **except**
  - A. Check
  - B. Invoices
  - C. Contract
  - D. Journal
5. A source document which shows that the customer has already made partial payment to the supplier through issuance of.
  - A. Check
  - B. Voucher
  - C. Official receipt
  - D. Sales invoice
6. An example of **asset** that can be used in the business for a **long period of time**, usually more than a year.
  - A. Inventories
  - B. Computer
  - C. Receivables
  - D. Cash
7. A type of business that is purely engaged in providing all types of **service activities** such as medical or legal services.
  - A. Service business
  - B. Merchandising business
  - C. Manufacturing business
  - D. Trading business
8. A type of business that is engaged in **buying and selling** of food products such as grocery/convenient stores.
  - A. Service business
  - B. Merchandising business
  - C. Manufacturing business
  - D. Forex Trading business
9. Referred to as the book of **original entry**
  - A. Ledger
  - B. Journal
  - C. Accounts Receivable Ledger
  - D. Purchase Journal
10. Referred to as the book of **final entry**
  - A. General Ledger
  - B. General Journal
  - C. Accounts Receivable Ledger
  - D. Purchase Journal

# Lesson

# 1

## Performing Key Bookkeeping Tasks



### *What's In*

In the previous lessons, you learned how to prepare a business plan, operate the business, sell the product, and understood the importance of keeping business records. Also, you were able to define, understand and compare the organization's various departments such as Operation and Administration, Marketing, Production and Logistics, Finance, etc.

In the succeeding lessons, you will be able to explore by learning the tasks of a bookkeeper in recording and keeping financial records updated.



### *What's New*

#### **Activity 1: Getting to know your community's businesses**

- A. List down at least 3 businesses that are present in your community.  
(ex. sari-sari store).
- B. Interview a business or store owner listed in Item A using the following guide questions:
  1. When do you record your sales and expenses?
  2. Where do you record your sales and expenses?
  3. How do you record your sales and expenses?
  4. When do you compute your income?
  5. How do you compute your income?
  6. Did you employ the services of a bookkeeper? Why not?
  7. What are your bases when making business decision?  
(decisions like buying more goods to sell and the likes).



## ***What Is It***

### **Definition of Terms**

<b>TERM</b>	<b>MEANING</b>
<b>Bookkeeping</b>	The process of recording business transactions in a <b>systematic</b> and <b>chronological manner</b> . It is systematic because it follows <b>procedures and principles</b> . It is chronological because the transactions are recorded in <b>order of the date of occurrence</b> .
<b>Bookkeeper</b>	The person who is in-charge to record, maintain and update business records from all sorts of financial transactions using account title. The bookkeeper uses the <b>Book of Accounts</b> to record the business transactions.
<b>Book of Accounts</b>	The book of accounts is composed of the <b>Journal and Ledger</b> .
<b>Journal</b>	Referred to as the <b>book of original entry</b>
<b>Ledger</b>	Referred to as the <b>book of final entry</b> .
<b>General Journal</b>	is the most basic journal which provides columns for date, account titles and explanations, folio or references and a separate column for debit and credit entries.
<b>General Ledger</b>	is a group of all accounts that can be found in the chart of accounts. These accounts will be reflected in the trial balance as a summary of all financial activities that have taken place as recorded in the general journal and subsidiary ledgers.

Depicted in Figure 1 below is a sample format of a general journal:

NAME OF THE COMPANY						
MONTH and YEAR						
GENERAL JOURNAL						
						PAGE 1
DATE		PARTICULARS	FOLIO	BALANCES		
Month	Day			DEBIT	CREDIT	
1						1
2						2

Figure 1 – General Journal

Sample General Journal Transaction and Entry:

On June 25, 2020, ABC Laundry Co. rendered laundry services to JJV Hotel in Makati for P5,000. The customer paid in cash.

GENERAL JOURNAL						PAGE 1
POST	DATE		PARTICULARS	REF.	DEBIT	CREDIT
	.	1			June 25	Cash
	2		Service Income			5,000
	3		<i>To record the receipt of cash from JJV Hotel for the services rendered</i>			

Depicted in Figure 2 below is a sample format of a general ledger:

General Ledger					
Account:				Account No.	
Date	Item	Ref.	Debit	Credit	Balance

Figure 2 – General Ledger

<b>Subsidiary Ledger</b>	is a group of accounts directly associated with the general ledger. This record is created to maintain individual accounts for customers and vendors whose cash is not being used as a medium of exchange when purchasing or selling merchandise.
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Depicted in Figures 3 and 4 below are sample formats of a subsidiary ledger showing Accounts Receivable and Accounts Payable respectively:

Accounts Receivable Subsidiar Ledger					
Buyer/Customer: Veggies Trading				Vendor No.: 11	
Date	Item	Ref	Debit	Credit	Balance

Figure 3 – Accounts Receivable Ledger

Accounts Payable Subsidiar Ledger					
Vendor/Supplier: Joy Food Corporation Address: Jose St, Sampaloc, Manila				Vendor No.: 201	
Date	Item	Ref	Debit	Credit	Balance

Figure 4 – Accounts Payable Ledger

<b>Account Receivable Ledger</b>	The accounts receivable ledger is a sub-ledger which records all credit sales made by a business. It is useful for segregating into one location a record of all amounts invoiced to customers. A typical transaction entered into the accounts receivable ledger which records all account receivables, followed at a later date by a payment transaction from a customer that eliminates the accounts receivable. More importantly, it is a subsidiary ledger which records a customer’s accounts in the business.
<b>Account Payable Ledger</b>	An accounts payable ledger contains the detail for all invoices received from suppliers. This ledger is used as a subsidiary ledger, from which summary-level information is periodically posted to the general ledger. Having a separate accounts payable ledger keeps a large amount of detailed payables transactions from cluttering up the general ledger.
<b>Debit</b>	The left-hand side entry also known in accounting as “Value Received.” When cash or non-cash items are received, the said cash or non-cash items must be recorded in the debit column. This means that the debit balance has increased.
<b>Credit</b>	The right-hand side entry also known in accounting as “Value Parted With.” When cash or non-cash items are given, the said cash or non-cash items must be recorded in the credit column. This means that the credit balance has increased.

## The Rules of Debit and Credit

In the process of journalizing business transactions, the rules of Debit and Credit are essential to ensure accurate recording and sound decision making. Debit is abbreviated as DR while CR for Credit. Further, it is deemed a requirement that the bookkeeper should be able to master the normal balance of each account title being used in the process of recording.

The following steps will be undertaken in determining account balances for every account title such as cash, account receivable, etc.:

1. Add all the debit side to generate *total debit*
2. Add all the credit side to generate *total credit*.
3. Subtract total debit to the total credit.
4. Determine the balance of each account.

<b>T- Account</b>	<p>The most convenient and fastest way of posting journal entries to the ledger is by way of using "T" Account. A T- Account is divided into two sides. The left-hand side is called the <b>debit side</b> and the right-hand side is called the <b>credit side</b>. The left-hand or debit side shows the <b>value received</b> while the right-hand side shows the <b>value parted with</b>. This is called T Account because it resembles the capital letter "T." An account title is written above the T- account.</p>
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Depicted in figure 5 below is a T-account and its description:

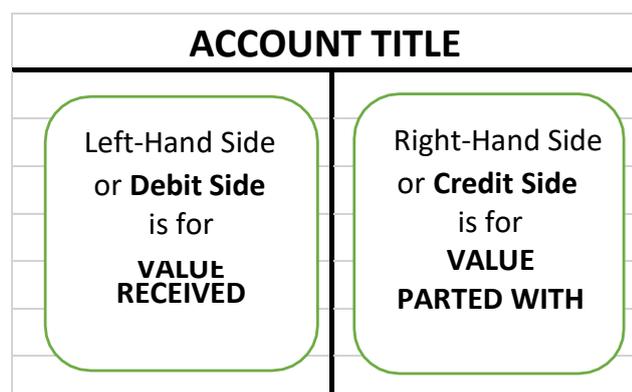


Figure 5: T - Account

Sample of General Journal entry and T- Account:

**GENERAL JOURNAL**

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
1	Dec.	1	Cash		200,000	
2			Service Income			200,000
3			<i>To record the receipt of cash for the services rendered</i>			

Posting the journal entry to the T – Account:

<u>ASSET</u>		<u>REVENUE</u>	
Cash		Service Income	
200,000	-		200,000
<b>200,000</b>			<b>200,000</b>

To strengthen your understanding about posting of journal entries to the general ledger, it is suggested to create T– Account and label them with the account title and group them according to Assets, Liabilities, Owner’s Equity, Revenue and Expense.

<b>Asset</b>	It is the first account of the five major accounts which refers to resources with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit. An asset represents an economic resource for a company or represents access that other individuals or firms do not have. An economic resource is something that is scarce and has the ability to produce economic benefit by generating cash inflows or decreasing cash outflows.
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<b>Liability</b>	It is the second account of the five major accounts which refers to something a person or company owes, usually a sum of money. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services. Liabilities include loans, accounts payable, mortgages, deferred revenues, and accrued expenses. In general, a liability is an obligation between one party and another not yet completed or paid for.
<b>Owner's Equity</b>	It is the third account of the five major accounts which refers to as shareholders' equity (or owner's equity for privately held companies). Owner's equity is a degree of residual ownership in a firm or asset after subtracting all liabilities associated with that asset.
<b>Revenue</b>	It is the fourth account of the five major accounts which refers to money brought into a company by its business activities. Revenue is commonly known as service income or fees, sales, and sales discount.
<b>Expense</b>	It is the fifth and last account of the five major accounts which refers to the cost of operations that a company incurs to generate revenue. Common expenses include payments to suppliers, employee wages, factory leases, and equipment depreciation.

Depicted in Figure 6 below is a matrix of normal debit and credit balances of the Five Major Accounts:

<b>ACCOUNT TYPE</b>	<b>DEBIT</b>	<b>CREDIT</b>
Assets	✓	
Liabilities		✓
Owner's Equity		✓
Revenue		✓
Expenses	✓	

**Figure 6 - Matrix of Normal Debit and Credit Balances of Five Major Accounts**

In order to fully understand the concept of debit and credit balances, depicted in Figure 7 below is a matrix of normal debit and credit balances under each of the five major accounts:

Account Type		Debit	Credit
<b>Assets</b>			
	Cash on Hand	✓	
	Cash in Bank	✓	
	Accounts Receivable	✓	
	Allowance for Doubtful Accounts		✓
	Notes Receivable	✓	
	Prepayments	✓	
	Inventories	✓	
	Land	✓	
	Building	✓	
	Equipment	✓	
	Accumulated Depreciations		✓
	Other Assets	✓	
<b>Liabilities</b>			
	Accounts Payable		✓
	Notes Payable		✓
	Salaries Payable		✓
	Mortgage Payable		✓
	Unearned Fees		✓
<b>Owner's Equity</b>			
	Capital		✓
	Drawing	✓	
<b>Revenue</b>			
	Service Income		✓
	Other Income		✓
<b>Expenses</b>			
	Rent Expense	✓	
	Utilities Expense	✓	
	Depreciation Expense	✓	
	Salaries and Wages Expense	✓	
	Other Expenses	✓	

**Figure 7 - Matrix of Normal Debit and Credit Balances of Sub-Accounts**

Now, let us go through the concept of bookkeeping by recording and posting financial transactions using the books of accounts and T Accounts, respectively.

## Illustration on Rules of Debit and Credit

### Acquiring Equipment or Supply:

XYZ Company purchased ten (10) latest models of Samsung cellular phones for the company's staff to be given as Christmas giveaways, for a total amount of P 350,000.00.

<u>Entry:</u>	<u>Accounttitle</u>	<u>Amount</u>
Debit (Value Received)	Samsung Cellphone	P350,000.00
Credit (Value Parted With)	Cash	P350,000.00

**Analysis:** The debit side represents the item (Samsung Cellphone) with the amount of P350,000.00 received in exchange of the item given up. The credit side represents the item (Cash) with amount (P350,000.00) given up.

In the books of XYZ Company, the nature of acquisition of cellphones is for Christmas giveaways. The entry debited to Christmas Giveaways must be charged to an expense account. Thus, it will increase the Expense-Christmas Giveaways balance because the latter's normal balance is debit. Meanwhile, the Asset-cash will decrease because in this transaction, Cash was credited.

### Investing Capital in the Business:

Ms. Izabelle Neri, a new graduate in business management started a merchandising business with trade name "The IN Store". She put up a total cash amounting to P500,000.00 to construct an office and acquire necessary equipment and supplies.

<u>Entry:</u>	<u>Account Title</u>	<u>Amount</u>
Debit (Value Received)	Cash	P500,000.00
Credit (Value Parted With)	Ms. Neri, Capital	P500,000.00

**Analysis:** The debit side represents the item (Cash) with amount (P500,000.00) received in exchange of the item given up. The credit side represents the purpose (Capital) of the transaction with the amount (P500,000.00) given up.

In the books of XYZ Company, the entry **debit to cash** will increase the cash balance because the cash itself has a normal debit balance. Consequently, the entry **credit to Capital Account – Neri, Capital** will increase the capital balance because the latter's normal balance is credit.

### Sales/ Service Income Transactions:

Goblin Computer Shop, rendered computer repair services to DN University amounting to P10,000 for cash.

<b><u>Entry:</u></b>	<b><u>Account Title</u></b>	<b><u>Amount</u></b>
Debit (Value Received)	Cash	P10,000.00
Credit (Value Parted With)	Service Income	P10,000.00

**Analysis:** The debit side represents the item (Cash) with amount (P10,000.00) received in exchange of the item given up. The credit side represents the purpose (Sales/Service) of the transaction with amount (P10,000.00) given up.

In the books of Goblin Computer Shop, the entry **debit to cash** will increase the cash balance because the cash itself has a normal debit balance. Consequently, the entry **credit to Revenue - Service Income** will increase the revenue balance because the latter's normal balance is credit.

### Purchase on Account Transaction:

Goblin Computer Shop purchased office supplies amounting to P5,000 from ABC Corp. on account. The account will be paid next month.

<b><u>Entry:</u></b>	<b><u>Account Title</u></b>	<b><u>Amount</u></b>
Debit (Value Received)	Office Supplies	P5,000
Credit (Value Parted With)	Accounts Payable	5,000

**Analysis:** The debit side represents the item (OS) with amount (P5,000) received in exchange of the promise to pay. The credit side represents the nature (credit) of the transaction given up.

In the books of Goblin Computer Shop, the entry **debit to Office Supplies** will increase the Asset-Office Supplies balance because the office supplies itself has a normal debit balance. Consequently, the entry **credit to Liability-Accounts Payable** will increase the liability balance because the latter's normal balance is credit.

### **Trial Balance**

Trial balance is a list of all ledger accounts with closed or final balances on a certain period arranged according to the assets, liabilities, capital, revenue and

expense. The debit and credit columns must be equal in total amount. This is the first report prior to financial statement preparation.

**Bookkeeping Practice Set 1: Identifying and recording a business transaction using the General Journal**

**Directions:** Below are business transactions of a service-type business. All transactions were already recorded in the general journal. All you have to do is to follow the process and study how the transactions are being recorded in the general journal by means of journal entry applying the rules of debit and credit. The account titles used in the journal entries are found in the chart of accounts below.

Depicted in Figure 8 below is the chart of accounts of Alpha Laundry Services.

Chart of Accounts			
Alpha Laundry Services			
Account Number	ASSET (100-160)	Account Number	REVENUE (400-490)
100	Cash	400	Laundry Income
110	Accounts Receivable		
120	Prepaid Insurance		
130	Office Supplies		
140	Laundry Supplies		
150	Laundry Equipment		
160	Accu-Dep'n-Laundry Eq't		
Account Number	LIABILITIES (200-250)	Account Number	EXPENSE (500-590)
200	Accounts Payable	500	Utilities Expense
		510	Salaries & Wages Expense
Account Number	CAPITAL (300-350)	520	Insurance Expense
300	Mr. A. Capital	530	Transportation Expense
310	Mr. A. Drawing	540	Depreciation Expense
		550	Rent Expense

**Figure 8 – Chart of Accounts**

**Let's Begin!**

Mr. Denver Ambrose, a retired public school teacher, started his laundry business in the beginning of June 2018. He used all of his savings to start a “coin-operated” laundry business. He named it Alpha Laundry Services (ALS). The following are the business transactions for the month of June 2018, the first month of business operation:

1. June 1, 2018 - Mr. Ambrose invested P 200,000.00 cash in his newly opened Alpha Laundry System business.

*Journal Entry:*

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
1	June	1	Cash		200,000.00	
2			Mr. A Capital			200,000.00
3			<i>To record the initial Capital investment of Mr. A.</i>			

2. June 2, 2018 - Mr. A hired his former classmate, Doree Dy, to be the Laundry Operator of ALS for a fixed monthly salary of P10,000.00. The operator will be paid every quencina.

*EXPLANATION: No entry will be made in this transaction because there was neither inflow or outflow of cash or an exchange of assets that have monetary value.*

3. On June 5, 2018 – Alpha Laundry Systems purchased laundry equipment for cash, P150,000.00

*Journal Entry:*

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
4	June	5	Laundry equipment		150,000.00	
5			Cash			150,000.00
6			<i>To record the acquisition of Laundry equipment</i>			

4. On June 6, 2018 – Alpha Laundry Systems paid cash in advance for the 1-year insurance coverage of laundry equipment amounting to P6,000.00. Monthly insurance expense will be recognized for each month's end report.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
7	June	6	Prepaid Insurance		6,000.00	
8			Cash			6,000.00
9			To record the prepaid Insurance for the Laundry equipment			

5. On June 7, 2018–Alpha Laundry Systems bought supplies for laundry amounting to P10,000.00. The supplies bought are laundry consumables such as detergent powder, soap bar and fabric softener. Monthly inventory will be conducted to determine unused supplies and will be recognized for each month end report.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
10	June	7	Laundry supplies		10,000.00	
11			Cash			10,000.00
12			To record the acquisition of laundry consumables			

6. On June 15, 2018 – Alpha Laundry Systems paid P4,750 cash for salary of laundry operator.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
13	June	15	Salaries and wages		4,750	
14			Cash			4,750
15			To record the payment of Laundry operator's salary			

7. On June 16, 2018 – Alpha Laundry Systems received P25,000.00 cash for laundry services rendered to MZ Hotel.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
16	June	16	Cash		25,000.00	
17			Laundry Income			25,000.00
18			To record the payment received from MZ Hotel.			

8. On June 17, 2018 – Alpha Laundry Systems rendered service to Argon Hotel amounting to P45,000.00. Argon promised to pay on June 20 of the same year.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
19	June	17	Accounts Receivable		45,000.00	
20			Laundry Income			45,000.00
21			To record the service rendered to Argon Hotel			

9. On June 18, 2018, Alpha Laundry Systems purchased office supplies from Ku Enterprises amounting to P2,000.00 on account. ALS will pay it on June 25 of the same year.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
22	June	18	Office supplies		2,000.00	
23			Accounts Payable			2,000.00
24			To record the acquisition of Office Supplies on account from Ku Enterprises			

10. On June 20, 2018, Alpha Laundry Systems collected payment from Argon Hotel.

Journal Entry:

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
25	June	20	Cash		45,000.00	
26			Accounts Receivable			45,000.00
27			To record the full payment from Argon Hotel			

11. On June 25, 2018, Alpha Laundry Systems paid in full the amount owed to Ku Enterprises.

*Journal Entry:*

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
28	June	25	Accounts Payable		2,000.00	
29			Cash			2,000.00
30			To record the full payment of account to Ku Enterprises			

12. On June 27, 2018, Alpha Laundry Systems paid electric bill for the month amounting to P1,000.00 in cash. The payment is charged to Utility expense account.

*Journal Entry:*

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
31	June	27	Utilities expense		1,000.00	
32			Cash			1,000.00
33			To record the payment Electricity for the month			

13. On June 30, 2018, Alpha Laundry Systems paid a month's transportation expense amounting to P1,300.00.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
34	June	30	Transportation expense		1,300.00	
35			Cash			1,300.00
36			To record the payment of transportation for the month.			

14. On June 30, 2018, Alpha Laundry Systems paid P5,000 cash for salary of laundry operator.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
37	June	30	Salaries and Wages		5,000.00	
38			Cash			5,000.00
39			To record the payment Laundry operator's salary.			

15. On June 30, 2018, Alpha Laundry Systems paid P7,500 cash for the month's rent for laundry space.

Journal Entry:

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
40	June	30	Rent expense		7,500.00	
41			Cash			7,500.00
42			To record the payment of rent for Laundry space.			

The total debit and credit columns of the general journal should always be equal. Otherwise, the general journal balances will affect overall accuracy of the entire financial report. The error should be properly corrected before the next step in the recording process takes place.

**Bookkeeping Practice Set 2: Posting journal entries to the General Ledger using T - accounts.**

**Directions:** In this activity, you are supposed to do the posting of general journal entries to the general ledger using the T-Accounts technique. The following are suggested activities before posting journal entries to T-Accounts:

1. Group account titles according to the Five Major Accounts.
2. Determine the normal balance of each account title by referring to the normal balance matrix.
3. Record transactions in sequential order or apply the “First-entry, First-record” system.
4. After all journal entries are recorded, compute the debit and credit totals of all accounts. Compute for the running balance.

Example: 1) Cash account (normal balance is debit):

Total Cash-Debit	P270,000.00
Less: Total Cash-Credit	<u>187,550.00</u>
Outstanding Cash Balance	P 82,450.00
	=====

2) Laundry Income/revenue (normal balance is credit):

Total Accounts Payable-Credit	P 2,000 .00
Less: total Accounts Payable-Debit	<u>2,000.00</u>
Outstanding Accounts Payable Balance P	0
	=====

After performing the T-Accounts, outstanding balances of each account under *Assets, Liabilities, Capital, Revenue/Income and Expenses* can now be determined. Given below are T–Accounts for all ledger accounts group according to the five major accounts.

**ASSETS**

Cash	
200,000	150,000
25,000	6,000
45,000	10,000
	4,750
	2,000
	1,000
	1,300
	5,000
	7,500
270,000	187,550
<b>82,450</b>	

Accounts receivable	
45,000	45,000
45,000	45,000
-	

Prepaid Insurance	
6,000	
6,000	-
<b>6,000</b>	

Office Supplies	
2,000	
<b>2,000</b>	

Laundry Supplies	
10,000	
<b>10,000</b>	

Laundry Equipment	
150,000	
<b>150,000</b>	

### LIABILITIES

### OWNER'S EQUITY

Accounts Payable	
	2,000
2,000	
2,000	2,000
	-

Mr A, Capital	
	200,000
	<b>200,000</b>

### REVENUE

### EXPENSE

Laundry Income	
	25,000
	45,000
	<b>70,000</b>

Utilities Expense	
1,000	
<b>1,000</b>	

Salaries and wages	
4,750	
5,000	
<b>9,750</b>	

Transportation Expense	
1,300	
<b>1,300</b>	

Rent Expense	
7,500	
<b>7,500</b>	

## Bookkeeping Practice Set 3: Preparing Trial Balance

**Directions:** In this activity, you are tasked to prepare a trial balance for ALS. The period covered is June 2018. Use the T-Account presented in Bookkeeping Practice Set 2.

The following are suggested activities in preparing trial balance report:

1. Pick up all account balances of cash, accounts receivable up to the last account.
2. Copy them in the designated account title in the trial balance report (un-adjusted trial balance) following its account normal balances.
3. Compute for the total debit and credit balances. The debit amount should be equal to the credit.

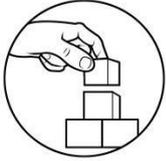
It should be noted that all transactions have already been recorded in the general journal and general ledger. All you have to do is to follow the process and study how the transactions are being recorded in the working paper to prepare the Trial Balance report by applying the rules of debit and credit.

Depicted below is a trial balance report of Alpha Laundry Services for the period ended, June 30, 2018.

ALPHA LAUNDRY SERVICES			
TRIAL BALANCE			
FOR THE PERIOD Jun 30, 2018			
Acct No.	ACCOUNT TITLES	DR	CR
100	Cash	82,450	
110	Accounts Receivable	-	
120	Prepaid Insurance	6,000	
130	Office Supplies	2,000	
140	Laundry Supplies	10,000	
150	Laundry Equipment	150,000	
160	Accu-Dep'n-Laundry Eqt		-
200	Accounts Payable		-
300	Mr. A. Capital		200,000
310	Mr. A. Drawing	-	
400	Laundry Income		70,000
500	Utilities Expense	1,000	
510	Salaries & Wages Expense	9,750	
520	Insurance Expense	-	
530	Transportation Expense	1,300	
540	Depreciation Expense	-	
550	Rent Expense	7,500	
	<b>TOTAL</b>	<b>270,000</b>	<b>270,000</b>

**Figure 7 – Trial Balance of ALS**

As you can observe, the accounts reflected in Figure 7 above are arranged according to the proper placement of the five major accounts. The Assets, Liabilities, Owner's Equity, Revenue and Expense accounts.



## ***What's More***

Having completed the Trial Balance report is not yet the end of a bookkeeper's responsibility. The bookkeeper's responsibility will only end when the business has closed its books of accounts. The books of accounts of a business will be closed at the end of the business's calendar or fiscal year. The calendar year always begins in January 1 and ends on December 31 of the same year. While the fiscal year begins at any month of the year and ends on the 12th month of the following year. All business activities (financial in nature) should be recorded in the books of accounts even when the financial reports have already been prepared. Business activities or transactions that were not included in the financial reports will be recorded to reflect necessary **adjustments**.

### **What is an Adjusting Entry?**

Adjusting entry is an entry made to update the financial data already recorded. Making an adjusting entry helps the bookkeeper capture all financial events that happened over a period of time within the accounting cycle. It is essential in keeping the financial record updated. The bookkeeper is going to look or examine accounts that need to be updated. Outlined below are the five basic sources of adjusting entries:

1. Depreciation expense
2. Deferred expenses of prepaid expenses
3. Deferred income of unearned income
4. Accrued expenses of accrued liabilities
5. Accrued income or accrued assets

#### **1. Depreciation**

This is a method of allocating the cost of an asset to an expense over the accounting periods that make up the asset's useful life. Examples of assets subject to depreciation are: Store, Office, Building, and Transportation Equipment. These types of assets lose their ability to provide useful service as time passes. Depreciation can also be referred to as the decrease in the usefulness of these types of assets. Take note that Land is not subject to depreciation because the value of land mostly increases as time passes.

There are several methods or formulas to compute the amount of depreciation.

The simplest is the straight-line method.

**The formula:**

$$\text{Annual Depreciation} = \frac{\text{Acquisition Cost} - \text{Salvage or Residual Value}}{\text{Useful Life}}$$

Where:

- Acquisition Cost – the actual cost of the asset acquired.
- Salvage Value – the selling price of the asset upon reaching the useful life.
- Useful Life – is the economic or productive life of the asset written in months or years.

- 2. Deferred expenses or prepaid expenses.** These are items that have been initially recorded as assets but are expected to become expenses over time or through the operations of the business. In order to recognize the correct amount of expenses, prepayments shall be amortized weekly, semi-monthly or monthly, depending on its nature and purpose.
- 3. Deferred income or unearned income.** These are items that have been initially recorded as liabilities but are expected to become income over time or through the operations of the business.
- 4. Accrued expenses or accrued liabilities.** These are items of expenses that have been incurred but have not been recorded and paid.
- 5. Accrued income or accrued assets.** These are income items that have been earned but have not been recorded and paid by the customer. In short, these are receivables of the business.

**Bookkeeping Practice Set 4: Record adjusting journal entries in the General Journal.**

**Directions:** Let's take a look at Alpha Laundry Services' transaction that transpired after the Trial Balance have been prepared. In this activity, you are tasked to do the following:

1. Identify accounts that need to be adjusted.
2. Prepare adjusting journal entries in the General Journal.

It should be noted that all transactions have already been recorded in the general journal. All you have to do is to analyze and follow the process on how the transactions are being recorded and forwarded using the T-Accounts applying the rules of debit and credit.

### 1. Depreciation of Equipment

The laundry equipment, which was purchased by ALS on June 5, 2018 at P150,000.00 has an estimated useful life of 5 years with a salvage value of P10,000.00. Compute for the monthly depreciation to be charged as depreciation expense and will be deducted against the cost to get the net book value of the laundry equipment.

*Required: Compute for the monthly depreciation using straight-line method.*

*Adjusting Entry:*

#### GENERAL JOURNAL

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
43	June	30	Depreciation Expense		2,333.33	
44			Accumulated Dep'n-Laundry Eqt.			2,333.33
45			To recognize the depreciation expense for the month of June.			

$$\text{Formula: } \frac{\mathbf{P150,000 - 10,000}}{\mathbf{5 \text{ Years}}} = \mathbf{2,333.33}$$

### 2. Prepaid Insurance

The insurance paid for Laundry equipment is P6,000.00. An expired portion of the insurance in the amount of P500.00 is determined by dividing the prepayments over 12 months (P6,000.00 / 12 months). The expired portion will be charged to expense. This will reduce the value of prepaid insurance balance.

*Required: Compute for the expired portion of the insurance.*

**To compute for the expired portion of the insurance:**

$$\text{Formula: } \frac{\text{Insurance Cost}}{\text{Term of Coverage} = \text{(No. of Months)}} = \frac{\mathbf{P6,000}}{\mathbf{12 \text{ months}}} = \mathbf{P 500}$$

Prepaid Insurance	P 6,000
Less: Expired Portion (June)	<u>500</u>
Un-expired Portion	P 5,500

Note: The expired portion is charged to expense (insurance expense). The un-expired portion will be reported in the balance sheet as the new prepaid insurance account balance for the next month.

*Adjusting Entry:*

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
46	June	30	Insurance Expense		500.00	
47			Prepaid Insurance			500.00
48			To recognize the expired portion of the prepaid insurance.			

**3. Deferred expenses for supplies inventory.** At the end of the month, unused supplies were recorded to be P3,000.

Note: The used supplies are charged to expense (supplies expense). The unused portion will be reported as the new supplies inventory balance for the next month.

*Adjusting Entry:*

**GENERAL JOURNAL**

PAGE 1

	DATE		PARTICULARS	POST. REF.	DEBIT CREDIT	
					DEBIT	CREDIT
49	June	30	Laundry Supplies Expense		7,000.00	
50			Laundry Supplies			7,000.00
51			To recognize the used portion of the Laundry supplies consumables			

**Formula to compute for the used supplies:**

Supplies at Cost	P10,000.00
Less: Unused Supplies	<u>3,000.00</u>
Used Supplies	P 7,000.00

**Bookkeeping Practice Set 5:** Posting the adjusting entries in the General Ledger by using T – Account.

**Directions:** In this activity, you are tasked to do the following:

- Using the completed adjusting journal entries in the general journal, update the General Ledger records by adding or subtracting the affected accounts.

It should be noted that all transactions have already been recorded in the general ledger. All you have to do is to follow the process and study how the transactions are being computed and posted by means of applying the rules of debit and credit.

## ASSETS

Cash	
200,000	150,000
25,000	6,000
45,000	10,000
	4,750
	2,000
	1,000
	1,300
	5,000
	7,500
270,000	187,550
<b>82,450</b>	

Office Supplies	
2,000	
<b>2,000</b>	

Accounts receivable	
45,000	45,000
45,000	45,000
-	

Laundry Supplies	
10,000	7,000
10,000	7,000
<b>3,000</b>	

Prepaid Insurance	
6,000	500
6,000	500
<b>5,500</b>	

Laundry Equipment	
150,000	
<b>150,000</b>	

Accu-Dep'n-Laundry Eq	
	2,333.33
-	<b>2,333.33</b>

## LIABILITIES

Accounts Payable	
	2,000
2,000	
2,000	2,000
	-

## OWNER'S EQUITY

Mr A, Capital	
	200,000
	<b>200,000</b>

## REVENUE

Laundry Income	
	25,000
	45,000
	<b>70,000</b>

## EXPENSE

<b>Utilities Expense</b>	<b>Salaries and wages</b>	<b>Transportation Expense</b>
1,000	4,750	1,300
	5,000	
<b>1,000</b>	<b>9,750</b>	<b>1,300</b>
<b>Rent Expense</b>	<b>Insurance Expense</b>	<b>Laundry Supplies Expense</b>
7,500	500	7,000
<b>7,500</b>	<b>500</b> -	<b>7,000</b> -
	<b>Depreciation Expense</b>	
	2,333.33	
	<b>2,333.33</b> -	

### Bookkeeping Practice Set 6: Preparing Adjusted Trial Balance.

**Directions:** In this activity, you are tasked to do the following:

1. Transfer the adjusting journal entries from the general journal to the adjustments' column in the working paper (highlighted in yellow color).
2. Update the balance of all ledger accounts and transfer the balance to form adjusted trial balance (highlighted in blue color).
3. Compute for the total debit and credit balances (highlighted in green color).

It should be noted that all transactions have already been recorded in the general journal. All you have to do is to follow the process and study how the transactions are being recorded in the working paper by means of adjusting journal entry applying the rules of debit and credit.

ALPHA LAUNDRY SERVICES							
WORKING PAPER							
FOR THE PERIOD Jun 30, 2018							
Acct No.	ACCOUNT TITLES	Un-adjusted Trial Balance		Adjustments		Adjusted Trial Balance	
		DR	CR	DR	CR	DR	CR
100	Cash	82,450.00				82,450.00	
110	Accounts Receivable	-				-	
120	Prepaid Insurance	6,000.00			500.00	5,500.00	
130	Office Supplies	2,000.00				2,000.00	
140	Laundry Supplies	10,000.00			7,000.00	3,000.00	
150	Laundry Equipment	150,000.00				150,000.00	
160	Accu-Dep'n-Laundry Eq		-		2,333.33		2,333.33
200	Accounts Payable		-				
300	Mr. A. Capital		200,000.00				200,000.00
310	Mr. A. Drawing		-				
400	Laundry Income		70,000.00				70,000.00
500	Utilities Expense	1,000.00				1,000.00	
510	Salaries & Wages Expense	9,750.00				9,750.00	
520	Insurance Expense	-		500.00		500.00	
530	Transportation Expense	1,300.00				1,300.00	
540	Depreciation Expense	-		2,333.33		2,333.33	
550	Rent Expense	7,500.00				7,500.00	
560	Laundry Supplies Expense			7,000.00		7,000.00	
	<b>TOTAL</b>	<b>270,000.00</b>	<b>270,000.00</b>	<b>9,833.33</b>	<b>9,833.33</b>	<b>272,333.33</b>	<b>272,333.33</b>



## ***What I Have Learned***

Fill in blanks to complete the following statements:

1. \_\_\_\_\_ is an employee of the company in charge to maintain **bookkeeping** records of the business.
2. \_\_\_\_\_ is considered the book of **original entry**.
3. \_\_\_\_\_ is considered the book of **final entry**.
4. \_\_\_\_\_ is the most convenient and fastest way of posting journal entries to the ledger. This account is divided into two sides.
5. \_\_\_\_\_ contains the detail for all invoices received from suppliers.
6. \_\_\_\_\_ is a group of accounts directly associated from the general ledger.
7. \_\_\_\_\_ is the left-hand side entry also known in accounting as “Value Received.”
8. \_\_\_\_\_ is the right-hand side entry also known in accounting as “Value Parted With.”
9. \_\_\_\_\_ is a list of all ledger accounts with closed or final balances on a certain period arranged according to the assets, liabilities, capital, revenue and expense.
10. \_\_\_\_\_ is the first account of the five major accounts which refers to resources with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.



## ***What I Can Do***

### **Activity 1: Journalizing Business Transactions**

**Directions:** Write your answer on a separate worksheet.

1. Prepare journalized entries on the following transactions.
2. Compute the total debit and credit balances of the general journal.
3. Use the JCN Computer Repair Services chart of accounts below.

**Materials Needed:**

1. 2-column worksheet (or bond paper) – 1pc
  - a. If using bond paper, copy the format of a general journal using pencil and ruler.
2. Calculator and ruler
3. Ball pen / pencil with eraser

Ms. Julianah Chloe Neri opened her computer repair business in Cagayan de Oro City on July 14, 2020. The following transactions occurred during the month of July 2020:

DATE	TRANSACTIONS
July 14	Invested PHP500,000.00 to her business. The trade name of the Business is JCN Internet Café.
July 15	Julianah purchased one computer unit from XY Computer Store to be used for her business. She issued check number 001 amounting to PHP25,000.00.
July 16	Julianah hired Alele Valix, a BSIT graduate.
July 17	Repaired the computers of Albertos Co. and collected P10,000.00
July 18	Repaired the computers of Marko; however, Marko will pay P15,000.00 only on August 2020.
July 19	Julianah purchased office supplies from IZA Merchandise amounting to P 5,000.00 on account. Jualanah will pay on August 30, 2020.
July 18	Paid the salary of Alele amounting to P 4,000.00.

Chart of Accounts			
JCN Computer Repair Services			
Account Number	ASSET (100-160)	Account Number	REVENUE (400-490)
100	Cash	400	Service Revenue
110	Accounts Receivable		
120	Prepaid Insurance		
130	Office Supplies		
140	Computer Equipment		
150	Accu-Dep'n-ComputerEq		
Account Number	LIABILITIES (200-250)	Account Number	EXPENSE (500-590)
200	Accounts Payable	500	Supplies Expense
		510	Salaries Expense
Account Number	CAPITAL (300-350)	520	Insurance Expense
300	Neri, Capital	530	Transportation Expense
310	Neri, Drawing	540	Depreciation Expense
		550	Rent Expense

### Activity 2: Posting Journal Entries to the Ledger Using T- Accounts

**Directions:** Write your answer on a separate worksheet.

1. Prepare T-Accounts from the journal entries that you have created in Activity 1.
2. Post journal entries to the T-Accounts.
3. Compute the total debit or credit balances for each T-Account.

**Materials Needed:**

1. 2-column worksheet (or bond paper) – 1pc.
2. Calculator

3. Ball pen / pencil with eraser
4. Ruler

### Activity 3: Trial Balance Preparation

**Directions:** Write your answer on a separate worksheet.

1. Prepare Trial balance report from the T–Accounts you have prepared in Activity
2. (Tips: Cash account normal balance is Debit; the running total must also be at the Debit side. Also, Trial balance entry will also be in the Debit column,)
2. Compute the total debit and credit balances.

**Materials Needed:**

1. 2-column worksheet (or bond paper) – 1pc.
  - a. If using bond paper, copy the trial balance format using a pencil and a ruler
2. Calculator
3. Ball pen / pencil with eraser
4. Ruler

### Activity 4: Computation for Accrued and Deferred Accounts and Adjusting Journal Entry Preparation

#### Activity 4.1 – Compute for Depreciation

**Directions:** Compute the depreciation of the company asset using the following information:

1. Use straight-line method in computing depreciation.
2. Make adjusting journal entries reflecting the amount of depreciation expense.

The following are financial data of the ABM Corp. for the year ended December 31, 2019:

- a. The cost of the office equipment is PHP25,000.00.
- b. It was estimated to have a useful life of 5 years.
- c. It was estimated that after 5 years, the office equipment can be sold at a scrap value of PHP1,000.00.

#### **Activity 4.2 – Deferred Expenses or Prepaid Expenses.**

**Directions:**

1. Compute for the expense portion of the office supplies.
2. Make adjusting journal entries reflecting the amount computed as supplies expense.

The following are financial data of ABM Corporation for the year ended December 31, 2019:

- a. Purchased P15,000 worth of office supplies on account.
- b. By the end of the month, PHP5,000 worth of these supplies are still unused.

#### **Activity 4.3 – Deferred Income of Unearned Income**

**Directions:**

1. Compute for the portion of unearned service revenue to be debited.
2. Make adjusting journal entries reflecting the amount computed as supplies expense.

On February 15, 2016 Matapang entered into a contract with Makisig to maintain the computers of Makisig for two months starting on February 15, 2016 up to April 15, 2016. On the same date, Makisig paid the total contract amount of PHP40,000.00 in full.

The entries to record and adjust the books are: In the February 29, 2016 entry above, as of end of February 2016, Matapang has already earned the service revenue for the first 15 days, thus an adjusting entry is recorded.

#### **Activity 4.4 – Accrued Income or Accrued Assets**

**Direction:**

1. Prepare adjusting journal entries for the following transaction:

On February 28, 2016, Juan repaired the computer of Pedro for PHP15,000. Pedro was on an out-of-town trip so he could not pay Juan. He told Juan that he will pay for their services on March 1, 2016. Juan has already earned the PHP15,000 but was not paid as of the end of February 2016. Therefore, an income should be properly recognized in February 2016 for this transaction.



## Assessment

Matching type: Match the description in column A to the term found in column B.

**Direction:** Use a separate answer sheet. Write the letter only.

COLUMN A	COLUMN B
1. First account of the five major accounts which refers to resources with economic value that it will provide a future benefit	A. Bookkeeper
2. List all ledger accounts with closed or final balances arranged according to the assets, liabilities, capital, revenue and expense	B. General Journal
3. Also known in accounting as "Value Parted With"	C. General Ledger
4. Also known in accounting as "Value Received"	D. T - Account
5. Group of accounts directly associated from the general ledger	E. Accounts Payable Ledger
6. Contains the detail for all invoices received from suppliers	F. Subsidiary Ledger
7. The most convenient and fastest way of posting journal entries to the ledger.	G. Debit
8. Book of final entry	H. Credit
9. Book of original entry	I. Trial Balance
10. Employee of the company in charge to maintain bookkeeping records of the business	J. Asset

# Lesson

## 2

# Identifying Where There Is A Profit Or Loss For A Business



### ***What's In***

Profitability has always been the bottom line of a business. In reporting accurate financial information, the bookkeeper and the bookkeeping systems take the significant roles. Accurate financial reports will enable sound decision making.

In identifying the profit or loss of a business, the bookkeeper must record all transactions that have monetary value. These records will then be converted into key financial reports. Key financial reports are composed of statement of financial position (balance sheet), statement of comprehensive income (income statement), statement of cashflows, and statement of changes inequity. These reports are discussed in the ABM specialized subject, Fundamentals of Accountancy, Business and Management 2.



### ***What's New***

In computing for the Net Income or net earnings, a bookkeeper must consider the type of business that his/her company is engaged. Below is a matrix of the type of business organizations and the different types of revenues, cost and expenses to be considered.

<b>Types of Business</b>	<b>Revenue Type</b>	<b>Cost / Expenses Type</b>
Service-Concerned	-Service Income -Service Fee -Membership Fee	- General & Administrative Expense
Merchandising-Concerned	Sales	- Sales Returns and Allowances - Cost of Sales - General & Administrative Expense
Manufacturing	Sales	- Sales Returns and Allowances - Cost of Good Manufactured - Fixed or Variable Costs - General & Administrative Expense

For simplicity purposes, this module will tackle the service-concerned business in illustrating the process of computing net income.

Below is the basic equation for computing net income of a service-concerned business:

$$\text{Net Income/Loss} = \text{Service Income} - \text{Total Expenses}$$

**Activity 1 – Computing Net Income or Net Loss, Collectibles and Expenses**

**Directions:** Apply the basic equation of income statement written above and answer the questions bellow.

GIN Janitorial and General Services, Inc. is a company engaged in providing janitorial services to different business establishments in the city. The following financial data reveals the income and expenses records during the last quarter of 2018:

**Revenue / Service Income:**

Service rendered – on account (Deluxe Hotel)	P 95,000.00
Service rendered – Cash (Maxandria Hotel)	145,000.00
Service rendered – on account (Pearlmont Inn)	25,000.00
Service rendered – Cash (Mallberry Suites)	105,000.00
Service rendered – Cash (VIP Hotel)	65,000.00
Service rendered – on account (Dynasty Court Hotel)	75,000.00
Service rendered – on account (Grand City Hotel)	60,000.00
	-----
TOTAL	P570,000.00

**Salaries and Wages of Employees:**

Janitor’s Salary– Total	P 95,000.00
Management Staff Salary – Total	45,000.00
General Manager’s salary– Total	70,000.00
	-----
TOTAL	P210,000.00

**Operating and Administrative Expenses:**

Utilities Expenses	P 15,000.00
Rent Expense	15,000.00
Repairs and Maintenance	7,500.00
Transportation and Communications	4,500.00
	-----
TOTAL	P 42,000.00

The owner of the business wants to know the operations of the business. You are tasked to compute for the following:

1. Total service income collected in cash
2. Total service income still collectible
3. Total expenses
4. Net income of GIN Janitorial and General Services, Inc.
- 5.



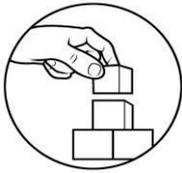
## ***What is It***

### **Discussion of Activity 1**

A wise businessman always monitors the operations of his business in order to render timely and sound decisions. One of the many ways to track down the operations of the business is to check the status of its income generating activities on a periodic basis. A trend must be established so that when the profitability path deviates, a timely decision would be made.

In Activity 1, the financial information reported is enough for a bookkeeper to compute the net income, total expenses and the collectible amount. Cash and non-cash service income should be split in order to have a proper recording of the cash on hand and the collectibles. In applying the basic equation of income statement, the following re-grouping is suggested:

Service Income (Cash)		P xxx
Less: Operating and Administrative Expense	xxx	
Add: Salaries and Wages	<u>xxx</u>	<u>xxx</u>
Net Income / Loss		P xxx
		=====



## ***What's More***

### **ACTIVITY 2: Preparing Personal Income Statement**

#### **Directions:**

- Write your monthly allowance (computed by daily allowance x number of days in a month). Compute the total.
- Write the amount you spend on food, transportation, phone load, etc. (make it monthly to match your allowance). Compute the total.
- Deduct the total amount you spend from the total amount of your allowance.
- Associate allowance with revenue and spending with expense with the net amount as net income.

#### **Materials Needed:**

- Pen
- 1 whole sheet of paper (a long-sized bond paper is ok)
- Calculator



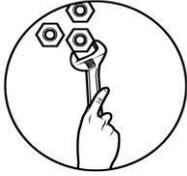
## ***What I Have Learned***

**Essay:** Answer the following questions in a separate sheet of paper or a long- sized bond paper.

1. If you are engaged in business, illustrate how revenue or income are made.
2. If you are engaged in business, illustrate how an expense is made.
3. If you are the owner of the business, is payment of employee salaries an expense? Why?
4. Compare revenue to income. Illustrate an example If necessary.
5. Explain the process of computing the Net Income or net loss.

#### **Rubrics for Grading the Answers:**

- 5- If the paragraph consists of 5 or more sentences with correct and complete Information.
- 4- If the paragraph consists of 3 to 4 sentences with correct information.
- 3- If the paragraph consists of 2 to 3 sentences with correct information.
- 2- If the paragraph consists of 2 sentences with correct information.
- 1- if the paragraph consists of only one sentence with correct in formation.



## ***What I Can Do***

### **ACTIVITY 3: Computing Revenue, Expenses and Net Income/Loss**

#### **Directions:**

1. Use 1 separate sheet or bond paper in writing your answer.
2. Compute for the following:
  - a) Total Revenue
  - b) Total Expense
  - c) Net Income/Net Loss
  - d) Briefly explain your answer

Mr. Izatsuki Hamida, the bookkeeper of Honda Massage and Spa Services reported the following financial records for the months of January to March 2018:

Water expenses	-----	P 4,000.00
Soap expense	-----	7,500.00
Massage oil expenses	-----	15,000.00
Light & power expenses	-----	12,000.00
Rent of the Massage parlor-----		24,000.00
Salary of staff (4 massage workers)-----		72,000.00
Income received from massage service-----		115,700.00
Income not yet received from customer-----		55,000.00
Telephone expenses	-----	7,500.00



## Assessment

1. The following are financial records of ABC Company

• Revenues – P 20,000.00	• Salaries expense – P4,000.00
• Rent expense – P3,000.00	• Utilities expense – P2,000.00

How much is the total expenses?

- a. P9,000.00      b. P10,000.00      c. P18,000.00      d. P1,000.00

2. How much is the net income?

- a. P9,000.00      b. P10,000.00      c. P 18,000.00      d. P11,000.00

3. One of the account titles below is used in making an adjusting entry. Which is one is it?

- a. liability      b. prepaid insurance      c. asset      d. capital

4. This is also known as the book of original entry.

- a. income statement      c. general journal  
b. balance sheet      d. general ledger

5. This is also known as the book of final entry.

- a. income statement      c. general journal  
b. balance sheet      d. general ledger  
c.

6. Mang Ariel sells bottled water in a nearby public bus terminal, every day he can sell 70 pieces of bottled water at P20.00 pesos each. How much is his daily revenue?

- a. P1,400.00      b. P1,700.00      c. P1,800.00      d. P1,450.00

The following are financial records of Lex Luther Corp.

• Service Income, Customer 1 –P50,000.00	• Salaries Paid to Clerk – P5,000.00
• Rent Expense – P3,000.00	• Utilities Expense – P2,000.00
• Service Income, Customer 2 (not yet received) – P 25,000.00	• Salaries Paid to Manager – P9,000.00

7. How much is the total expenses?

- a. P19,000.00      b. P10,000.00      c. P18,000.00      d. P9,000.00

8. How much is the net income?

- a. P59,000.00      b. P50,000.00      c. P 31,000.00      d. P56,000.00

9. How much is the total revenue?

- a. P59,000.00      b. P50,000.00      c. P31,000.00      d. P75,000.00

10. How much is the amount still collectible?

- a. P25,000.00      b. P50,000.00      c. P31,000.00      d. P75,000.00



# Answer Key

- Answer the following fill in blank questions:
- 11. Bookkeeper
  - 12. General Journal
  - 13. General Ledger
  - 14. T-Account
  - 15. Account Payable Ledger
  - 6. Subsidiary Ledger
  - 7. Debit
  - 8. Credit
  - 9. Trial Balance
  - 10. Assets

## LESSON 1

### WHAT I HAVE LEARNED

#### Activity 1: Journalizing business transactions

#### WHAT IS IT - ACTIVITY 1: PREPARE JOURNAL ENTRIES

JCN Computer Repair Services			
GENERAL JOURNAL ENTRIES			
July 2020			
General Journal			
Date	Account Title and Explanation	Ref	Debit      Credit
July 14, 2020	Cash		200,000
	JC Net, Capital		
July 15, 2020	Computer Equipment		25,000
	Cash		
July 16, 2020	NO ENTRY		
July 17, 2020	Cash		10,000
	Service Revenue		
July 18, 2020	Accounts Receivable		15,000
	Service Revenue		
July 19, 2020	Office Supplies		5,000
	Accounts Payable		
July 25, 2020	Salaries Expense		4,000
	Cash		
			4,000
			259,000
	TOTAL	Php	259,000

## Activity 2: Posting journal entries to the ledger using T- accounts

JCN Computer Repair Services		T-ACCOUNTS	
<b>ASSETS</b>			
Cash	25,000	15,000	210,000
Accounts Receivable	15,000	15,000	29,000
Computer Equipment	25,000	-	181,000
14-Jul	200,000		
15-Jul	25,000		
18-Jul	15,000		
17-Jul	10,000		
25-Jul	4,000		
<b>LIABILITIES</b>			
Accounts Payable	5,000	5,000	
Office Supplies	5,000	5,000	
19-Feb	5,000		
19-Jul	5,000		
<b>CAPITAL</b>			
M, Capital	200,000	200,000	
14-Jul	200,000		
<b>REVENUE</b>			
Service Revenue	10,000	15,000	25,000
17-Jul	10,000		
18-Jul	15,000		
<b>EXPENSES</b>			
Salaries & Wages	4,000	4,000	
19-Jul	4,000		
	4,000		

### Activity 3: Trial Balance preparation

JCN Computer Repair Services		
TRIAL BALANCE REPORT		
July 31, 2020		
	DR	CR
Cash	181,000	
Accounts Receivable	15,000	
Computer Equipment	25,000	
Office Supplies	5,000	
Accounts Payable		5,000
JC Neri, Capital		200,000
Service Revenue		25,000
Salaries & Wages	4,000	
<b>TOTAL</b>	<b>230,000</b>	<b>230,000</b>

### Activity 4: Computation for accrued and deferred accounts and adjusting journal entry preparation

DATE	PARTICULARS	POST.	REF.	DEBIT	CREDIT
June 30	Depreciation expense			400.00	
	Accumulated depreciation – (equipment name)				400.00
3	<i>To record the allocation of depreciation expense</i>				

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PAGE 1

Adjusting entry:

$$P 400.00 = (P 25,000.00 - P 1,000.00) \div 60 \text{ months}^*$$

Activity 4.1 – Compute for Depreciation (5 years x 12 months = 60 months)

WHAT'S MORE

DATE	PARTICULARS	POST. REF.	DEBIT	CREDIT
Feb 15	Cash		40,000.00	
	Unearned service revenue			40,000.00
	<i>To record receipt of full payment for the two-month service contract with Makuzig.</i>			
Adjusting entry:				
Feb 29	Unearned Service Revenue		10,000.00	
	Service Revenue			10,000.00
	<i>To record service income earned (1/2 month/2 months) from Feb 15-29, 2016; P40,000 x</i>			

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Activity 4.3 – Deferred income of unearned income

DATE	PARTICULARS	POST. REF.	DEBIT	CREDIT
June 30	Supplies expense		10,000.00	
	Supplies			10,000.00
	<i>To set up the value of used supplies.</i>			

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Adjusting entry:

Activity 4.2 – Deferred expenses or prepaid expenses.

Office supplies purchased	P15,000.00
Less: Office supplies—Unused	5,000.00
Total office supplies—used	P10,000.00

Activity 4.4 – Accrued income or accrued assets

Adjusting entry:

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PAGE 1

DATE	PARTICULARS		DEBIT	CREDIT
	POST.	DEBIT		
Feb 29		Accounts Receivable	15,000.00	
		Service Income		15,000.00
3		To record accrued income for the services already rendered during the month of February.		

ASSESSMENT

1. J. (Asset)
2. ~~J~~ (Trial Balance)
3. ~~H~~ (Credit)
4. ~~G~~ (Debit)
5. ~~F~~ (Subsidiary Ledger)
6. E. (Account Payable Ledger)
7. D. (T-Account)
8. C. (General Ledger)
9. B. (General Journal)
10. A. Bookkeeper

LESSON 2 - Identifying where there is a Profit or Loss for a

Business WHAT I KNOW

1. Trial Balance
2. Credit Column
3. Debit Column
4. Account Title
5. Total Debit Balance

Activity 1: GIN Jantonal and General Services, Inc.,  
 1. P315,000.00  
 2. P255,000.00  
 3. P282,000.00  
 4. P53,000.00 Net Income

WHAT'S MORE

ACTIVITY 2: Preparing personal income statement  
 (The answer depends on the teacher)

WHAT I HAVE LEARNED

Essay: Preparing personal income statement  
 (The answer depends on the teacher)

### WHAT I CAN DO

#### ACTIVITY 3: Computing Net Income

3. Compute for the following:

a) P170,700

b) P142,000

c) Net loss P28,300

d) Briefly explain your answer (The answer depends on the teacher)

### ASSESSMENT

1. a

2. d

3. b

4. c

5. d

6.a

7.a

8.c

9.d

10.a



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**For inquiries or feedback, please write or call:**

Department of Education - Bureau of Learning Resources (DepEd-BLR)

Ground Floor, Bonifacio Bldg., DepEd Complex  
Meralco Avenue, Pasig City, Philippines 1600

Telefax: (632) 8634-1072; 8634-1054; 8631-4985

Email Address: [blr.lrqad@deped.gov.ph](mailto:blr.lrqad@deped.gov.ph) \* [blr.lrpd@deped.gov.ph](mailto:blr.lrpd@deped.gov.ph)