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Accrued Income means the income which is earned during the current accounting year and has become due but not received by the end of the current accounting period. Examples of Accrued Income are : Income from Investments earned (matured) but not received, Dividend on Shares declared but not received yet. The adjustment entry for accrued income are as follows: # When the Income is Earned but not received: Accrued Income A/cDebitIncreases the AssetIncome A/cCreditIncreases the Income(Being the accrued income are accounted for) # When the money (income) is received: Cash A/cDebitAccrued Income A/cCreditBeing the accrued amount is received Accrued income also treated as Income Receivable, Outstanding income and income earned but not received. Since accrual base accounting are advised to follow, income must be recognized during the period in which it is earned irrespective of when the money is received. Example # 01: XYZ Ltd rented a house to ABC Ltd. @ $ 6,000 per month. On 31st December'2018 the XYZ Ltd. showed that total outstanding rent is $ 12,000 which is received on 15th January '2019. What will be the related Journal Entries in this respect. Answer: # When the Income is Accounted for: 31st December'2018Accrued Income A/cDebit$12,000Income A/cCredit$12,000(Accrued income is accounted for) # When the Income is Received: 15th January-2019Cash A/cDebit$12,000Accrued Income A/cCredit$12,000 IHL Limited receives $ 2,000 as Interest income against its Fixed Deposit on 10th January 2019. FDR statement shows that this income is accrued for the month of December-2018. How IHL Limited pass journal entries for this Income? Solution: On 31st December, the business will pass the following Journal Entry: ParticularsDebitCreditInterest Receivable A/c$ 2,000Interest Income A/c$2,000 On 10th January, the business will pass the following entry: ParticularsDebitCreditBank/Cash A/c$ 2,000Interest Income A/c$ 2,000 Interest Earned but not received to be credited to Profit and Loss Account to increase the amount of income of the current year under the head other income, or under Interest Income.Accrued Interest Receivable are the assets of the company and shown under the head of Current Account. Format : WallStreetMojo Format : WallStreetMojo It is income earned during a particular accounting period but not received until the end of that period. It is treated as an asset for the business. Journal entry for accrued income recognizes the accounting rule of "Debit the increase in assets" (modern rules of accounting).Examples of accrued income – Interest on investment earned but not received, rent earned but not collected, commission due but not received, etc.Journal entry for accrued income is;Accrued Income A/CDebitDebit the increase in asset To Income A/CCreditCredit the increase in incomeAs per accrual-based accounting income must be recognized during the period it is earned irrespective of when the money is received.Accrued income is also known as income receivable, income accrued but not due, outstanding income and income earned but not received.Related Topic – Journal Entry for Income Received in AdvanceSimplifying with an ExampleQuestion – On December 31st 2019 Company-A calculated 50,000 as rent earned but not received for 12 months from Jan'19 to Dec'19.The same is received in cash next year on January 10th 2020. Show all related rent entries including the journal entry for accrued income on these dates;December 31st 2019 (Same day)January 10th 2020 (When the payment is received)1. December 31st 2019 – (Rent earned but not received)Accrued Rent Account50,000 To Rent Account50,0002. January 10th 2020 – (Received cash in lieu of accrued rent from 2019)Cash Account50,000 To Accrued Rent Account50,000Treatment of Accrued Income in Financial StatementsAfter posting the journal entry for accrued income a business records it in the final accounts as follows;Treatment of accrued income in the books of financeExample – Journal Entry for Accrued CommissionLet's assume that in March there was 30,000 as commission earned but not received due to business reasons.At the end of the month, the company will record the situation into their books with the below journal entry.Accrued Commission A/C30,000 To Commission Received A/C30,000(Commission earned but not received)Example – Journal Entry for Accrued InterestTotal of 2000 was not received as interest earned on debentures in the current accounting year. Post the journal entry for accrued income (interest earned) to include the impact of this activity.Accrued Interest A/C2,000 To Interest Received A/C2,000(Interest receivable on debentures)Short Quiz for Self-Evaluation>Related Long Quiz for Practice Quiz 14 – Accrued Income> Read How to Prepare a Journal Entry (With Steps) It is income earned during a particular accounting period but not received until the end of that period. It is treated as an asset for the business. 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Post the journal entry for accrued income (interest earned) to include the impact of this activity.Accrued Interest A/C2,000 To Interest Received A/C2,000(Interest receivable on debentures)Short Quiz for Self-Evaluation>Related Long Quiz for Practice Quiz 14 – Accrued Income> Read How to Prepare a Journal Entry (With Steps) Thank you so much for all of your guidance. Date of experience: March 28, 2025Tori is knowledgeable and helpful with the Debtbook Platform. She was attentive and patient with our team while we worked to understand the new platform and asked questions. We are pleased with our experience so far, and are looking forward to utilizing Debtbook in our day-to-day work. We think that it is a very helpful tool, and will save us time and keep us compliant with GASB 96, and in just keeping all of our subscriptions in one place for tracking purposes.Date of experience: December 19, 2024Bringing on Debtbook for leases, subscriptions and debt monitoring was one of the smartest decisions for the city, so much so that we're looking at the Cash Management module as well. The software does exactly what I need it to do. Even the auditors expressed their pleasure with the access they had and how the software preformed. The cost was reasonable as was the implementation time.Tyler Marlowe is the best representative to work with. He made sure he understood the needs of the city, was helpful and informative, never pushy and made sure I had what I needed even after implementation was done. Our implementation specialists, Kylie Kirkpatrick and Tori Bostick, walked me through the entire process. They were organized, prepared with an agenda for every meeting, were efficient with my time and were very responsive when I had any questions. I would highly recommend Debtbook for your debt, lease, software subscription, and cash management needs.Date of experience: December 17, 2024Team was very responsive and kept me on schedule. Reconciliation items were quickly resolved. Very smooth process overall.Date of experience: October 29, 2024Thank you for the feedback!DebtBook's customer service is fantastic. They made sure we had a good understanding of the functionality before sending us off on our own. They are easily accessible to assist with any additional questions or issues that come up post implementation. The only negative I would say is that I had to do a lot of extra work that I didn't expect to get the subscriptions and leases accurate. Other than that we are very happy with them. Date of experience: September 18, 2024Great Implementation and Product! Did a fast track implementation and they were so helpful and responsive throughout. DebtBook is very user friendly and does exactly what is needed for GASB 87 and 96. It helps walk you through every step of the way and allows revisions if needed. I'm so grateful to them and their product!Date of experience: September 16, 2024Very thorough training made it fairly easy to implement. Sessions are a manageable length and navigation on the portal is straightforward. Date of experience: August 28, 2024Working with DebtBook over the last 2 years has been a pleasure, we've implemented Debt, GASB 87 & 96. Our Customer Manager Carolyn understands our needs and is a joy to work with! The software is easy to use and the amount of training and support documents available to us is amazing.Date of experience: June 30, 2024Tyler and the DebtBook team are professional and prompt with thorough responses, personalized guidance, and individual support. The platform is a powerful tool to streamline and manage multiple types of debt services. Date of experience: June 06, 2024Bridget was friendly, thorough, helpful, and prompt to respond whenever we had a question. Our meetings with her were detailed, involved, and productive. Without Bridget, I would not have known what to do with the overwhelming amount of information that needed to be created, uploaded, allocated, and verified. I look forward to utilizing DebtBook as a helpful tool in our toolbox. Date of experience: May 07, 2024Wonderful experience with the lease program in entering new leases. Kudos to Chandler and Joy for all their help in training and guiding me through this process. Date of experience: May 13, 2024The implementation team was very professional and helpful. Debtbook is simple to use. The ongoing support has been very helpful whenever we have needed them.Date of experience: February 15, 2024Very structured with real people helping as well as on demand resources for most questionsDate of experience: May 08, 2024We appreciate it, Michael!DebtBook provided the tools I needed to address both GASB 87 and GASB 96 Date of experience: September 01, 2023DebtBook was a lifesaver when it came to GASB 87 and 96. Their onboarding included a review and initial set up of all our leases and SBITAs which saved us a great deal of time. The program is very easy to use and intuitive when we set up new leases and SBITAs. It creates the note disclosures and journal entries which is extremely helpful. Being able to provide our auditors documentation showing how each lease/SBITA was evaluated, classified, and calculated was so easy. We are very pleased with this software.Date of experience: May 01, 2024The DebtBook team has done a great job of helping us to implement the debt, leases, and SBITAs platforms of their software. The team has been very knowledgeable, courteous, and responsive to our needs and questions and the software has been invaluable in tracking these items. One of our favorite functions is the "help" function, which is easy to access and provides quick answers from their staff, as well as a library of help articles and videos.Date of experience: April 11, 2024Thank you Chandler for the quick response time and to DebtBook help staff for being so helpful. This really helped us to implement GASB's. I would highly recommend DebtBook to other associates.Date of experience: April 09, 2024Since partnering with DebtBook in 2020, our debt portfolio is much more organized and easier to manage! DebtBook has also made GASB 87 and GASB 96 implementation easier to navigate. DebtBook's customer service is top notch - both responsive and knowledgable. Date of experience: April 03, 2024The team has been great - from sales to training to implementation! The software is easy to use and saves so much time when preparing for the audit. A real life saver!Date of experience: April 03, 2024Thanks for the feedback, Tina!Joseph was very easy to deal with and was good at showing me where to do things in the system as he had me do it on my screen.Date of experience: March 27, 2024 It is income earned during a particular accounting period but not received until the end of that period. It is treated as an asset for the business. Journal entry for accrued income recognizes the accounting rule of "Debit the increase in assets" (modern rules of accounting).Examples of accrued income – Interest on investment earned but not received, rent earned but not collected, commission due but not received, etc.Journal entry for accrued income is;Accrued Income A/CDebitDebit the increase in asset To Income A/CCreditCredit the increase in incomeAs per accrual-based accounting income must be recognized during the period it is earned irrespective of when the money is received.Accrued income is also known as income receivable, income accrued but not due, outstanding income and income earned but not received.Related Topic – Journal Entry for Income Received in AdvanceSimplifying with an ExampleQuestion – On December 31st 2019 Company-A calculated 50,000 as rent earned but not received for 12 months from Jan'19 to Dec'19.The same is received in cash next year on January 10th 2020. 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Post the journal entry for accrued income (interest earned) to include the impact of this activity.Accrued Interest A/C2,000 To Interest Received A/C2,000(Interest receivable on debentures)Short Quiz for Self-Evaluation>Related Long Quiz for Practice Quiz 14 – Accrued Income> Read How to Prepare a Journal Entry (With Steps) November 18, 2024 November 18, 2024/ Steven Bragg Accrued income is earnings from investments that have not yet been received by the investing entity, and to which the investing entity is entitled. This concept is used under the accrual basis of accounting, where income can be earned even when the related cash has not yet been received. Under the accrual basis, the investing entity should accrue its best estimate of the income in the accounting period in which it earns the income. It may not be necessary to generate this accrual if the amount is immaterial, since the resulting accrual would have no demonstrable impact on the financial statements.A business operating under the cash basis of accounting would not record accrued income, since it would only record income upon the receipt of cash. This usually delays the recognition of income. The accrued income term is sometimes also applied to revenue for which an entity has not yet issued a billing, and for which it has not yet been paid. This is a common occurrence in the services industry, where a project may involve billable services for several months, with an invoice only being issued at the end of the project. In this scenario, the concept is more commonly referred to as accrued revenue. In this situation, the accountant would only record accrued income if the amount is material to the financial statements. This situation most commonly arises when the customer is quite large, and so can force the seller to delay an invoice issuance for a substantial period of time.Related AccountingTools CoursesBookkeeping GuidebookHow to Audit RevenueRevenue RecognitionPresentation of Accrued IncomeAccrued income is usually listed in the current assets section of the balance sheet in an accrued receivables account. It may be stated separately if the amount is substantial, but will otherwise be combined with other accounts for reporting purposes.Example of Accrued IncomeABC Company earns $500 of interest during May on an investment in a bond that will only be paid by the bond issuer at the end of the year. In May, ABC records this entry: November 18, 2024/ Steven Bragg/ It is income earned during a particular accounting period but not received until the end of that period. It is treated as an asset for the business. Journal entry for accrued income recognizes the accounting rule of "Debit the increase in assets" (modern rules of accounting).Examples of accrued income – Interest on investment earned but not received, rent earned but not collected, commission due but not received, etc.Journal entry for accrued income is;Accrued Income A/CDebitDebit the increase in asset To Income A/CCreditCredit the increase in incomeAs per accrual-based accounting income must be recognized during the period it is earned irrespective of when the money is received.Accrued income is also known as income receivable, income accrued but not due, outstanding income and income earned but not received.Related Topic – Journal Entry for Income Received in AdvanceSimplifying with an ExampleQuestion – On December 31st 2019 Company-A calculated 50,000 as rent earned but not received for 12 months from Jan'19 to Dec'19.The same is received in cash next year on January 10th 2020. 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January 10th 2020 – (Received cash in lieu of accrued rent from 2019)Cash Account50,000 To Accrued Rent Account50,000Treatment of Accrued Income in Financial StatementsAfter posting the journal entry for accrued income a business records it in the final accounts as follows;Treatment of accrued income in the books of financeExample – Journal Entry for Accrued CommissionLet's assume that in March there was 30,000 as commission earned but not received due to business reasons.At the end of the month, the company will record the situation into their books with the below journal entry.Accrued Commission A/C30,000 To Commission Received A/C30,000(Commission earned but not received)Example – Journal Entry for Accrued InterestTotal of 2000 was not received as interest earned on debentures in the current accounting year. Post the journal entry for accrued income (interest earned) to include the impact of this activity.Accrued Interest A/C2,000 To Interest Received A/C2,000(Interest receivable on debentures)Short Quiz for Self-Evaluation>Related Long Quiz for Practice Quiz 14 – Accrued Income> Read How to Prepare a Journal Entry (With Steps) Accrued income is a fundamental concept in both accounting and taxation, with significant implications for financial reporting and tax liability. It represents money that has been earned but not yet received, playing a critical role in the accurate portrayal of a company's financial health. Understanding how this income is treated can be pivotal for businesses as it affects their financial statements and tax returns. The recognition of accrued income requires adherence to specific criteria which ensures that revenue is reported in the correct period. The nuances surrounding accrued income extend beyond mere bookkeeping; they influence strategic business decisions and compliance with tax regulations. As such, grasping its principles is essential for anyone involved in finance or running a business. Definition and Recognition of Accrued Income Accrued income is a concept that bridges the gap between accounting practices and the economic reality of a business's operations. It ensures that financial activities are recorded in the appropriate accounting period, aligning earnings with the time frame in which they were generated. Definition of Accrued Income Accrued income refers to revenue that has been earned but has not yet been received in cash or recorded as an asset. This type of income is recognized when a sale is made or services are performed, regardless of when the actual payment is received. For instance, a company that provides services in December but receives payment in January will record the revenue as accrued income in December's financial statements. This aligns with the accrual basis of accounting, which records financial transactions when they occur rather than when cash is exchanged. Recognition Criteria The recognition of accrued income is governed by the Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), depending on the jurisdiction. These frameworks provide specific criteria for recognizing revenue. Typically, income is accrued when the critical event that triggers revenue recognition has occurred and the amount can be reliably measured. This means that the service has been provided or the goods have been delivered, the control has transferred to the buyer, and there is a reasonable certainty of payment. Additionally, the matching principle requires that income be matched with the expenses incurred to generate that income within the same accounting period, ensuring that financial statements reflect the true profitability of the business for that period. Accrued vs. Deferred Income Accrued and deferred income are two sides of the same coin, representing different timing issues in revenue recognition. While accrued income is about earnings that have been recognized but not yet received, deferred income involves money that has been received in advance of the goods or services being delivered. Deferred income is recorded as a liability on the balance sheet because it represents an obligation to provide goods or services in the future. The distinction between these two types of income is not just a matter of semantics; it reflects the underlying business activities and their recognition in financial statements. Accrued income will eventually become cash as customers pay their invoices, while deferred income will become earned revenue as the company delivers on its obligations. The timing of these conversions is fundamental to understanding a company's cash flow and revenue generation processes. For businesses, managing both accrued and deferred income effectively is necessary for maintaining accurate financial records and ensuring compliance with accounting standards. It requires diligent bookkeeping and a thorough understanding of the revenue recognition principles. Companies must also be aware of the impact these incomes have on their financial ratios, which stakeholders use to assess financial health and performance. Tax Implications of Accrued Income The treatment of accrued income for tax purposes can differ significantly from its recognition in accounting. Tax authorities often have specific rules regarding when income is taxable. In the United States, for example, the Internal Revenue Service (IRS) requires taxpayers to report income in the year it is earned, which generally aligns with the accrual accounting method. However, there are exceptions and elections, such as the cash method for small businesses, which can alter the timing of income recognition for tax purposes. The tax implications of accrued income are particularly relevant for businesses that have a mismatch between the time they earn income and when they actually receive it. This can lead to a situation where a company may have a tax liability on income it has not yet received in cash, potentially affecting its cash flow management. To mitigate this, businesses may adjust their strategies for invoicing and collections to better align taxable income with cash receipts. For tax reporting, accrued income must be meticulously documented. Companies need to maintain detailed records that support the recognition of income and its corresponding tax liability. This includes invoices, contracts, and documentation of work performed. The ability to substantiate accrued income is important not only for tax compliance but also for potential audits. Accrued Income is the income which is earned during the current accounting year and has become due to receive but not received by the end of the current accounting period. Example of such income are Dividend, Interest earned, Commission due etc. The Adjustment entry of accrued income are as follows: Accrued Income A/cDebitTo, Income A/cCredit (Being the adjustment entry made for accrued income) The accounting Treatment of Accrued Income in the final account are as follows: Treatment in Income Statement: The accrued income is added to the relevant head of income on the credit side of the income statement to increase the amount of income for the current year. Treatment in Balance Sheet: Accrued income is the assets of the company and shown on the assets side of the Balance Sheet because this is a debt due from a party of the business. XYZ Ltd. closes it accounting year on 31st December. On 31st December'2018, the company calculated its due rent receivable from its 5 Tenant who still didn't their monthly rent. Rent per month was @ $ 1,500 and total accrued rent computed as (1,500 * 5) = $ 7,500. However, the tenants paid the rent on 17th January'2019. Give necessary journal entry for this transaction. On 31st December'2018: Rent earned but not received Accrued Rent A/cDebitTo, Rent A/cCredit On 17th January'2019: the Rent is Received Cash/Bank A/c7,500To, Accrued Rent7,500 Other Accrued Income for Example: Accrued Commission, Interest earned etc. are the another example of Accrued Income. The Journal entries are shown on the table: For Accrued Commission: When the Commission is earned but not receivedAccrued Commission A/cTo, Commission A/cDebitCredit When the Commission is receivedCash A/cTo, Accrued Commission A/cDebitCredit For Accrued Bank Interest: When Interest is Earned but not receivedAccrued Interest A/cDebitTo, Interest Received A/cCredit When Interest is ReceivedCash A/cDebitto, Accrued Interest A/cCredit Accrued Income is the Current Assets of the companyIt is necessary to record the whole amount the company earned (Cash received so far + Yet to be received)Accrued income sometimes called as outstanding incomeAccrued income to be shown with the related heads of income. Income that is recognized even though cash has not been received Over 2 million + professionals use CFI to learn accounting, financial analysis, modeling and more. Unlock the essentials of corporate finance with our free resources and get an exclusive sneak peek at the first module of each course. Start Free Accrued income is income that a company will recognize and record in its journal entries when it has been earned – but before cash payment has been received. There are times when a company will record a sales revenue even though they have not received cash from the customer for the service performed or goods sold. An example is when customers purchase goods on account or pay for a service on account. The term "on account" means that customers make the purchase on credit. In such situations, companies recognize that they are selling goods or performing a service even when they haven't received any cash. This deferred income is accrued revenue (income). How to Record Accrued Income? Similar to accrued expense, accrued income is recorded in the period during which it is recognized, even though cash has not been exchanged. We offer an example below to demonstrate this. Example On March 31, 2017, Corporate Finance Institute provided $75,000 worth of online resources to Lasdo Company. However, they will not receive payment for the services until April 15. However, income must be recorded for the accounting period it's earned, regardless of whether payment is received. This is a fundamental principle of accrual accounting. To handle this situation, CFI will record this "accrued income" as a credit to income. To balance the transaction, a debit in the same amount will be made to an "accounts receivable" account, which is a balance sheet account. Accrued Interest Income Another example of accrued income might arise from interest a company earns on an investment. For example, assume Company ABC makes an investment on March 1st. The investment pays interest in the amount of $1,000 every March 1st and September 1st. At the end of March, ABC has earned one month's worth of interest on its investment – but it will not actually receive an interest payment until September 1st. The month's worth of interest – approximately $166 – that ABC has earned but not received at the end of March is accrued interest income. This will be recorded with a $166 credit to the "interest income" account and a corresponding $166 debit to the "interest receivables" account. Importance of Deferred Income Deferred income is very important in accrual accounting because sometimes companies receive advances for their goods or services. To prevent overstating certain accounts, companies need to differentiate between the revenue that they have earned versus revenue that they have not yet earned. Advanced receipt for goods and services to be provided must be recorded in a Deferred Income account, which is a liability account. A perfect example of where things can go wrong is when companies do not differentiate between earned and unearned revenue and keep putting accrued revenue into the revenue account. When this lack of differentiating occurs, it leads to an overstatement of both revenue and net income. Thus, the financial statements are all affected. Therefore, understanding the concept of accrued income and accrual basis accounting is key to avoiding errors in the financial statements. Learn More When you think you have mastered accrued income, then be sure to check out these related CFI articles to get a better understanding of accrual basis accounting and other topics in accounting: Take the free quiz below and find out!