**Activity 12: Assets, liabilities, expenses or income (Answers)**

For each of the items below, check the appropriate box to identify whether they should be classified as an asset, a liability, an expense, or income.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Asset | Liability | Expense | Income |
| Rent paid for the month |  |  | X |  |
| Computer equipment for the office | X |  |  |  |
| Customer outstanding balance owed to the shop | X |  |  |  |
| Electricity bill for a three-month period |  |  | X |  |
| Loan from a bank |  | X |  |  |
| £100 in the organisation bank account | X |  |  |  |
| Purchase of 100 envelopes for the post room |  |  | X |  |

**Answers**

* + - 1. Rent paid for the month – this is an **expense** that reduces the profit of the organisation.
      2. Computer equipment for the office – this is an **asset** that is owned by the organisation.
      3. Customer outstanding balance owed to the organisation – this is what we often refer to as a trade receivable or debtor which is an **asset**.
      4. Electricity bill for a three-month period – this an **expense** like the rent.
      5. Loan from a bank – this is a **liability** that is owed by the organisation to the bank.
      6. £100 in the organisation bank account – this cash is an **asset** owned by the organisation.
      7. Purchase of 100 envelopes for the post room – this is an **expense**.