

### Section - 3

Q1) Explain closing stock → Closing stock is an amount of unsold stock lying in your business on a given date. In simple words, it's the inventory which is still in your business.

waiting to be sold for a given Period. The closing stock can be in various forms such as a work in progress (WIP) or finished goods.

Here the Reporting Period for a closing stock is usually the period financial statement like Balance Sheet, Profit & Loss A/c.

b) Prepaid expenses:- Prepaid expenses are future expenses that are paid in advance and hence recognized initially as an asset. As the benefits of the expenses are recognized, the related asset account is decreased and expensed. The most common types therefore the balance sheet.

c) Accrued income → Accrued income has been earned but has yet to be received mutual funds or other pooled assets that accumulate income over a period of time but only pay out to shareholders once a year are by definition accruing their income. Individual companies can also accrue income without actually.

Q1 Bad debts → Bad debts is an expense that a business incurs once the repayment of credit previously extended to a customer is estimated to be. Bad debt is a contingency that must be accounted for by all businesses who extend credit to customers as there is always a risk.

- Bad debts can be written-off on both business and individual tax returns.

Q2 outstanding expenses → An outstanding expense is an expense which is due but has not been paid. An expense becomes outstanding when the company has taken the benefit but the related payment has not been made.

Q3 Discuss the difference between Trial Balance and balance sheet.