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Section - 3

1. Explain

1. Closing Stock :- Closing Stock is the amount of inventory that a business still has on hand at the end of reporting period. This includes raw materials work-in-process, and finished goods inventory. The amount of closing stock can be ascertained with physical count of inventory.

Formula.

Closing Stock = (Opening Stock + inward) - outward

- Opening stock is the unsold stock brought forwarded previous period.
- In wards are new addition which include purchases and good produced.
- Outward is the sale or consumption of goods in production.

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2. Prepaid Expenses :- It is type of assest on the balance sheet that result from business making advance payments for goods or services to be received in the future. Prepaid expenses are initially recorded as assets, but their value is expensed over time onto the income statement.

3. Accured 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 ~~shor~~ shareholders once a year are the definition accuring their income.

Examples of accurred income -
interest on investment earned ~~out~~ but not received, rent earned but not collected, commission due to being received, etc.

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4. Bad debt :- It is an expenses that a business incurs ~~one~~ once the repayment of credit previously extended to customer is estimated to be uncollectible. Bad dept is a contingency that must be accounted for by all businesses who extend credit to customers, as there is always a risk that payment will not be received.

5. Outstanding Expenses :- It is an expenses which is due but has not been paid. An expense becomes outstanding when the company has taken the benefits but related ~~py~~ payment has not been made.
Examples :- Outstanding salary, outstanding rent, outstanding subscription, outstanding wages, etc.