

Section - 3

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

(b) Prepaid expense = A Prepaid Expense is a type of asset on the balance sheet that results from a business making advanced 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.

(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 share holders once a year are by

definition accruing their income.

112) Bad debt - Bad debt is an expense that a business incurs once the repayment of credit. Previously extended to a customer is estimated to be uncollectible. Bad debt 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.

113) Outstanding Expense - 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.