

| | | | | | |
|----|----|----|----|----|----|
| 12 | 13 | 14 | 15 | 16 | 17 |
| 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | | | | |
| T | W | T | F | S | S |

Section - 1

Ques - 1

Write short note on:-

(i) Trade Credit -

Trade credit means many things but the simplest definition is an arrangement to buy goods and/or services on account without making immediate, cash or cheques payments.

Trade credit is a helpful tool for growing business, where favourable terms are agreed with a business supplier. This arrangement effectively put less pressure on cash flows.

It is useful in reducing and managing the capital requirement of a business.

29

i) Accrued Expenses -

Accrued expenses is expense which has been increased but not yet paid.

Expenses must be recorded in the accounting period in which it is incurred. Therefore, accrued expenses must be recognized in the accounting period in which it occurs rather than in the following period which it will be paid.

ii) Deferred Income -

Deferred income is an accrued accounting entry earned for goods or services which have not yet been delivered.

According to the revenue recognition principle, it is recorded as a liability until delivery is made. In other words, it is recorded in the period when the revenue is earned.