

# Exam 4

## Section 1

Ques Write short notes 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 businesses, when favourable terms are agreed with a business supplier. This arrangement effectively put less pressure on cashflow than immediate payment would make. This type of finance is useful in reducing and managing the capital requirements of a business.

## ii) Accrued Expenses -

Accrued Expenses is an expense which has been incurred 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.

## iii) Deferred Income -

Deferred Income is, in accrual accounting, money earned for goods & services which have not yet been delivered. According to the revenue recognition principle it is recorded as a liability until delivery is made at which time it is converted into revenue.