Short note on:

i) <u>Trade Credit</u>

- It's a type of Commercial financing in which a customer is allowed to purchase goods or services and pay the supplier at a later scheduled data.
- Trade credit can be a good way for businesses to free up cash flow and finance short-term growth.
- It's can create complexity for financial accounting.

KEY TAEAWAYS

- Trade credit is a type of <u>Commerical financing</u> in which a customer is allowed to purchase goods or services and pay the supplier at a later scheduled date.
- Trade credit can be a good way for businesses to free up cash flow and finance short term growth.

- Trade credit can create complexity for financial accounting
- Trade credit-financing is usually encouraged globally by regulators and can create opportunities for new financial technology solutions.

ii) Accured expenses :-

- Accured expenses are costs that are incurred in the current period but not paid for until the next period.
- In other words, it's an expense that the company has benefited from but hasn't paid for or recorded yet. It's the amount of expenses owed to another company.
- Accured expense is expense which has been incurred but not yet paid
- Expense must be recorded in the accounting period in which it is incurred. Therefore, accured expense must be recognized in

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the accounting periods in which it occurs rather than in the following periods in which it will be paid.

→ Primary examples of accured expenses are. Salaries payable and interest payable. Salaries payable are wages earned by employees in one accounting period but not paid until the next, while interest payable is interest expense that has been incurred but not yet paid.

iii) Deferred Income

Deferred income is also known as deferred revenue, unearned revenue, or unearned income. is in accrual accounting, money earned for goods or services which have not yet been delivered. Acc. to the revenue recognition principle, it is recorded as a liability until delivery is made, at which time it is converted gh to revenue.

Deferred revenue refers to advance payments a company receives for products or services that are to be delivered or performed in the future. The company that receives the prepayment records the amount as deferred revenue, a liability, on its balance sheet.

It's a liability because it reflects revenue that has not been earned and represent products or services that are owed to a customer. As the product or service is delivered over time, it is recognized proportionally as revenue on the income statement.

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