

Section – 1

Ans. 1

1. Trade credit is the loan extended by one trader to another when the goods and services are bought on credit. Trade credit facilitates the purchase of supplies without immediate payment. Trade credit is commonly used by business organisations as a source of short-term financing.
2. **Accrued expenses**—such as **accrued** wages, taxes, and interest—represent **liabilities** for services rendered to the firm that have not yet been paid for by the firm.

As such, they constitute an interest-free source of financing. **Accrued** wages represent the money a business owes to its employees.

3. Deferred income is the exact opposite to accrued income. This is when we receive payment by a customer for something, but haven't actually earned the income (so we haven't delivered the goods yet). It would occur in a situation where a customer is paying in advance for goods that we are going to deliver in the future.