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### Section-1

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Trade Credit - It is or could be said to be a business to business agreement in which a customer can purchase goods on account without paying cash up front, paying the supplier at a later scheduled date. Usually business that operate with trade credits will give buyers few days to pay them back, with the transaction recorded in the invoice. Trade credit can be thought of as a type of 0% financing, increasing a company's asset while deferring payments for a specified value of goods or services to some time in future and requiring no interest

to be paid in relation to the repayment period. Thus, it is also said that trade credit is an advantage for a buyer. In some cases, certain buyers may be able to negotiate longer trade credit repayments terms which provides an even greater advantage. Often, sellers will have specific criteria for qualifying for trade credit. Thus, this is what trade credit is all about.

11 11 11 Accrued Expenses - An accrued expense is an accounting term that refers to an expense that is recognized on the books before it has been paid; the expense is recorded in the accounting period in which it is incurred. Because accrued expenses represent a company's obligation to make future cash payments, they are shown on company's balance sheet as current liabilities; accrued

expenses are also ~~known~~<sup>known</sup> as company's balance or accrued liabilities. Accrued expense is only an estimate, and will likely differ from the supplier's invoice that will arrive at a later date.

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Deferred Income - Deferred income is an advancement payment from a customer for goods or services that have not yet been delivered. Under the accrual basis of accounting, the recipient records this payment as a liability. Once the goods and services have been delivered, the liability is reversed and revenue is recorded instead. Deferred Income is also known as deferred revenue. So in a simple sense said, that the money earned for goods or services which have not yet been delivered, it is henceforth recorded liability until delivery is made, at which time it is converted into revenue.