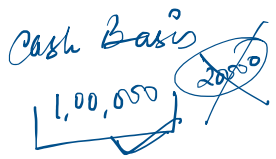
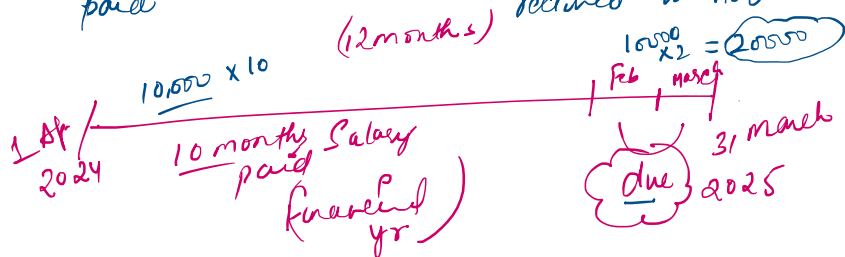


Cash Basis

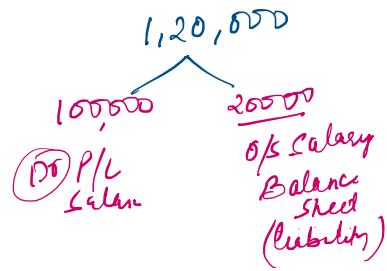
→ Transactions are recorded in BOA Cash being Received or paid

Accrual Basis

Transactions recorded when they are incurred whether, cash is received or not



Accrual Basis



★ outstanding Expense

Paid - salary ✓ due ✓
- rent ✓
- wages ✓

outstanding Rent/wages/sal

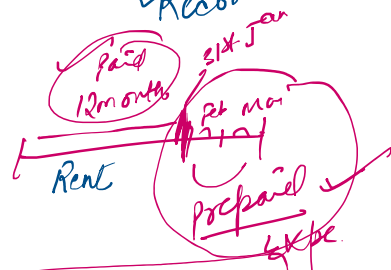
Expense incurred but not paid

Cash Basis

Accrual Basis

Prepaid Expense

Expenses paid in advance.



Cash Basis

Accrual Basis

Accrued Income

Income Earned during the Year but not Received



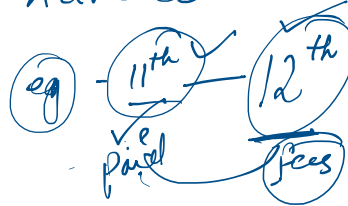
Income Milni chahiye But Mil Nahin

Cash Basis

Accrual Basis

* Income received in Advance

(Income received before it has been earned)



Cash Basis

Accrual Basis

Earn - duty fulfilled

Michael gives following information about his income and expenses for the year ended 31st March, 2021:

Expenses paid	1,60,000	1,60,000
Expenses paid in advance (included in ₹ 1,60,000)	40,000	40,000
Expenses not yet paid	20,000	20,000
Income received	2,40,000	2,40,000
Income received in advance (included in ₹ 2,40,000)	30,000	30,000
Income not yet received	24,000	24,000

Determine his income if he adopts (i) Cash Basis of Accounting, and (ii) Accrual Basis of Accounting.

Cash
Basis

Cash Basis

Accrual Basis

$$\begin{aligned} \text{Income} &= \text{Revenue} - \text{Expenses} \\ &= 2,40,000 - 1,60,000 \\ &= 80,000 \end{aligned}$$

$$\begin{aligned} \text{Income} &= \text{Revenue} - \text{Expense} \\ &= 2,40,000 - 30,000 + 24,000 \\ &= 1,60,000 - 40,000 + 20,000 \\ &= 1,40,000 \text{ Ans} \end{aligned}$$

(eg) Rent paid - 80,000
prepaid rent included in ₹ 80,000 is ₹ 5,000

Outstanding Rent - ₹ 10,000

Income Received - ₹ 1,65,000
(including advance ₹ 15,000)

$$\begin{array}{r} 1,65,000 \\ 15,000 \\ \hline 1,50,000 \end{array}$$

End Profit = Cash Basis → 1,65,000 - 80,000 = 85,000

Accounting

Exp

80000
- 50000
+ 10000

find Profit :

Cash Basis $\rightarrow 1,65,000 - 80,000 = 85,000$
Accrual Basis $\rightarrow \text{Revenue} - \text{Exp} = \text{Profit}$
 $1,50,000 - 85,000 = 65,000$