Other payables & other receivables

The matching principle: ~~Pa~~ This ~~princy~~ principle ensures that income & expenses are matched. This means recording incomes & expenses as they are incurred, not when the money is paid or received. They have to be written in the same year that they have incurred in.

In arrears: An ~~a~~ expense that is paid for after being received, example electricity is paid after the ammount owing has been calculated.

When expenses & income are paid or received in the same year, they are transfered to the income statement from the ledger accounts. However when an expense or income is paid or received that does not relate to the ~~cu~~ current year, there is an outstanding balance is created in the ~~~~ ledger accounts. Adjustments are made in these accounts.

They are as follows:

Accrued expenses: Expenses that relate to the current year but are upaid by the end of the year. aka (other payables) page 145

Prepaid expenses: Expenses that have been payed in advance to the year that they relate to. aka (other receivable) page 146

Accrued ~~expenses~~ incomes: Incomes that have been earned but not received in that financial year. aka (revenue owing) page 147

Prepaid income: Incomes that have been received ~~a~~ prior to their ~~a~~ related accounting period. ~~&~~ page 148

Both accrued and prepaid ammounts ~~~~ result in an outstanding balance, this is carried on to the next year as an opening balance refer page 149

The matching principle applies when there are outstanding balances from previous periods as well as the end of the current period. Income statement must include all ~~payments~~ expenses and incomes from the current period or the related financial year.

Ledger accounts for outstanding balances from multiple periods. refer page 150