

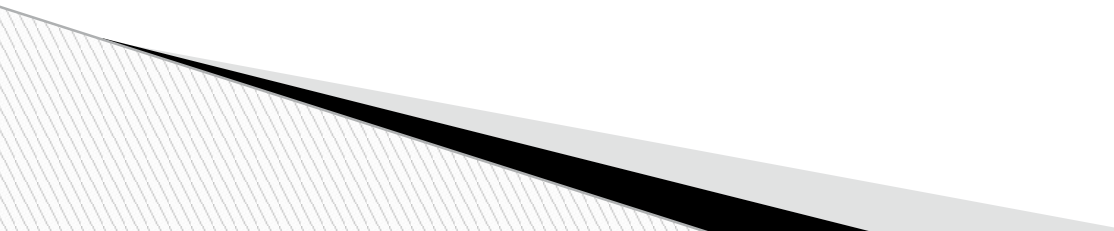
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Accrual Accounting VS Cash Accounting

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Outline

- Introduction
 - Main body
 - Basis of Accounting: Concepts and Principles;
 - Differences between them (theoretical part, example);
 - Benefits and Drawbacks;
 - Conclusion
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Introduction

- Companies generally use one of two accounting methods for financial reporting. The choice of accounting method determines the timing of the recognition of revenue and expenses.



Main Part

- Basis of Accounting: Concepts and Principles
 - Cash Accounting;
 - Accrual Accounting;



Main Part

- Differences between them (theoretical part, example)
 - Revenue recognition. A company sells \$1000 of tables and chairs to a customer in March, which pays the invoice in April. Under the cash basis, the seller recognizes the sale in April, when the cash is received. Under the accrual basis, the seller recognizes the sale in March, when it issues the invoice.

Main Part

- ▣ - Expense recognition. A company buys \$500 of stationery in May, which it pays for in June. Under the cash basis, the buyer recognizes the purchase in June, when it pays the bill. Under the accrual basis, the buyer recognizes the purchase in May, when it receives the supplier's invoice.

Main Part

Cash Accounting		Accrual Accounting	
Benefits	Drawbacks	Benefits	Drawbacks
It easy to Understand;	Single-Entry System;	It grants more useful business analysis;	It poses some difficulties;
It shows Cash Flow;	Short-Term Indicator;	It allows for easy planning;	It can lead to deception;
It is ingle-Entry System.	Restrictions.	It is compliant with GAAP.	It is difficult to switch costs.

Conclusion

- The previous explanations and examples highlighted the importance, benefits and drawbacks key differences between cash and accrual basis of accounting.

