Cost of Sales and Other Expenses

Theories:

Matching theory →The costs incurred must be matched against the profit earned in the same accounting period to determine profit for the period.

Matching theory —> The costs incurred must be matched against the income earned to determine the profit for that period

Expenses Payable refer to expenses incurred in the accounting period, but have not been paid for.

Prepaid expenses refer to expenses that have been paid early.

Journal entries to account for expenses

Businesses produce financial statements that can summarise a company's performance over a period, usually a year, They are:

- Prepaid expense or Expense Payable (this is at the beginning of the period)
- Cash at bank (in hand) or Other payable (if item was bought on credit)
- Income summary (profit and loss section - this is for calculating the expense)
- Prepaid expense or Expense payable (this is at the end of the period)

- Adjustments Filter Sort Table

	Property 1	Property 2
	Profit for the year	Current Asset
›nse	Understated	Understated

able	Overstated

Type / for options