



## **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

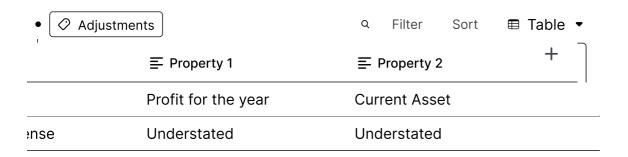
**Expenses Payable** refer to expenses incurred in the accounting period, but have not been paid for.

**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)



able	Overstated		
Type // fo	or options		