

DEFERRALS & ACCRUALS IN YOUR LIFE



Today we are starting talking about deferrals and accruals. While these may sound complicated, they are really just new names for what we have been doing all along. Work through the following questions to identify how deferrals and accruals occur in your own life.

DEFERRALS (\$ Now)

Deferred Expenses (Prepaid Expenses)

A deferred expense occurs when you pay for an item or a service before it is actually used. List four expenses that you typically pay in advance.

1. _____
2. _____
3. _____
4. _____

Deferred Revenues (Unearned Revenues)

A deferred revenue occurs when you receive a payment before you have actually earned it. List two times that you have been paid for a service or merchandise in advance.

1. _____
2. _____

ACCRUALS (\$ Later)

Accrued Expenses (Record Expenses Now ... Pay Cash Later)

An accrued expense occurs when you use an item or a service before you have paid for it. List four expenses that you typically pay "after the fact."

1. _____
2. _____
3. _____
4. _____

Accrued Revenues (Record Revenues Now ... Receive Cash Later)

An accrued revenue occurs when you have earned revenue, but you have not yet received payment. List two examples of revenues that you earn before you receive payment.

1. _____
2. _____