CONCEPT: ACCRUAL ACCOUNTING VS CASH BASIS ACCOUNTING

● *Consider this*: The only way for a company to truly know its worth (and how well it performed) is to ________________, sell all assets, pay all liabilities. Everything left belongs to the owners (i.e. the company's worth).

- □ Ongoing companies can't liquidate to know their worth. Financial statements act as ____________________
- □ ***Time-period concept*** – accounting information is reported at ________________ intervals
  - Usually this time period is years starting January 1 to December 31, but it can be anything consistent

● ***Accrual Accounting*** records the impact of business transactions ________________:

- □ Making a cash sale:
- □ Making a credit sale (promise to pay in a month):
- □ Receipt of cash from credit sale:
- □ Paying employees:
- □ Amount of money employees earned at end of month, but not paid yet:

● ***Cash Basis Accounting*** records the impact of only _________ transactions:

- □ Making a cash sale:
- □ Making a credit sale (promise to pay in a month):
- □ Receipt of cash from credit sale:
- □ Paying employees:
- □ Amount of money employees earned at end of month, but not paid yet: