HMRC - CFM22530 - Borrowers: Accruals Accounting

The following guidance covers Old UK GAAP (applied before 2015) where FRS 26 was not applied.

Accruals basis for accounting

The accruals basis of accounting (see FRS 18 for more detail) requires income and expenditure to be accounted for as it arises rather than when cash is received or paid.

This means that any interest payable will be included on a time basis rather than a cash basis. For example, if interest of £100 is due to be paid on 30 June for the 6 month period from 1 January then a balance sheet at 31 March will show accrued expenditure of £50 (3/6 x £100).

Over the following 3 months a further £50 of expenditure will be accrued until on 30 June cash of £100 is paid. At this point the accrued expenditure is reduced to £nil.

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