

Chart of Difference between Cash Accounting and Accrual Accounting

Basis of Difference	Cash Basis Accounting	Accrual Basis Accounting
Meaning	In Cash basis accounting system, we will record only those transactions in which cash is actually paid against the expenses and received against the income	In Accrual basis accounting system, we will record transactions when expenses are incurred and it may be paid or not. and when the income earned and it may be received or not.
Object	To know the actual cash balance of the business	To know the actual profit/loss of the business in the particular accounting period.
Process of Recording	Simple	Complex
Financial Statement	The financial statement does not show the actual financial position of an entity because total incomes and expenses are not shown in the books of the account.	The financial statement does show the actual financial position of an entity because actual income and expenses are shown for the particular accounting period.
Recognized	This system is not recognized by the law.	This is a recognized system of accounting.
Business Transactions	The only cash transaction is recorded.	Both Cash and credit transactions are recorded.
Accuracy	It is a less accurate system of accounting.	It is more accurate as compared with the cash basis accounting system.
Level of Business	It is suitable for only a very small business.	It is suitable for all level business.