Penang Sangam High School

Accounting-Year 11

Strand 4: Measuring Periodic Income 1 Sub-strand: Balance Day Adjustments

Lesson Notes Week 18

Greetings students

Let us continue with our topic Balance day adjustments.

<u>Learning outcome</u>: Examine balance day adjustments and account for them in the financial records of the business.

To decrease Provision for Doubtful Debts

Example 3:

Trial Balance

	\$		\$
Debtors	13400	Provision for doubtful debts	2200
Bad debts	1200		

Additional Information

- 1. Wrote off bad debts \$400
- 2. The provision for doubtful debts is to be 15% of debtors

Formula for Calculating

= (Debtors – Additional

Bad Debts) * Rate

Provision for Doubtful

Solutions

General Journal entries

Date	Particulars	Dr	Cr
	Bad debts	400	
	Debtors		400
Date	Particulars	Dr	Cr
	Provision for doubtful debts	250	
	Doubtful debts		250

Profit and Loss (extract)

	\$		\$
Bad debts (1200 + 400)	1600	Doubtful debts	250

Balance Sheet (extract)

	\$	\$
Current Assets		
Debtors (13400 – 400)	13000	
Less provision for doubtful debts	<u>1950</u>	
	11050	

Homework

Trial Balance

	\$		\$
Debtors	15700	Provision for doubtful debts	1600

Additional Information

- 1. Wrote off bad debts \$1300
- 2. The provision for doubtful debts is to be 10% of debtors

Required:

- a. Prepare the journal entries
- b. Prepare Profit and Loss Extract
- c. Balance Sheet Extract