Qno12:	For 2005:						
		M/S Ayou	b & Son	1			
		9/5 Ayou General	! Ledger				
	Allowance for Bad Debts						
2005 Dec 31	Balance	400	2005 Dec 31	Adj	5,000		
31	Balance c/d	4,600					
		5,000			5,000		
			2006 Jan 1	Balance b/d	4,600		

<b>Computation for Estimated Bad Debts</b>	
Estimated bad debts are 10% of year-end accounts receivable	
Estimated allowance for bad debts ( $46,000 \ge 10/100$ ) Add:Debit balance in allowance for bad debts before	4,600
adjustment	400
Bad Debts Expense	5,000

Adjusti	ng Entry:				
2005					
Dec 31	Bad Debts Expense		5,000		
	Allowance for Bad D	)ebts		5,0	00
	(To record estimated bad deb	ots)			

Accounting with Jaweed Hassan (ACMA, MBA)

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## Operational Level 1

Fundamentals of Financial Accounting

M/S Ayoub & Sons Balance Sheet-Partial As on Dec 31, 2005						
Assets	Assets Equities					
Current Assets						
Accounts Receivable	46,000					
Less: Allowance for Bad Debts (4,600)						
Net Realizable Value	41,400					

## For 2006:

Entries				
2006				
Mar 16	Allowance for Bad Debts		5,600	
	Accounts Receivable			5,600
	(Wrote off wortheless custon	ners' accoun	its)	
Nov 11	Accounts Receivable		3,000	
	Allowance for Bad Del	bts		3,000
	(To re-instate customers' acc	count)		
11	Cash		3,000	
	Accounts Receivable			3,000
	(To record cash collection)			
Dec 31	Accounts Receivable		2,000	
	Advance from custom	ers		2,000
	(To record advance from cus	tomers)		

Computation for Estimated Bad Debts	
Estimated bad debts are 10% of year-end accounts receivable	
Estimated allowance for bad debts ( $60,000 \ge 10/100$ ) Less: Credit balance in allowance for bad debts before	6,000
adjustment	(2,000)
Bad Debts Expense	4,000

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Operational Level 1

Fundamentals of Financial Accounting

M/S Ayoub & Sons General Ledger							
	(	Jeneral	Ledger				
	Α	ccounts R	eceivable				
2006 Dec 31	Balance	58,000					
31	Advance from customers	2,000					
	60,000		2006 Dec 31	Balance c/d	60,000		
		60,000			60,000		
2007 Jan 1	Balance b/d	60,000					
	Allo	owance for	r Bad Debt	S			
2006 Mar 16	Accounts Receivable	5,600	2006 Jan 1	Balance b/d	4,600		
			Nov 11	Accounts Receivable	3,000		
			Dec 31	Adj	4,000		
				11,600			
Dec 31	Balance c/d	6,000					
		11,600			11,600		
			2007 Jan 1	Balance b/d	6,000		

Adjusting	Entry:			
2006				
Dec 31	Bad Debts Expense		4,000	
	Allowance for Bad Deb	ots		4,000
	(To record estimated bad deb	ots)		

M/S Ayoub & Sons Balance Sheet-Partial As on Dec 31, 2006							
Assets			Equities				
Current Assets							
Accounts Receivable	60,000						
Less: Allowance for Bad Debts (6,000)							
Net Realizable Value							

Accounting with Jaweed Hassan (ACMA, MBA)

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