Sunny Stores

General Journal

Date		Account Titles and Explanation	Post Ref.	Debit	Credit
		(Adjustment)			
		Case no 1			
	1	Bad Debts Expense		4500	
		Allowance for Bad Debts			4500
		(To record estimated bad debts)			
		(Adjustment)			
		Case no 2			
	1	Bad Debts Expense		6600	
		Allowance for Bad Debts			6600
		(To record estimated bad debts)			
		(Adjustment)			
		Case no 3			
	1	Bad Debts Expense		4550	
		Allowance for Bad Debts			4550
		(To record estimated bad debts)			
		(Adjustment)			
		Case no 4			
	1	Allowance for Bad Debts		250	
		Capital			250
		(To decrease allowance for bad debts)			

Case no 1:			
Computation for Estimated Bad Debts			
Estimated bad debts are 1% of total credit sales			
Bad Debts Expense = Total credit sales x 1/%			
First we find 'Credits Sales'			
Sales	600,000		
Less: Cash Sales (600,000x 25%)	(150,000)		
Total Credit Sales	450,000		
Bad Debts Expense = 450,000 x 1/100			
= Rs.4,500			
Case no 2:			
Computation for Estimated Bad Debts			
Estimated bad debts are 1.5% of net credit sales			
Bad Debts Expense = Net Credit Sales x 1.5%			
First we find 'Net Credit Sales'			
Credit Sales	450,000		
Less: Sales Return & Allowance	(10,000)		
Net Credit Sales	440,000		
Bad Debts Expense = 440,000 x 1.5/100			
= Rs.6,600			
Case no 3:			
Computation for Estimated Bad Debts			
Estimated bad debts are 3% of year end accounts receivable			
Estimated allowance for bad debts (Rs.240,000 x 3 /100)			7,200
Less: Credit balance in allowance for bad debts before adjustment			(2,650)
Bad Debts Expense			4,550
Case no 4:			
Computation for Estimated Bad Debts			
Estimated bad debts are 1% of year end accounts receivable			
Estimated allowance for bad debts (Rs.240,000 x 1 /100)			2,400
Less: Credit balance in allowance for bad debts before adjustment			(2,650)
Decrease in allowance bad debts			(250)