Fundamentals of Financial Accounting

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)			

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Operational Level 1

Case no 1:		
Com	putation for Estimated Bad Debts	
Estimated bad debts are 1% of	total credit sales	
Bad Debts Expense = Total cred	lit 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	x 1/100	
= Rs.4,500	0	
Case no 2:		
Com	putation for Estimated Bad Debts	
Estimated bad debts are 1.5% of	of net credit sales	
Bad Debts Expense = Net Credit	t 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	x 1.5/100	
= Rs.6,600		
Case no 3:		
	putation for Estimated Bad Debts	
Estimated bad debts are 3% of	•	
Estimated allowance for bad det	7,200	
Less: Credit balance in allowand	(2,650)	
B	Bad Debts Expense	4,550
Case no 4:		
Com	putation for Estimated Bad Debts	·
Estimated bad debts are 1% of	year end accounts receivable	
Estimated allowance for bad deb	2,400	
Less: Credit balance in allowand	(2,650)	
Decreas	e in allowance bad debts	(250)

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