



Question 1 Adjustments

Leaving Certificate Accounting · Summary sheet

1/3

P&L Balance sheet which column it goes in ▲ increase ▼ decrease P&L + B/S goes in both

Stock & purchases

Sale or Return

P&L

▼ Sales (SP)

BALANCE SHEET

▼ Debtors (SP)

▲ Stock (cost)

P&L + B/S

Goods in Transit

P&L

▲ Purchases (cost)

BALANCE SHEET

▲ Creditors (cost)

▲ Stock (cost)

P&L + B/S

Restocking Charge

P&L

▲ Purchases

BALANCE SHEET

▲ Creditors

Restocking charge only

Damaged Stock in Stock Count

▼ Stock, to reflect the loss in value

P&L + B/S

Debtors & bad debts

Bad Debt Written Off

P&L

▲ Bad debt expense

BALANCE SHEET

▼ Debtors

Bad Debt Recovered

P&L

▲ Bad debt recovered income (full amount recovered)

BALANCE SHEET

▲ Debtors (amount yet to be received)

▲ Bank, DR bal (amount received)

or

▼ Overdraft, CR bal (amount received)

Bad Debt Provision

Increase in BDP (amount of increase)

P&L

▲ BDP expense

BALANCE SHEET

▲ BDP (B/S)

Decrease in BDP (amount of decrease)

P&L

▼ BDP expense

BALANCE SHEET

▼ BDP (B/S)

 Reduce debtors in the B/S by the amount of the **new** provision.

Expenses & drawings

Salesman's Commission / Wage Increase

P&L

▲ Wages / commission expense

BALANCE SHEET

▲ Wages / commission due (current liability)

Drawings

Goods

P&L

▼ Purchases

BALANCE SHEET

▲ Drawings

Mortgage interest

P&L

▼ Mortgage interest charge

BALANCE SHEET

▲ Drawings





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P&L **Balance sheet** which column it goes in ▲ increase ▼ decrease **P&L + B/S** goes in both

Fixed assets

Van Disposal

- Van cost** **B/S**
 - ▲ New van cost
 - ▼ Old van cost
- Profit / loss on disposal** **P&L**

$$\text{Old van cost} - \text{Accum. depn} = \text{NBV}$$

$$\text{NBV} \text{ vs } \text{Sales proceeds}$$

SP higher = profit SP lower = loss
- Depreciation charge** **P&L**

$$\text{Opening van cost} \times \text{rate} \times \frac{x}{12} +$$

$$\text{Closing van cost} \times \text{rate} \times \frac{x}{12}$$

💡 The two values of x add up to 12
- Accumulated depreciation** **B/S**

$$\text{Opening bal} + \text{Charge} - \text{Accum. depn on old van} =$$

$$\text{Closing bal}$$
- Purchases** **P&L**
 - ▼ By the amount of the cheque (new van cost – trade-in value)

Revaluation of Buildings

At end of year

Depreciate → **Revalue**

- Depreciation charge** **P&L**

$$\text{Old building cost (excl. land)} \times \text{Rate}$$
- Revaluation reserve** **B/S**

$$\text{Increase in value} + \text{Opening accum. depn} +$$

$$\text{Depn charge}$$

💡 Cost at end = new value · accumulated depn = **zero**

At start of year

Revalue → **Depreciate**

- Revaluation reserve** **B/S**

$$\text{Increase in value} + \text{Opening accum. depn}$$
- Depreciation charge** **P&L**

$$\text{New building cost (excl. land)} \times \text{Rate}$$

💡 Cost at end = new value · accumulated depn = **1 year**

Patent with Investment Income

Patent

- Add back investment income included in error** **B/S**
 - ▲ Patent
- Patent written off** **P&L**

$$\text{New value} \div \text{No. of years}$$
- Patent in balance sheet** **B/S**

$$\text{New value} - \text{Write-off}$$

Investment income

- Income** **P&L**

$$\text{Investment (TB)} \times \% \text{ rate} \times \text{Months held}$$

💡 May not be a full year
- Due (current asset)** **B/S**

$$\text{Income} - \text{Received (in patent)} - \text{Received to bank}$$

VAT Included in Buildings

P&L

—

BALANCE SHEET

- ▼ Buildings (amount of VAT)
- ▼ VAT liability (CR bal)
- or
- ▲ VAT recoverable (DR bal)

New Warehouse (Own Workers)

P&L

- ▼ Wages (wage element)
- ▼ Purchases (materials)

BALANCE SHEET

- ▲ Buildings (total)





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P&L **Balance sheet** which column it goes in ▲ increase ▼ decrease **P&L + B/S** goes in both

🔥 Insurance claims These two could come up in the same adjustment

📦 Insurance Claim + Damaged Stock

P&L

- ▼ Purchases (full amount of loss)
- ▲ Loss on fire (amount not covered by insurance)

BALANCE SHEET

- ▲ Insurance compensation, current asset (amount of compensation)

🏠 Insurance Claim + Damaged Warehouse

P&L

- ▲ Loss on fire (amount not covered by insurance)

BALANCE SHEET

- ▼ Buildings (full amount of loss)
- ▲ Insurance compensation, current asset (amount of compensation)

🏦 Bank, suspense & capital

🏦 Bank

Missing expense

P&L

- ▲ Expense

BALANCE SHEET

- ▼ Bank (DR bal) or ▲ overdraft (CR bal)

Bad debt

P&L

- ▲ Bad debt (amount of debt)

BALANCE SHEET

- ▼ Bank (DR bal) or ▲ overdraft (CR bal), by amount received

Investment income

P&L

—

BALANCE SHEET

- ▼ Investment income due
- ▲ Bank (DR bal) or ▼ overdraft (CR bal)

Bad debt recovered

→ See Bad Debt Recovered

💡 Not yet posted? Ignore it.

? Suspense

- 1 Identify the **3 accounts** affected: usually mortgage/debenture interest, the account with "suspense" in its name, and 1 other
- 2 Open **3 T accounts** and enter the balances from the TB
- 3 For the **1 other**: identify and fix the error

Mortgage / debenture interest

a Find the error

P&L + B/S

Mortgage × Rate × Months on a/c

Compare to the amount posted. Fix the account, with the opposite entry in suspense.

b Interest charge

P&L

Mortgage (TB) × Rate × Months held

💡 Months can vary and may not be a full year. May be reduced if there are drawings.

➡ Capital Transfer

1 Retained profit **P&L**

- ▼ By the amount of the transfer (show as a separate line)

2 Capital reserve, Financed By section **B/S**

- ▲ By the amount of the transfer

