Blog Question

Topic: Bad debts and provision for Doubtful Debts Class: 10-T Week: 6-10 Nov, 17

**Q1.** In a new business during the year ended 31 December 20X7 the following debts are found

to be bad, and are written off on the dates shown:

31 May S Gill & Son $340

30 September H Black Ltd $463

30 November A Thom $156

On 31 December 20X8 the schedule of remaining debtors, amounting in total to $14,420, is examined,

and it is decided to make a provision for doubtful debts of $410.

**You are required to show:**

(*a*) The Bad Debts Account, and the Provision for Doubtful Debts Account.

(*b*) The charge to the Income statement.

(*c*) The relevant extracts from the Statement of financial affairs as at 31 December 20X7.

**Q2.** A business had always made a provision for doubtful debts at the rate of 4% of debtors. On

1 January 20X8 the provision for this, brought forward from the previous year, was $320.

During the year to 31 December 20X8 the bad debts written off amounted to $680.

On 31 December 20X8 the remaining debtors totalled $16,800 and the usual provision for

doubtful debts is to be made.

**You are to show:**

(*a*) The Bad Debts Account for the year ended 31 December 20X8.

(*b*) The Provision for Doubtful Debts Account for the year.

(*c*) Extract from the Profit and Loss Account for the year.

(*d*) The relevant extract from the Balance Sheet as at 31 December 20X8.