

## FIRST TERM E-LEARNING NOTE

**SUBJECT: FINANCIAL ACCOUNTING**

**CLASS: SS2**

### SCHEME OF WORK

<b>WEEK</b>	<b>TOPIC</b>
1	Final Accounts – Special transactions; Bad Debts, Closing entries e.t.c.
2	Final Accounts – Provision for doubtful debts
3	Final Accounts – Provision for discounts
4-5	Final Accounts – Accruals and Prepayments
6	Depreciation of Fixed Assets
7-8	Depreciation of Fixed Assets
9	Depreciation of Fixed Assets
10	Final Accounts – Working exercises

### WEEK ONE

#### FINAL ACCOUNTS – SPECIAL TRANSACTIONS; BAD DEBTS, CLOSING ENTRIES

#### CONTENT

- SPECIAL ITEMS OF EXPENSES/LOSSES
- BAD DEBTS RECOVERED
- CLOSING ENTRIES
- ADJUSTMENTS IN THE FINAL ACCOUNT

#### SPECIAL ITEMS OF EXPENSES /LOSSES

##### 1. GOODS STOLEN OR DESTROYED

Goods may have been stolen (pilfered) or destroyed during the financial year. When this occurs, the following entries will be passed

Dr	Profit and Loss Account
Cr	Purchases Account

##### 2. GOODS WITHDRAWN BY THE OWNER FOR PERSONAL USE

The owner of the business can withdraw goods for his own use. The treatment in the account is that such goods are recorded at the cost price. The entries to be passed are;

Dr	Drawings Account
Cr	Purchases Account

##### 3. BAD DEBTS

These are debts which have become irrecoverable i.e. debts that cannot be collected again from a customer. Bad debts occur as a result of the inability of the customer to pay his debt. This situation can arise due to a number of factors or reasons among which are the death of a customer, the insolvency, bankruptcy or liquidation of the customer, poor economic/political situation of a country, poor debt management on the part of the creditor etc.

Accounting treatment of bad debts.

Dr	Bad Debts Account
Cr	Debtors Account

This will reduce the value of debtors in the ledger

The Bad Debts Account will have a debit balance and will appear among other items in the trial balance.

On the preparation of the final account

Dr Profit and Loss Account  
Cr Bad Debts Account  
Bad debt is thus a loss to the business organization

### **BAD DEBTS RECOVERED**

Occasionally, a bad debt previously written off may be paid. The accounting treatment in such a situation are:

- (a) Dr Debtor's Account  
Cr Bad Debts Recovered Account  
This will bring the debtors account to its original position before the bad debts were written off
- (b) Dr Cash /Bank Account  
Cr Debtor's Account
- (c) On the preparation of the final accounts  
Dr Bad Debts Recovered Account  
Cr Profit and Loss Account

The amount recovered is an additional income for the period. This explains why it is being credited into the Profit and Loss Account.

### **EVALUATION**

1. What are the accounting entries posted whenever the owner of a business withdraws cash from the business for private use.
2. What are the accounting entries posted whenever the owner of a business withdraws goods from the business for personal use.

### **CLOSING ENTRIES**

Closing entries are those entries made at the end of the accounting period (e.g 31<sup>st</sup> December, 20xx) to close the various ledger accounts and transfer their balances to the final account.

### **ADJUSTMENTS OF THE FINAL ACCOUNT**

Adjustments are closing entries or amendments made in the books of accounts at the end of the accounting period so as to....