

Zoom In Accounting Grade 10

Adjustments

Summary

ADJUSTMENT	ACTION	ENTRY
Trading stock surplus	Trading stock must increase	Dr Trading stock Cr Trading stock surplus
Trading stock deficit	Trading stock must decrease	Dr Trading stock deficit Cr Trading stock
Consumable stores on hand	The expense must decrease	Dr Consumable stores on hand Cr Expense account
Depreciation	Carrying value of the asset changes	Dr Depreciation Cr Accumulated depreciation
Bad debts	Debtors' control decreases	Dr Bad debts Cr Debtors' control
Bad debts recovered	Income received	Dr Bank Cr Bad debts recovered
Correction of error	Correct the error by increasing/ decreasing affected accounts	Dr Account affected Cr Account affected
Accrued income	Income must increase	Dr Accrued income Cr Income account
Income received in advance	Income must decrease	Dr Income account Cr Income received in advance
Prepaid expense	Expense must decrease	Dr Prepaid expense Cr Expense account
Accrued expense	Expense must increase	Dr Expense account Cr Accrued expense
Capitalised interest on loan	Loan must increase	Dr Interest on mortgage loan Cr Loan

Closing transfers are completed by following eight easy steps:

- | | | | |
|--|----------------------------|---|---|
| 1. Close off Debtors' allowances to Sales account | | } | Trading Account |
| Dr Sales | Cr Debtors' allowances | | |
| 2. Close off Sales to Trading account | | | |
| Dr Sales | Cr Trading account | | |
| 3. Close off Cost of sales to Trading account | | } | Profit and Loss Account |
| Dr Trading account | Cr Cost of sales | | |
| 4. Close off Trading account (gross profit) to Profit and Loss account | | | |
| Dr Trading account | Cr Profit and Loss account | | |
| 5. Close off income accounts to Profit and Loss account | | } | Allocating profit/
loss to owner |
| Dr Income accounts | Cr Profit and Loss account | | |
| 6. Close off expense accounts to Profit and Loss account | | | |
| Dr Profit and Loss account | Cr Expense accounts | | |
| 7. Close off Profit and Loss account (net profit) to Capital account | | } | |
| Dr Profit and Loss account | Cr Capital account | | |
| 8. Close off Drawings to Capital account | | | |
| Dr Capital account | Cr Drawings account | | |

NOTE

Templates to complete the following activities can be found in the Template section on the USB flash drive.

Activity 1: Trading stock and Consumables on hand

You are provided with an extract of the financial information of RPS Trading for the year ended 31 December 20.1. Use the information to make adjustments to the financial records using the General Journal and General Ledger.

Balances in the General Ledger on 31 December 20.1

Trading stock	R84 660
Stationery	R 1 962
Cleaning materials	R 4 880

On 31 December 20.1, RPS Trading conducted a stock count and it revealed the following was on hand at the end of the year:

Trading stock	R82 960
Stationery	R410
Cleaning materials	R750

Activity 2: Depreciation

You are provided with an extract of the financial information of Jacobs Superstore for the year ended 31 December 20.8. Provide for depreciation on the assets of the business. Show entries in the General Journal and General Ledger.

Balances in the General Ledger on 1 January 20.8:

Vehicles	R410 600
Equipment	R104 000
Accumulated depreciation on Vehicles	R180 000
Accumulated depreciation on Equipment	R16 800

Provide for depreciation as follows:

- + on vehicles at 25% on cost
- + on equipment at 10% on diminishing balance

Activity 3: Depreciation

You are provided with an extract of the financial information of Fredo Traders for the year ended 31 March 20.0. Provide for depreciation on the assets of the business. Show entries in the General Journal and General Ledger.

Balances in the General Ledger on 1 April 20.9:

Vehicles	R380 400
Equipment	R96 300
Accumulated depreciation on Vehicles	R102 760
Accumulated depreciation on Equipment	R18 600

Additional information:

- + A new vehicle was purchased on 1 December 20.9, R210 000.
- + Provide for depreciation as follows:
 - on vehicles at 25% on cost
 - on equipment at 10% on diminishing balance