VCE Accounting 2019–2024
Advice for teachers

Detailed example

Unit 4 Area of Study 1: Extension of recording and reporting

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| Detailed example |
| **Ethical considerations when recording and reporting***Business scenario*At 30 June 2023, the extract from the Trial Balance of Paintworks showed the following:**Paintworks****Trial Balance as at 30 June 2023**

|  |  |  |
| --- | --- | --- |
|  | **$** | **$** |
| Accounts Receivable | 65,000 |  |
| Allowance for Doubtful Debts |  | 2,800 |

*Additional information** During the financial year ended 30 June 2023 the business made credit sales of $140,000 plus GST and sales returns were $11,000 including GST. Receipts from Accounts Receivable for June 2023 amounted to $115,000.
* On 27 June 2023 the owner received a solicitor’s letter informing him that his customer, Harry Hardware, had been declared bankrupt and would not be able to pay any of the $740 owed (Memo 19).
* At 30 June 2023 the accountant estimated that 4% of Net credit sales were considered doubtful.

*Tasks** 1. Record Memo 19 in the General Journal of Paintworks.
	2. Calculate Doubtful Debts for Paintworks for the year ended 30 June 2023.
	3. Record the balance day adjustment for Bad Debts expense for June 2023 in the General Journal of Paintworks. A narration is required.
	4. Show how the Bad Debts and Allowance for Doubtful Debts accounts would appear in the General Ledger of Paintworks as at 30 June 2023 after all closing and balancing entries had been recorded.
	5. Show how the Accounts Receivable would be reported in the Balance Sheet of Paintworks as at 30 June 2023.
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