Sample Exercise

Sanjivani Shetty's transactions for the year 2011-12 are as follows.

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| --- |
| ADJUSTMENT ENTRIES FOR PREPAID EXPENSES |
| Nature | PaymentDate | Period of Sub­scription/ Insurance (a) | Amount(b) | Prepaid Period (c) | Prepaid Amount (b)/(a)\*(c) =(d) | AmountforCurrent Year (b)-(d)=(e) |
| Magazinesubscription | 6-7-2011 | 1-7-2011 to 30-6-2007 (24 months) | 2,400 | 1-4-2012 to30-6-2007 (15 months) | 1,500 | 900 |
| Insurance | 1-8-2011 | 1-8-2011 to 31-7-2012 (12 months) | 6,000 | 1-4-2012 to 31-7-2012 (4 months) | 2,000 | 4,000 |

OTHER ADJUSTMENT ENTRIES

|  |  |
| --- | --- |
| SL. NO. | NATURE OF ADJUSTMENT |
| 1 | A provision for income tax (2011-12) has to be made at Rs. 17,500. |
| 2 | Closing stock of stationery consumables on March 31, 2012 was Rs.5000. |
| 3 | Transfer balance of withdrawals account to Sanjivani Shetty's Capital A/c. (84000) |
|  |
| CLOSING ENTRY |
| SL. NO. | TRANSACTION |
| 1) | Transfer balance of Profit and Loss Account to Sanjivani Shetty Capital A/c. (234786) |

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| --- | --- | --- | --- |
| Date | Particulars | Dr (Amt) | Cr (Amt) |
|  | Journal Entry for Adjustment of Magazin subscription |  |  |
| 31/03/2012 | Dr. Magazine Subscription a/c (Indirect Exp)Cr. Prepaid Magazine Subscription a/c (Current Assets)(Being M. Subscription adjusted against prepaid) | 900 | 900 |
|  |
|  | Journal Entry for Adjustment of Insurance |  |  |
| 31/03/2012 | Dr. Insurance Charges a/c (Indirect Exp)Cr. Prepaid Insurance Charges a/c(Being Insurance adjusted against prepaid) | 4000 | 4000 |
|  |
|  | Journal Entry for Income Tax Provision |  |  |
| 31/03/2012 | Dr. Income Tax (11-12) a/c (Indirect Exp)Cr. Income Tax (11-12) Payable a/c (Provision)(Being Insurance adjusted against prepaid) | 17500 | 17500 |
|  |
|  | Journal Entry for Closing Stock |  |  |
| 31/03/2012 | Dr. Closing Stock of Stationery a/c (Current Assets)Cr. Printing & Stationery a/c (Indirect Exp)(Being Stock of stationery at the yearend) | 5000 | 5000 |
|  |
|  | Adjustment Entry for Drawing |  |  |
| 31/03/2012 | Dr. Drawing a/c (Capital)Cr. Sanjivani’s Capital a/c (Capital)(Being drawing adjusted against capital) | 84000 | 84000 |
|  |  |  |  |
|  | Journal Entry for Profit and Loss Account |  |  |
| 31/03/2012 | Dr. Profit & Loss a/c (Pre-Defined ledger)Cr. Sanjivani’s Capital a/c (Capital)(Being profit transferred to capital a/c) | 234786 | 234786 |
|  |  |  |  |