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Module finance

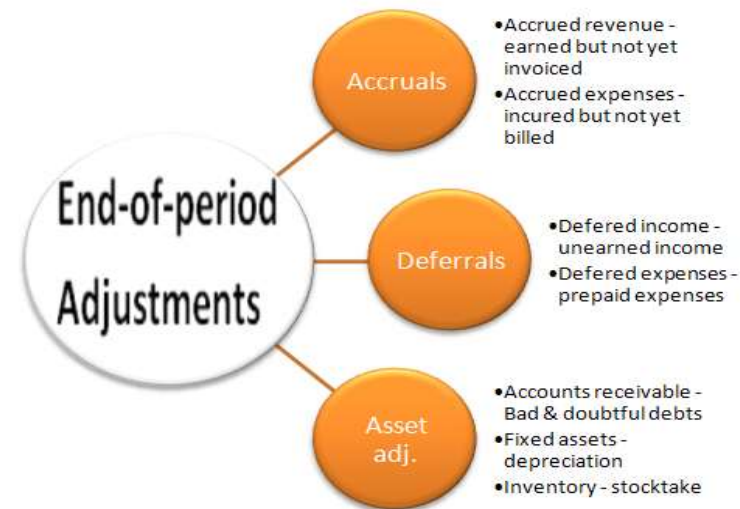
Adjusting accounting entries

Adjusting entries explained

Adjusting entries are accounting journal entries made at the end of the accounting period after a trial balance has been prepared. After you make a basic accounting adjusting entry in your journals, they're booked to the general ledger, just like any other accounting entry.

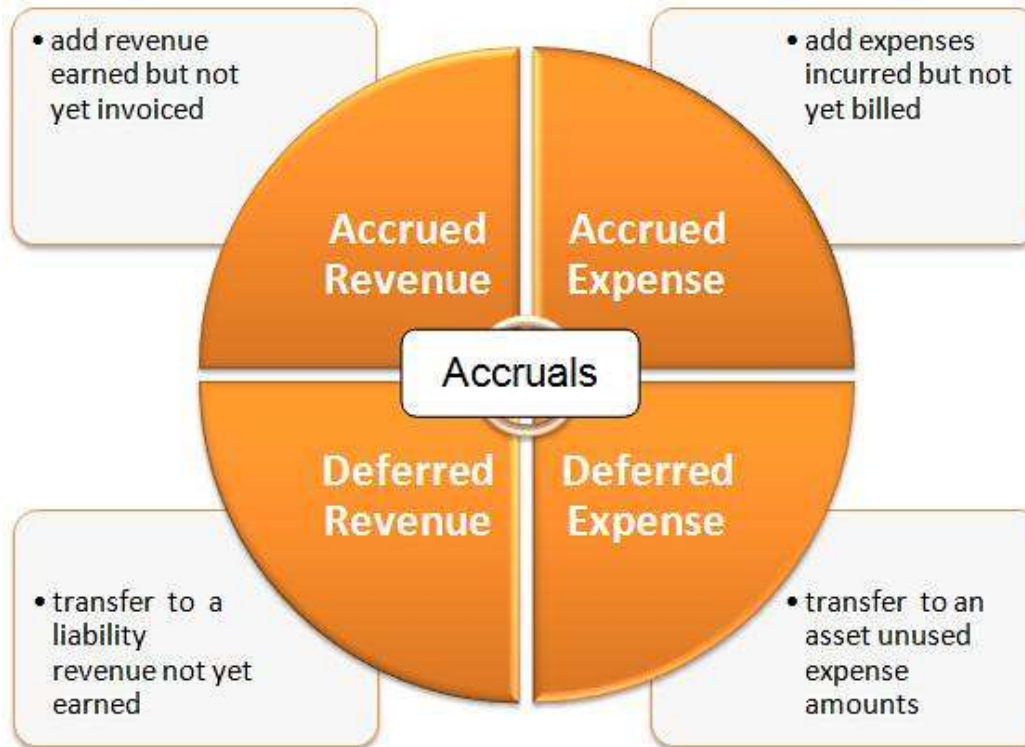
What are the various types of adjusting entries based on accrual accounting?

- Accruals
- Deferrals
- Other



Definition of accrual vs deferral

Debit: accrued revenue (asset)
Credit: Sales / revenue - Income statement



Debit: Expenses – Income statement
Credit: Accrued expenses (liability)

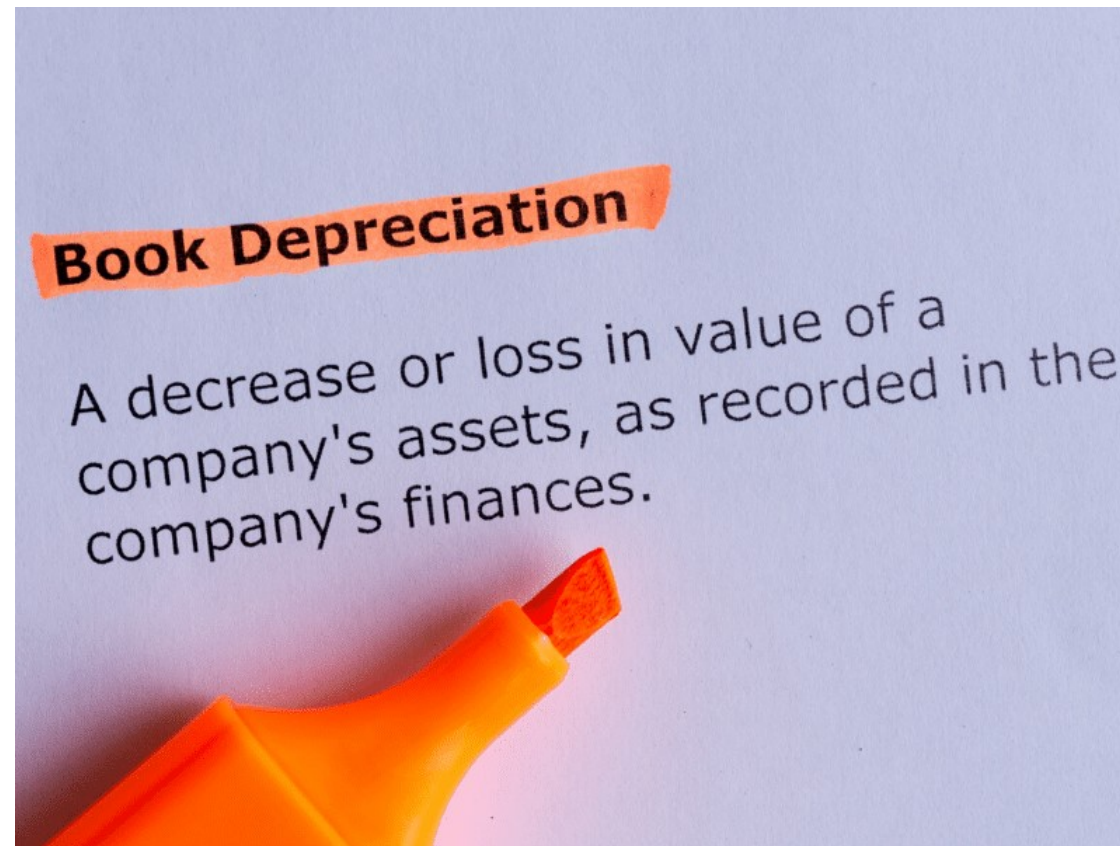
Debit: Sales / revenue – Income statement
Credit: Deferred income/cash received in advance (liability)

Debit: Deferred/prepaid expenses (asset)
Credit: Expenses - Income statement

Revenue Accruals and Deferrals

	Earned	Unearned
Not Received	Accrual	
Received		Deferral

Depreciation definition



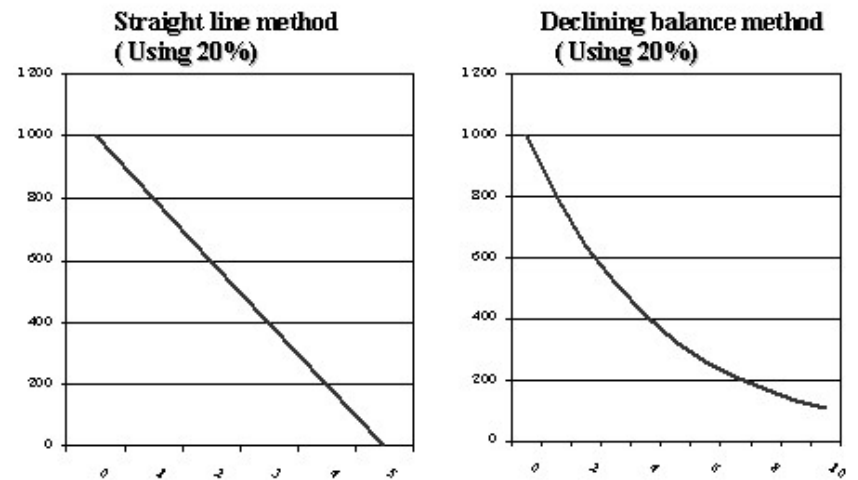
Book Depreciation

A decrease or loss in value of a company's assets, as recorded in the company's finances.

Depreciation

- **Double declining method:**
 - Always a different, lower depreciation amount
 - Always a percentage of the book value
- **Straight line method:**
 - Always the same amount
 - Always a percentage of the acquisition value

Methods of depreciation



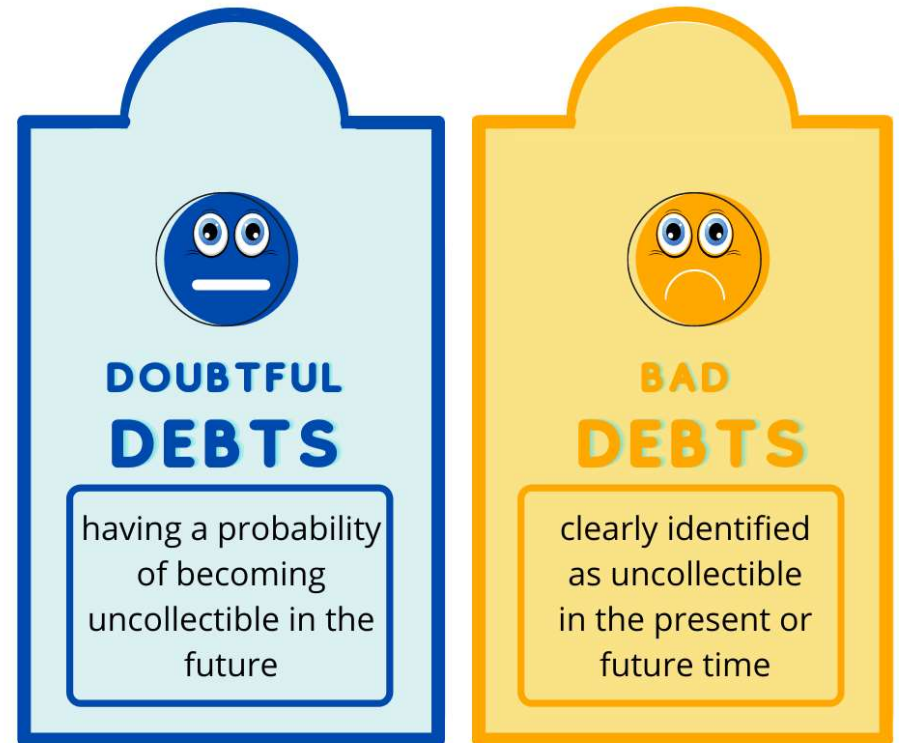
Allowance for doubtful debt vs Write off

An allowance for doubtful debt is considered a “contra asset,” because it reduces the amount of an asset, in this case the accounts receivable. The allowance, sometimes called a bad debt reserve, represents management's estimate of the amount of accounts receivable that will not be paid by customers.

- **Can be done during the year and at year end based on a % of the receivables** (5% on Swiss customers & 10% on foreign customers)

Write-off is an elimination of an uncollectible accounts receivable recorded on the general ledger.

- **Can be done at any point in time during the period**



Link:

[Adjusting Entries | Outline | AccountingCoach](#)