

Reversal adjustments

Remember: Expenses are matched to the period in which they were incurred - ***matching principle***

Therefore, reversal of adjustments should be done on the first day of the next accounting period.

For example: 1

Record all the adjustments provided below on 29 February 2016, the end of the financial period, into the following books:

- 1.** General Journal
- 2.** General Ledger

Information

At the end of the accounting period on 29 February 2016, the following balances appeared in the financial records of HC Traders:

Pre-adjustment Trial Balance of HC Traders as at 29 February 2016

Nominal accounts	Fol.	Debit	Credit
Stationery	N13	3 470	
Rent income	N14		16 250

Adjustments on 29 February 2016

- According to a physical count, stationery to the value of R360 was not used during the financial period.
- The business received on month's rent of R1 250 in advance from the tenant.

The above adjustments would have been entered in the business books as follows:

General Journal of HC Traders for February 2016

Doc. No.	Day	Details	Fol.	Debit	Credit
JV34	29	Consumable stores on hand	B20	360	
		Stationery	N13		360
		(Adjustment)			
JV35		Rent income	N14	1 250	
		Income received in advance	B21		1 250
		(Adjustment)			

**General Ledger of HC Traders
Balance Sheet accounts section**

Consumable stores on hand

B20

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016 Feb	29	Stationery	GJ	360					

Income received in advance

B21

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
					2016 Feb	29	Rent income	GJ	1 250

Nominal account section

Stationery

N13

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016 Feb	29	Balance	b/d	3 470	2016 Feb	29	Consumable stores on hand	GJ	360
							Profit and loss	GJ	3 110
				3 470					3 470

Rent income

N14

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016 Feb	29	Income received in advance	GJ	1 250	2016 Feb	29	Balance	b/d	16 250
		Profit and loss	GJ	15 000					
				16 250					16 250

Reversal of adjustments

At the end of the accounting period on 29 February 2016, the following balances appeared in the financial records of HC Traders.

Required

Do the reversal of the adjustment on 1 March 2016, the first day of the next financial period.

Post-adjustment Trial Balance for HC Traders as at 29 February 2016

Balance Sheet accounts	Fol.	Debit	Credit
Consumable stores on hand	B20	3 470	
Income received in advance	B21		16 250

Information

The consumable stores consist of stationery that's not used in the previous financial period and income received in advance is rent income received in advance during the previous financial period for the rent of March 2016.

These adjustments will be reversed (written back) on the first day of the next financial period in order to apply the matching principle.

General Journal of HC Traders for March 2016

Doc. No.	Day	Details	Fol.	Debit	Credit
JV36	29	Stationery	N13	360	
		Consumable stores on hand	B20		360
		(Reversal of adjustment)			
JV37		Income received in advance	B21	1 250	
		Rent income	N14		1 250
		(Reversal of adjustment)			

General Ledger of HC Traders Balance Sheet accounts section

Consumable stores on hand B20

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016 Feb	29	Balance	b/d	360	2016 Mar	01	Stationery	GJ	360

Income received in advance B21

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016 Mar	01	Rent income	GJ		2016 Feb	29	Balance	b/d	1 250

Nominal account section

Stationery N13

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
2016 Mar	01	Consumable stores on hand	GJ	360					

Rent income N14

Date		Details	Fol.	Amount	Date		Details	Fol.	Amount
					2016 Mar	01	Income received in advance	GJ	1 250