Differences between reserve and provisions

Basis	Reserve	Provision
Mode of creation	Reserve is created against the profit and loss appropriation account.	Provision is created against the profit and loss account.
Objective	Its objective is to make the financial position strong by meeting future unexpected losses and liabilities.	It's objective is to meet known losses and liabilities
Accounting treatment	It is shown on the debit side of profit and loss appropriation and liabilities side balance sheet.	It is shown on the debit side of profit and loss account and is deducted in the assets side of balance sheet.
Payment of dividend	Dividend can be distributed out of the reserve.	Dividend can never be distributed out of the provision.
Impact	It makes impact on the financial position.	It makes impact on profit or loss of the business.

Homework Problems

HW-1

Provision for doubtful debts a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To balance c/d	1050	By balance b/d	750
~~To~~		By P/L a/c	300
	1050		1050

HW-2

~~HW-2~~ Provision for doubtful debts a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To Bad debt a/c	3,000	By balance b/d	1,000
To balance c/d	1,000	By P/L a/c	3,000
	4,000		4,000

HW-3

Provision for doubtful debts a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To Bad debt a/c	7,500	By balance c/d	10,500
To balance c/d	22,500 ~~23062.5~~	By P/L a/c	19,500 ~~20,062.5~~
	30,000 ~~30562.5~~		30,000 ~~30562.5~~

HW-4

Provision for doubtful debts a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To bad debt a/c	7,500	By balance b/d	8,500
To balance c/d	2,400 ~~2,700~~	By P/L a/c	1,400
	99,00 ~~10,200~~		9,900

HW-5

Provision for doubtful debts a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To bad debt a/c	500	By balance b/d	2,000
To balance c/d	2500	By P/L a/c	1,000
	3,000		3,000

HW-6

Provision for doubtful debts a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To Bad debt (old)	7,500	By balance b/d	11,500
To Bad debt (new)	4,500	By P/L a/c	~~7,000~~ 6,775
To balance c/d	~~6,500~~ 6,275		
	~~18,500~~ 18,275		~~18,500~~ 18,275

HW-7

Provision for ~~doubtful debts~~ tax a/c

Dr. Cr.

Particulars	Amount	Particulars	Amount
To tax paid a/c	20,000	By balance b/d	100,000
To balance c/d	280,000	By Tax expenses a/c	150,000
	250,000		250,000

Chapter-16

CAPITAL AND REVENUE CONCEPT

- Capital expenditure
- Revenue expenditure
- Differences between capital and revenue expenditure
- Capital receipt
- Revenue receipt
- Differences between capital and revenue receipt
- Capital profit
- Revenue profit
- Differences between capital and revenue profit
- Capital loss
- Revenue loss
- Differences between capital and revenue and loss.

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