

Chapter 8 : Q. 11 - Page 18 (Volume II)

Query : Please explain the adjustment of Provision for Doubtful Debt while calculating Adjusted Opening Capital Employed.

Solution :

The **cumulative** provision for doubtful debt in B/S is 9 cr. as on 31.03.2019 (i.e. FY 2018-19)

Out of which, 4 cr. is made during the current year 2018-19 itself.

It means, opening cumulative provision as on 31.03.2018 was $(9 - 4) = 5$ cr.

This 5 cr. is included in the calculation of opening Capital Employed, hence removed now.

This cumulative provision of 5 Cr. as on **31.03.2018** includes 1 Cr. for the FY 2017-18 and 4 Cr. may belong to **earlier** years.

It can be summarised for understanding purpose as :

Particulars	(₹ Crores)
Cumulative provision for doubtful debt as on 31.03.2019 (given in the question itself - Refer notes 3)	9.00
Less : Provision made during the FY 2018-19	4.00
Balance provision as on 31.03.2018 (included in opening CE)	5.00
Less : Provision made during the FY 2017-18	1.00
Balance provision as on 31.03.2017 (for earlier years)	4.00

Note : Please note that the figure in the Balance Sheet is always a cumulative figure till date.

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