
Control Accounts

Debtors

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2011

Step By Step Approach

TO START THE QUESTION

To start the question we have a look at the start of the question and check what the opening balances are. For this question the opening balances are €32,500 dr and €600 cr (Remember to use this balance as the closing debits balance at the end of the month). These will be the opening balances in the control account

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600

Adjustment (i) - Discount allowed

Discount disallowed to customer of €60 has been treated as discount allowed in the general ledger. And credited as €16 in the customer's account

REMEMBER

Control Accounts are drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest, discounts

List/Schedule are drawn up from the individual/personal account balances of the customers and suppliers

So as the general ledger and customer' account has been mentioned in the question we will have to adjust the control account and the schedule (list)

Explanation

1. Discount disallowed €60 (expense) was recorded as discount allowed so the control account will have to increase as we are owed more money
2. We have also record the wrong amount in the customer's account €16 (or schedule (List)) so this will also have to increase

Did happen

- | | | | |
|--------------------|------------|-----------------|-----------------|
| 1. Control Account | Credit €60 | as per question | (This is wrong) |
| 2. Schedule (list) | Credit €16 | as per question | (This is wrong) |

Did Happen

Control account	
(+)	(-)
	€60

Schedule (list)	
(+)	(-)
	€16

Explanation

- As the schedule (list) is drawn up from the individual/personal account balances of the customers and suppliers - as this is discount disallowed we will need to increase the schedule
- As the control account is drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest and discounts, we will have to decrease the control account as well

Should happen

The following should have happened for this adjustment

- | | | | |
|--------------------|-------------|-----------------|-------------------|
| 1. Schedule (list) | Credit €120 | as per question | (This is correct) |
| 2. Control Account | Credit €120 | as per question | (This is correct) |

Should Happen

Schedule (list)	
(+)	(-)
	€60

Control Account	
(+)	(-)
	€60

Fix it

Step 1

First of all, we have to fix the did happen section (remember this is wrong so to fix it or cancel the posting we put the same figure on the opposite side)

This is what did happen (See blue numbers below) (see did happen section)

- | | | | |
|--------------------|------------|-----------------|-----------------|
| 1. Schedule (list) | Credit €16 | as per question | (This is wrong) |
| 2. Control Account | Credit €60 | as per question | (This is wrong) |

So, to fix it (See bold numbers below)

- | | | | |
|--------------------|-----------|-----------------|--------------------|
| 1. Schedule (list) | Debit €16 | as per question | (to fix the error) |
| 2. Control Account | Debit €60 | as per question | (to fix the error) |

Fix It

Schedule (list)	
(+)	(-)
€16	€16

Control Account	
(+)	(-)
€60	€60

Step 2

Now we record what should happen section, which will look like this

- | | | | |
|--------------------|-----------|-----------------|-------------------|
| 1. Schedule (list) | Debit €60 | as per question | (This is correct) |
| 2. Control Account | Debit €60 | as per question | (This is correct) |

Fix It

Schedule (list)	
(+)	(-)
€16	€16
€60	
€76	

Control Account	
(+)	(-)
€60	€60
€60	
€120	

Now transfer the figures to the control account and schedule.

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Control account

Remember if the total figure is on the credit side it will be on the credit side in the control account and if it is on the debit side it will be on the debit side in the control account

Adjusted List of Schedule		
Balance as per list of debtors		
<u>Add</u>		
Discount Allowed (i)	€76	
<u>Deduct</u>		
Net Balance as per adjusted control account		

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120		

Adjustment (ii) - Interest

Interest amounting to €140, has been entered correctly in the interest account, but credited as €40 in the customer's account. Following a complaint by the customer this was reduced by €20. This reduction has not been entered in the books

REMEMBER

Control Accounts are drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest, discounts

List/Schedule are drawn up from the individual/personal account balances of the customers and suppliers

So as the general ledger (Interest) and customer' account has been mentioned in the question we will have to adjust the control account and the schedule (list)

Explanation

- Interest of €140 (expense) was entered correctly in the interest account as €140 (did happen will be blank as it is correct - Control Account) but only €40 was entered in the customer's account (did happen - schedule - list)
- The customer was not happy being charged €95 so complain and got it reduced by €20 (should happen)

Did happen

- Schedule (list) Credit €40 as per question (this is wrong)
- Control Account entered correctly so is not needed

Did Happen

Schedule (list)	
(+)	(-)
	€40

Control Account	
(+)	(-)

Explanation

1. As the schedule (list) is drawn up from the individual/personal account balances of the customers and suppliers - interest is only to be €120. As we have €40 on the credit side already, we need to record the €140 (which is the interest that was not recorded) and then record the €20 the interest was reduced by
2. As the control account is drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest and discounts, we will decrease (credit) the control account by 20

Should happen

The following should have happened for this adjustment

- | | | | |
|--------------------|------------|-----------------|-------------------|
| 1. Schedule (list) | Debit €140 | as per question | (record interest) |
| | Debit €20 | | |
| 2. Control Account | Credit €20 | as per question | (This is correct) |

Should Happen

Schedule (list)	
(+)	(-)
€140	
€20	

Control Account	
(+)	(-)
	€20

Fix itStep 1

First of all, we have to fix the did happen section of the schedule (list). Remember we have €40 on the credit side of the schedule (list), we need €120 on the debit side so, if we put €40 on the debit side it will give a balance of zero, then we record €100 (This is €100 from the interest that we didn't record in the did happen section) and now we record €20 to bring to total to €120 (Remember it interest should have been €140 less the reduction of €20 this will give you €120)

This is what did happen (See blue numbers below) (see did happen section)

- | | | | |
|--------------------|------------|-----------------|-----------------|
| 1. Schedule (list) | Credit €40 | as per question | (this is wrong) |
|--------------------|------------|-----------------|-----------------|

So, to fix it (See bold numbers below)

1. Schedule (list) Debit €140 as per question (record interest)
 Debit €20

Fix It

Schedule (list)	
(+)	(-)
€40	€40
€100	
€20	
€160	

Step 2

Now we have to fix the did happen section of the control account. Remember the interest of €140 was recorded correcting so we just need to reduce the control account by €20

This is what did happen (See blue numbers below) (see did happen section)

1. Control Account Credit €20 as per question (This is correct)

So, to fix it (See bold numbers below)

1. Control Account Credit €20 as per question (This is correct)

Fix It

Control Account	
(+)	(-)
	€20

Now transfer the figures to the control account and schedule.

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Control account

Remember if the total figure is on the credit side it will be on the credit side in the control account and if it is on the debit side it will be on the debit side in the control account

Adjusted List of Schedule		
Balance as per list of debtors		
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
<u>Deduct</u>		
Net Balance as per adjusted control account		

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20

Adjustment (iii) - Credit Sales

Cash sales €1,200 and credit sales €710 has both been entered by O'Leary on the credit side of a customer's account.

REMEMBER

Control Accounts are drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest, discounts

List/Schedule are drawn up from the individual/personal account balances of the customers and suppliers

So as the general ledger is not mentioned but the customer' account has been mentioned we **ONLY** have to adjust the schedule (list)

Explanation

1. We entered cash sales of €1,200 and credit sales of €710 on the credit side of the customer's account. Cash transaction are not includes as we have received the money in the form of cash.
2. This transaction was entered on the credit side of the customer's account (Remember Cr sales and Dr the customer (debtor))

Did happen

- | | | |
|--------------------|-------------|-----------------|
| 1. Schedule (list) | Credit €710 | as per question |
| | Cash €1,200 | (this is wrong) |

Did Happen

Schedule (list)	
(+)	(-)
	€710
	€1,200

Fix It

Schedule (list)	
(+)	(-)
€710	€710
€1,200	€1,200
€710	
€2,200	

Now transfer the figures to the schedule (list).

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Adjusted List of Schedule		
Balance as per list of debtors		
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
<u>Deduct</u>		
Net Balance as per adjusted control account		

Adjustment (iv) - Credit Notes (Restocking Charge)

A credit note was sent to a customer for €45 after a restocking charge of €20 was applied. The only entry made was €35 in the returns book. After a complaint was made by the customer the restocking charge was cancelled

REMEMBER

Control Accounts are drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest, discounts

List/Schedule are drawn up from the individual/personal account balances of the customers and suppliers

So as the control account (Returns Book) and customer' account has been mentioned in the question we will have to adjust the control account and the schedule (list)

Tip - Also as the restoking charge was cancelled the control account and schedule (List) have to be updated

Explanation

1. We have a credit note for goods sold (€45). We charged a restocking charge (€20) the customer wasn't happy, complained so we cancelled the charge and returned the full credit note (€65 = €45 + €20)
2. We have only entered (decrease) €35 in the returns book (control account)

Did happen

- | | | | |
|--------------------|------------|-----------------|-----------------|
| 1. Control Account | Credit €35 | as per question | (This is wrong) |
|--------------------|------------|-----------------|-----------------|

Did Happen

Control Accounts	
(+)	(-)
	€35

Explanation

1. As the customer complained about the restocking charge, we cancelled it and returned the full credit note of €65
2. We need to adjust (decrease) the control account and schedule (list) by €65

Should happen

The following should have happened for this adjustment

- | | | | |
|--------------------|------------|-----------------|-------------------|
| 1. Control Account | Credit €65 | as per question | (This is correct) |
| 2. Schedule (list) | Credit €65 | as per question | (This is correct) |

Should Happen

Control Account	
(+)	(-)
	€65

Schedule (list)	
(+)	(-)
	€65

Fix it

This is a simple one to correct.

1. Control account - as we have €35 on the credit side already, we just have to add another €30 to bring the total up to €65
2. Schedule (list) - as we recorded nothing in the schedule (list) we just have to put €65 on the credit side

- | | | | |
|--------------------|------------|-----------------|-------------------|
| 1. Schedule (list) | Credit €65 | as per question | (This is correct) |
| 2. Control Account | Credit €65 | as per question | (This is correct) |

Remember - €65 = €45 + €20. This is because the €45 was sent to the customer after the restock charge of €20. This means we have to add the €20 back on to get the full credit note amount.

Fix It

Control Accounts	
(+)	(-)
	€35
	€30
	€60

Schedule (list)	
(+)	(-)
	€65

Now transfer the figures to the control account and schedule.

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Control account

Remember if the total figure is on the credit side it will be on the credit side in the control account and if it is on the debit side it will be on the debit side in the control account

Adjusted List of Schedule		
Balance as per list of debtors		
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
<u>Deduct</u>		
Sales Returns (iv)	€65	
Net Balance as per adjusted control account		

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20
		Credit Note (iv)	30

Adjustment (v) - Invoice sent (Sales)

An invoice sent by O'Leary to a customer for €1,450 has been entered in the appropriate day book as €1,540. When posting from this book to the ledger no entry has been made in the customer's account

REMEMBER

Control Accounts are drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest, discounts

List/Schedule are drawn up from the individual/personal account balances of the customers and suppliers

So as the control account (day book) and customer' account has been mentioned in the question we will have to adjust the control account and the schedule (list)

Explanation

1. We have sales of €1,450 but have entered them incorrectly in the day book (control account) as €1,540 and have made no entry in the customer's account (debtor) (Schedule (list))

Did happen

1. Control Account Debit €1,540 as per question (This is wrong)

Did Happen

Control Account	
(+)	(-)
€1,540	

Explanation

1. Control account - we need to have €1,450 on the credit side (as per the question)
2. Schedule (List) - we need to record the €1,450 as we have not included it (as per the question)

Should happen

The following should have happened for this adjustment

1. Schedule (list) Credit €560 as per question (This is correct)

Should Happen

Control Accounts	
(+)	(-)
€1,450	

Schedule (list)	
(+)	(-)
€1,450	

Fix it

Step 1

First of all, we have to fix the did happen section (remember this is wrong) as there should be only €1,450 on the debit side

This is what did happen (See blue numbers below) (see did happen section)

1. Control Account Debit €1,540 as per question (This is wrong)

So, to fix it (See bold numbers below)

1. Control Account Credit €90 as per question (This is correct)

Remember - €1,540 - €1,450 = €90. If we put €90 on the credit side we will get a balance of €1,450

Fix It

Control Account	
(+)	(-)
€1,540	€90

Step 2

Now we record what should happen section, which will look like this

1. Schedule (list) Debit €1,450 as per question (This is correct)

Fix It

Schedule (list)	
(+)	(-)
€1,450	

Now transfer the figures to the control account and schedule.

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Adjusted List of Schedule		
Balance as per list of debtors		
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
<u>Deduct</u>		
Sales Returns (iv)	€65	
Net Balance as per adjusted control account		

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20
		Credit Note (iv)	30
		Sales (v)	90

Adjustment (vi) - Bad Debt

€140 was received from a debtor for a debt previously written off. This represents 70% of the original bad debt. The debtors has undertaken to pay the remainder of the debt and now wishes to trade again with O'Leary. No entries were made in the accounts

REMEMBER

Control Accounts are drawn up from the books of first entry - sales, purchases, returns and also from certain accounts from the general ledger for example - interest, discounts

List/Schedule are drawn up from the individual/personal account balances of the customers and suppliers

As no entries were made in the books we will have to adjust the control account and the schedule (list)

Explanation

1. We have received €140 from a debtor which represent 70% of the debt
2. We need to record the outstanding 30% balance

$$\begin{array}{rcl}
 70\% & = & 140 \\
 1\% & = & 140 / 70 \\
 & = & 2 \\
 30\% & = & 2 * 30 \\
 & = & 60
 \end{array}$$

Did happen

Nothing

Explanation

1. We need to adjust (Increase) both the control account and schedule (list) by €60.
2. This is the amount the amount that the debtors ae undertraining to pay us and is the 30% that is outstanding

Should happen

The following should have happened for this adjustment

- | | | | |
|--------------------|-----------|-----------------|-------------------|
| 1. Control Account | Debit €60 | as per question | (This is correct) |
| 2. Schedule (list) | Debit €60 | as per question | (This is correct) |

Should Happen

Schedule (list)	
(+)	(-)
€60	

Control Account	
(+)	(-)
€60	

Fix it

To fix if we just need to record what should have happened

Fix It

Schedule (list)	
(+)	(-)
€60	

Control Account	
(+)	(-)
€60	

Now transfer the figures to the control account and schedule.

Schedule (List)

Remember if the total figure is on the credit side it will be deducted in the schedule (list) list and if it is on the debit side it will be added in the schedule (list)

Control account

Remember if the total figure is on the credit side it will be on the credit side in the control account and if it is on the debit side it will be on the debit side in the control account

Adjusted List of Schedule		
Balance as per list of debtors		
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
Bad Debt (vi)	€60	
<u>Deduct</u>		
Sales Returns (iv)	€65	
Net Balance as per adjusted control account		

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20
Bad Debt (vi)	60	Credit Note (iv)	30
		Sales (v)	90

Balancing the debtors control account

The next part is to balance the debtors control account. This figure will help us to find the original balance in the schedule (list). We have the following completed for the debtors control account

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20
Bad Debt (vi)	60	Credit Note (iv)	30
		Sales (v)	90

Remember it says that the opening balance did not agree with the schedule and an examination of the books revealed the following. We have corrected the errors and will help us to get both accounts to agree.

1. The first step is to bring the credit balance of €600 down as the closing balance on the debit side. Remember the credit balance is usually due to
 - a. Payment may have been made before the due date
 - b. A discount was given for early payment

So the closing balance is the opening balance for the period (We are only correcting the errors so the balance will be the same)

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20
Bad Debt (vi)	60	Credit Note (iv)	30
Balance c/d	600	Sales (v)	90

2. The next step is to balance the account and find the by adding up the debit side and taking the figure away from the credit side to get the balance figure

Adjusted Debtors Control Account			
Details	Total	Details	Total
Balance b/d	32,500	Balance b/d	600
Discount Allowed (i)	120	Interest (ii)	20
Bad Debt (vi)	60	Credit Note (iv)	30
Balance c/d	600	Sales (v)	90
		Balance c/d	32,540
	33,280		33,280
Balance b/d	32,540		

Balancing the Schedule (list)

The next part is to balance the schedule (list). This by working backwards from the bottom up to calculate the original schedule (list) balance

Adjusted List of Schedule		
Balance as per list of debtors		4
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
Bad Debt (vi)	€60	3
		2
<u>Deduct</u>		
Sales Returns (iv)	€65	€65
Net Balance as per adjusted control account		1

Remember - when you are working backwards instead of deducting you will be adding and instead of adding you will be deducting

Note - when you are working backwards instead of deducting you will be adding and instead of adding you will be deducting

Figure 1

To calculate figure 1 (or Net Balance as per adjusted control account) we take the closing debit and credit balance from the debtors control account and take them away from each other

$$€32,540 - €600 = €31,940$$

Adjusted List of Schedule		
Balance as per list of debtors		4
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
Bad Debt (vi)	€60	3
		2
<u>Deduct</u>		
Sales Returns (iv)	€65	€65
<i>Net Balance as per adjusted Control Account</i>		31,940

Note - when you are working backwards instead of deducting you will be adding and instead of adding you will be deducting

Figure 2

To calculate figure 2 you need to add the deduction figure to the net balance as per adjusted control account

$$€31,940 + €65 = €32,005$$

Adjusted List of Schedule		
Balance as per list of debtors		4
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
Bad Debt (vi)	€60	3
		€32,005
<u>Deduct</u>		
Sales Returns (iv)	€65	€65
<i>Net Balance as per adjusted Control Account</i>		€31,940

Note - when you are working backwards instead of deducting you will be adding and instead of adding you will be deducting

Figure 3

To calculate figure 3 you need to add all the figures in the add section to get a total

Discount Allowed (i)	€76
Interest (ii)	€160
Credit Sales (iii)	€2,620
Sales (v)	€1,450
Bad Debts (vi)	<u>€60</u>
	€4,336

Adjusted List of Schedule		
Balance as per list of debtors		4
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
Bad Debt (vi)	€60	€4,366
		€32,005
<u>Deduct</u>		
Sales Returns (iv)	€65	€65
<i>Net Balance as per adjusted Control Account</i>		€31,940

Note - when you are working backwards instead of deducting you will be adding and instead of adding you will be deducting

Figure 4

To calculate figure 4 (Balance as per list of debtors) you need to add €2,200 to €27,596 to the
 $€4,366 + €32,005 = €27,639$

Adjusted List of Schedule		
Balance as per list of debtors		€27,639
<u>Add</u>		
Discount Allowed (i)	€76	
Interest (ii)	€160	
Credit Sales (iii)	€2,620	
Sales (v)	€1,450	
Bad Debt (vi)	€60	€4,366
		€32,005
<u>Deduct</u>		
Sales Returns (iv)	€65	€65
<i>Net Balance as per adjusted Control Account</i>		€31,940

Note - when you are working backwards instead of deducting you will be adding and instead of adding you will be deducting