

Question 2

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(a)

Adjusted Debtors Control Account

€		€	
Balance b/d	32,500 [1]	Balance b/d	600 [1]
Discount disallowed (i)	120 [4]	Interest (ii)	20 [4]
Bad Debt recoverable (vi)	60 [4]	Sales returns (iv)	30 [4]
Balance c/d	600 [1]	Sales overstated (v)	90 [3]
		Balance c/d	32,540
	<u>33,280</u>		<u>33,280</u>
Balance b/d	32,540	Balance b/d	600

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(b)

Schedule of Debtors Accounts Balances

		€	€
Balance as per list of debtors			27,639 [3]
Add			
Discount disallowed (i)	76 [5]		
Interest on account (ii)	160 [5]		
Debtors – cash and credit sales error (iii)	2,620 [4]		
Sales (v)	1,450 [4]		
Bad debt recoverable (vi)	<u>60 [4]</u>		<u>4,366</u>
			32,005
Deduct			
Sales returns (iv)			<u>(65) [4]</u>
Net Balance as per adjusted Control Account			<u>31,940 [1]</u>

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(c)

Books of first entry

- (i) Sales
Sales Returns
General Journal
Cash Book – Receipts and Payments

(ii)

They act as a check on the accuracy of the ledgers by comparing the balance of the control account with the total as per the schedule.

They locate errors quickly and narrow searching for errors to confined areas

They are useful when a firm needs to find credit sales or credit purchases from incomplete records.

They allow amounts owed by Debtors and amounts owed to Creditors to be ascertained quickly by simply balancing the control accounts.