

2. Debtors Control Account

The Debtors Ledger Control Account of S. O'Leary showed the following balances: €32,500 dr and €600 cr on 31/12/2010. These figures did not agree with the Schedule (List) of Debtors Balances extracted on the same date. An examination of the books revealed the following:

- (i) Discount disallowed to a customer of €60 had been recorded as discount allowed in the general ledger and credited as €16 in the customer's account.
- (ii) Interest amounting to €140, had 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 had not been entered in the books.
- (iii) Cash sales €1,200 and credit sales €710 had both been entered by O'Leary on the credit side of a customer's account.
- (iv) 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.
- (v) An invoice sent by O'Leary to a customer for €1,450 had been entered in the appropriate day book as €1,540. When posting from this book to the ledger no entry had been made in the customer's account.
- (vi) €140 was received from a debtor for a debt previously written off. This represents 70% of the original bad debt. The debtor 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.

Required:

- (a) Prepare the Adjusted Debtors Ledger Control Account. (22)
- (b) Prepare the Adjusted Schedule (List) of Debtors showing the original balance. (30)
- (c) (i) Which books of first entry are used in the production of Debtors Control Accounts?
(ii) Explain the importance of Control Accounts. (8)

(60 marks)