

2. Debtors Control Account

The Debtors Ledger Control Account of S. Adams showed the following balances: €28,700 dr and €400 cr on 31/12/2013. 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 €85 had been recorded as discount allowed in the general ledger and credited as €58 in the customer's account.
- (ii) Interest amounting to €120, charged to a customer's overdue account, had been entered as €100 in the interest account, but credited as €20 in the customer's account. Following a complaint by the customer this was reduced by €30. This reduction had not been entered in the books.
- (iii) Cash sales €1,400 and credit sales €650 had both been entered by Adams on the credit side of a customer's account.
- (iv) A credit note was sent to a customer for €90 after a restocking charge of €30 was applied. The only entry made was €70 in the returns book. After a complaint was made by the customer, the restocking charge was cancelled.
- (v) An invoice sent by Adams to a customer for €1,570 had been entered in the appropriate day book as €1,750. When posting from this book to the ledger no entry had been made in the customer's account.
- (vi) €150 was received from a debtor for a debt previously written off. This represents 60% of the original bad debt. The debtor has undertaken to pay the remainder of the debt and now wishes to trade again with Adams. No entries were made in the accounts.

You are required to:

- (a) Prepare the Adjusted Debtors Ledger Control Account. (22)
- (b) Prepare the Adjusted Schedule (List) of Debtors showing the original balance. (30)
- (c)
 - (i) Explain how the 'Opening Balance €400' could arise.
 - (ii) Give **two** reasons why the balance in the Debtors Control Account may not agree with the balance in the Schedule of Debtors. (8)

(60 marks)