

2. Debtors Control Account

The Debtors Ledger Control Account of S. Coleman showed the following balances: €26,400 dr and €700 cr on 31/12/2014. 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 €130 had been recorded as discount allowed €30 in the general ledger and credited as €310 in the customer's account.
- (ii) Interest amounting to €170, charged to a customer's overdue account, had been entered as €120 in the interest account, but credited as €70 in the customer's account. Following a complaint by the customer this was reduced by €40. This reduction had not been entered in the books.
- (iii) Cash sales €1,600 and credit sales €840 had both been entered by Coleman on the credit side of a customer's account.
- (iv) A credit note was sent to a customer for €80 after a restocking charge of €35 was applied. The only entry made was €40 in the returns book. After a complaint was made by the customer, the restocking charge was cancelled.
- (v) An invoice sent by Coleman to a customer for €1,640 had been entered in the appropriate day book as €1,460. When posting from this book to the ledger no entry had been made in the customer's account.
- (vi) €195 was received from a debtor for a debt previously written off. This represents 65% of the original bad debt. The debtor has undertaken to pay the remainder of the debt and now wishes to trade again with Coleman. No entries were made in the accounts.

You are required to:

- (a) Prepare the Adjusted Debtors Ledger Control Account. (24)
- (b) Prepare the Adjusted Schedule (List) of Debtors showing the original balance. (28)
- (c)
 - (i) Explain the importance of Control Accounts.
 - (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)