Question 2

(a)

22

Adjusted Debtors Control Account

		€				€	
Balance b/d		27,000	[1]	Balance b/d		650	[1]
Interest	(ii)	6	[5]	Discount allowed	(i)	330	[5]
Sales returns	(vi)	15	[5]	Contra	(iv)	280	[4]
Balance c/d		650	[1]	Balance c/d		26,411	
		27,671				27,671	
Balance b/d		26,411		Balance b/d		650	

(b)

30

Schedule of Debtors Accounts Balances		€		€	
Balance as per list of debtors				25,396	[3]
Add					
Sales – cash and credit	(iii)			2,200	[4]
				27,596	
Deduct					
Discount allowed	(i)	120	[5]		
Interest	(ii)	30	[5]		
Contra	(iv)	550	[4]		
Bills receivable	(v)	1,120	[4]		
Sales returns	(vi)	15	[4]	(1,835)	
Net balance as per adjusted control account				25,761	[1]

(c)

8

(i) **Why debtors control accounts should be prepared**.

1. 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.
2. They locate errors quickly and narrow searching for errors to confined areas.
3. They are useful when a firm needs to find credit sales from incomplete records.
4. They allow amounts owed by debtors to be ascertained quickly by simply balancing the control accounts.

(ii) **Limitations of control accounts**

1. Control accounts do not identify which ledger account may contain an error.
2. Some types of errors are not revealed by the control account such as errors of commission, errors of omission, compensating errors, and errors of original entry.