

**2. Debtors Control Account**

The Debtors Ledger Control Account of J. Forrester showed the following balances - €30,000 dr and €530 cr on 31/12/2006. 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 €46 had been treated as discount allowed in the discount account.
- (ii) Interest amounting to €90, charged to a customer's overdue account, had been posted to the interest account as €10. Following a complaint by the customer this was reduced to €40. This reduction had not been entered in the books.
- (iii) Cash sales €1,600 and credit sales €820 had both been entered by Forrester on the credit of the customer's account.
- (iv) A credit note was sent to a customer for €520. The only entry made in the books was €52 debited to the customer's account.
- (v) An invoice sent by Forrester to a customer for €1,560 had been entered in the appropriate day book as €1,650. When posting from this book to the ledger no entry had been made in the customer's account.
- (vi) Forrester had accepted sales returns €300 from a customer and entered this correctly in the books. The accounts clerk sent out a credit note showing a restocking charge of 10% of sales price but made the necessary adjustment only in the customer's account. Later this charge was reduced to 4% but this reduction was not reflected in the accounts.

**You are required to:**

- (a) Prepare the Adjusted Debtors Ledger Control Account. (22)
- (b) Prepare the Adjusted Schedule of Debtors showing the original balance. (30)
- (c) Explain: (i) Contra item.  
(ii) How 'Opening Balance €530' above could arise. (8)

**(60 marks)**