

## 2. Debtors Control Account

The debtors' ledger control account of W. McGuinness showed the following balances: €27,000 dr and €650 cr on 31/12/2015. 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 allowed to a customer of €120 had been treated as discount disallowed €210 in the general ledger. No entry was made to the customer's account.
- (ii) Interest amounting to €95, charged to a customer's overdue account, had been correctly entered in the customer's account and entered as €59 in the interest account. Following a complaint by the customer the charge was reduced to €65. This reduction had not been entered in the books.
- (iii) Sales of €1,720 had been entered on the credit side of a customer's account. This included cash sales of €1,240.
- (iv) A contra entry of €140 had been entered on the incorrect side of the control account. When making the entry in the customer's account the item was entered as €110 on the incorrect side.
- (v) Bills receivable of €60 was entered on the incorrect side of a customer's account.
- (vi) McGuinness accepted returns of €300 from a customer and this was entered correctly in the books. However, a credit note was sent showing a restocking charge of 10% of the sales price. The accounts clerk only made the necessary adjustment in the customer's account. Later this charge was reduced to 5% but this reduction was not reflected in the accounts.

### Required:

- (a) Prepare the adjusted debtors' ledger control account. (22)
- (b) Prepare the adjusted schedule of debtors showing the original balance. (30)
- (c) (i) Give **two** reasons for preparing debtors' control accounts. (8)  
(ii) Explain **one** limitation of using control accounts. (8)

**(60 marks)**