

## 2. Creditors Control Account

The creditors' ledger control account of C. Keogh showed the following balances: €65,432 cr and €524 dr on 31/12/2018. These figures did not agree with the schedule (list) of creditors' balances extracted on the same date. An examination of the books revealed the following:

- (i) Cash purchases by Keogh of €600 and credit purchases of €440 had both been debited to a supplier's account.
- (ii) Keogh had returned goods costing €5,500 to a supplier and entered this correctly in the books. However, a credit note arrived showing a deduction of 10% for a restocking charge. The total amount of this credit note was credited to the creditor's account. In relation to the credit note no other entry was made in the books.
- (iii) A creditor had charged Keogh interest amounting to €160 on an overdue account. The only entry in the books for this interest had been €16 credited to the creditor's account. After a complaint, the interest was reduced to €135 but this reduction had not been reflected in the accounts.
- (iv) An invoice received from E. Lynch showing the purchase of goods for €1,450 less trade discount 20% had been entered correctly in the appropriate day book and then posted to the incorrect side of the personal account.
- (v) A credit note was received from M. Ryan, a supplier, for €195. The only entry made in the books was €159 credited to the personal account.
- (vi) Keogh had a customer who was also a supplier to the business. This customer owed Keogh €545 and it was agreed that they would offset one debt against the other. However, this offset was completely omitted from the books.

### Required:

- (a) Prepare the adjusted creditors' ledger control account. (24)
- (b) Prepare the adjusted schedule of creditors showing the original balance. (28)
- (c) (i) Explain the purpose of a creditors' control account.
- (ii) Explain how a contra entry may arise. (8)

**(60 marks)**