

#### 4. Debtors Control Accounts

The debtors ledger control account of J. Cuddihy showed the following balances: €44,400 dr and €820 cr on 31/12/2020. 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 €75 had been recorded as discount allowed in the general ledger and credited as €57 in the customer's account.
- (ii) Interest amounting to €84, charged to a customer's overdue account had been entered correctly in the interest account but credited as €84 in the customer's account. Following a complaint by the customer this was reduced to €60. This reduction had not been entered in the books.
- (iii) Sales of €2,480 had been entered on the credit side of a customer's account. This included cash sales of €1,570.
- (iv) J. Cuddihy received €220 from a debtor in respect of a debt previously written off. This represents 80% of the original bad debt. The debtor has undertaken to pay the remainder as he wishes to trade with J. Cuddihy again. No entries were made in the books in respect of these transactions.
- (v) An invoice sent by J. Cuddihy to a customer for €2,590 had been entered in the appropriate day book as €2,950. When posting from this book to the ledger no entry had been made in the customer's account.
- (vi) J. Cuddihy accepted returns €450 from a customer and entered this 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 4% but this reduction was not reflected in the accounts.

#### Required:

- (a) Prepare the adjusted debtors ledger control account. (22)
- (b) Prepare the adjusted schedule (list) of debtors showing the original balance. (30)
- (c) Explain the importance of control accounts. (8)

**(60 marks)**