

Name

### **Activity 21 (Creditors)**

The net total of the Creditors list, extracted from the Creditors Ledger of Lucia Traders on 30 November 2010, did not correspond with the balance of their Creditors Control Account.

*Required*

Take all the information given below into account in order to reconstruct the following, showing how they would have appeared if the errors and omissions had not occurred:

- 1 The correct Creditors control account.
- 2 The correct Creditors list.
- 3 Discuss what is involved in setting up a good system of internal control over creditors.

Discuss what is involved in setting up a good system of internal control over creditors.

*Information*

1 On 1 November 2010 Lucia Traders had a balance of R4 283 in the Creditors control account.

2 On 30 November the following amounts were posted to the Creditors control Account:

- Creditors Journal total R42 700
- Creditors Allowances Journal total R7 108
- Cash Payments Journal totals:
  - Payments to creditors R30 200
  - Discount received from creditors R1 681
- General Journal totals:
  - Debits R3 520
  - Credits R1 300

3 Creditors list on 30 November 2010

	Debit	Credit
Ducasse Traders		689
Lund Stores		284
Lind Traders		2 065
AB Motors		4 460
Marais Traders	244	
	244	7 507

4 The following errors or omissions:

- An invoice received from Lund Stores for R1 400 was posted to the account of Lind Traders in the Creditors Ledger.
- Lucia Traders decided to transfer the account of Marais Traders to the Debtors Ledger. No entry has been made in the General Journal.
- An invoice for R2 200 for goods bought on account from Ducasse Traders was incorrectly entered in the Creditors Journal as R2 020.
- Vehicle parts to the value of R740 were returned to AB Motors. This was correctly recorded in the Creditors Allowances Journal, but when posted to the account of AB Motors it was posted to the account of AB Motors as a credit purchase.
- Ducasse Traders both buys from and sells goods to Lucia Traders. The debit balance of R500 on their account in the Debtors ledger is to be transferred to their account in the Creditors Ledger. No entry has been made in the books.

*Answer sheet*

General ledger of Lucia Traders

Dr.	Creditors control							Cr.

List of creditors according to Creditors Ledger

	Debit	Credit