

Narmadha Narayan distributes electronic parts. Most transactions with customers are immediately paid with cash or check. But, Narayan has five major customers that have established accounts. These approved customers routinely buy on credit. The terms of the credit agreement provide that payment must occur within 30 days, and each customer has a maximum credit limit of \$10,000.

Following is information for May regarding each of the credit customers:

Customer #1 Beginning balance, \$1,403. Purchases on account on May 5, \$7,237.
Payment on account on May 17, \$1,403.

Customer #2 Beginning balance, \$5,275. Purchase on account on May 15, \$2,275.
Payment on account on May 26, \$4,275.

Customer #3 Beginning balance, \$0. Purchase on account on May 9, \$9,550.

Customer #4 Beginning balance, \$7,557. Purchase on account on May 7, \$2,100.
Purchase on account on May 22, \$9,444. Payment on account on May 11, \$7,557.

Customer #5 Beginning balance, \$2,990. Payment on account on May 18, \$2,990.

- (a) Prepare a subsidiary accounts receivable ledger account for each of Narayan's customers.
- (b) Prepare the general ledger Accounts Receivable "control" account. Be sure the total in this account reconciles to the sum of the individual balances in the subsidiary ledgers.
- (c) What is the purpose of a subsidiary ledger? What other control accounts might be supported by subsidiary ledgers?
- (d) Review Narayan's subsidiary ledgers and identify which customer should be put on credit watch for being delinquent, and which customer has exceeded their credit limit.