**Illustration**

* + - 1. This is the receivables ledger account for Customer A Ltd:
      2. **Customer A Ltd**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount  £ | Date | Details | Amount  £ |
| 1 Jan | Balance b/f | 1,000 | 3 Feb | Bank | 1,000 |
| 15 Jan | Sales Invoice 1 | 500 | 10 Feb | Sales Credit Note 1 | 100 |
| 20 Feb | Sales Invoice 2 | 2,000 |  |  |  |

* + - 1. The customer sent a cheque for £1,900 on 26 February, which needs to be allocated to the relevant invoices and credit notes.
      2. Considering each item in turn:
* On the left-hand side, the first entry is the receivable ‘balance brought forward’. This relates to amounts that had been previously invoiced to the customer and that were already owed on 1 January.
* The other two items on the left-hand side are sales invoices sent to the customer since 1 January that increase the balance that the business is owed.
* The first item on the right-hand side is a reduction to the receivable related to ‘Bank’. This is a payment received from the customer. Looking back to the left-hand side, it would look likely that this payment was settling the balance brought forward.
* The second entry on the right-hand side is for a sales credit note sent to the customer for returns that they must have made at some point. This reduces the overall balance owed.

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| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount  £ | Date | Details | Amount  £ |
| 1 Jan | Balance b/f | 1,000 b | 3 Feb | Bank | 1,000 b |
| 15 Jan | Sales Invoice 1 | 500 | 10 Feb | Sales Credit Note 1 | 100 |
| 20 Feb | Sales Invoice 2 | 2,000 |  |  |  |

* Using a process of elimination, the £1,900 bank receipt appears to relate to Sales Invoice 2 and Sales Credit Note 1 (£2,000 - £100 = £1,900), and Sales Invoice 1 remains outstanding.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Details | Amount  £ | Date | Details | Amount  £ |
| 1 Jan | Balance b/f | 1,000 b | 3 Feb | Bank | 1,000 b |
| 15 Jan | Sales Invoice 1 | 500 | 10 Feb | Sales Credit Note 1 | 100 b |
| 20 Feb | Sales Invoice 2 | 2,000b | 26 Feb | Bank | 1,900 b |