

CHAPTER 10: CONTROL ACCOUNTS

Sales ledger control account
(total credit customers/total trade receivables)

Purchase ledger control account
(total credit suppliers/total trade payables)

Sales ledger control account

	\$		\$
-Balance B/F	XX	-Balance B/F (Cr)	XX
-Credit sales(revenue)	XX	-Cash/Bank (receipts from Cr customers)	XX
-Dishonoured cheque	XX	-Discount allowed	XX
-Cash refund to credit customers	XX	-Return inward	XX
-Interest charge to overdue customers	XX	-Bad debts	XX
-Balance C/F (Cr)	XX	-Set off with purchase ledger	XX
	<hr/>	-Balance C/F	<hr/>
	XX		XX
	<hr/>		<hr/>
-Balance B/F	XX	-Balance B/F (Cr)	XX

Purchases ledger control account

	\$		\$
-Balance B/F (Dr)	XX	-Balance B/F	XX
-Cash/ bank paid to suppliers	XX	-Credit purchases	XX
-Discount received	XX	-Cash refund by credit suppliers	XX
-Return outward	XX	-Interest charged by suppliers	XX
-Set off with sales ledger	XX	-Balance C/F (Dr)	XX
-Balance C/F	XX		<hr/>
	<hr/>		XX
	XX		<hr/>
-Balance B/F (Dr)	XX	Balance B/F	XX

Uses of control accounts

- i) Help to calculate credit sales and purchases.
- ii) The control accounts serves as trial balance for the subsidiary ledgers.
- iii) Control accounts make location of errors easier and the accuracy of ledger is easily proved.
- iv) Control accounts helps to segregate the duties between the accountants responsible for ledgers and another for controls.
- v) Speeds up the preparation of final accounts.

Practice Questions:

Q1: Tyrell proves the accuracy of its sales and purchase ledgers by preparing monthly control accounts. At 1 May 2012 the following balances existed in the company's accounting records, and the control accounts agreed:

	Debit	Credit
	\$	\$
Sales ledger control account	188,360	2,140
Purchase ledger control account	120	89,410

The following are the totals of transactions which took place during May 2012, as extracted from the company's records.

	\$
Credit sales	101,260
Credit purchases	68,420
Returns inwards	9,160
Returns outwards	4,280
Cash received from customers	91,270
Cash paid to suppliers	71,840
Cash discounts allowed	1,430
Cash discounts received	880
Irrecoverable debts written off	460
Contra settlements	480

At 31 May 2012 the balances on the customers and supplier personal accounts were extracted and totalled as follows:

	Debit balances	Credit balances
	\$	\$
Sales ledger	To be ascertained	2,680
Purchase ledger	90	To be ascertained

Required:

Prepare sales and purchases ledger control accounts.

Q2:

	Sales ledger	Purchases ledger
Balances at 1 st may 2012	\$ 89,300	\$75,210

Next enter the transaction from the list for May 2012 in relevant control account

	\$
Credit sales	101,260
Credit purchases	68,420
Returns inwards	9,160
Returns outwards	4,280
Cash received from customers	91,270
Cash paid to suppliers	71,840
Cash discounts allowed	1,430
Cash discounts received	880
Irrecoverable debts written off	460
Contra settlements	480

Q3: Kya is a wholesaler. She prepares control accounts at the end of each month. The following information relates to the month ended 30 April 2011.

	\$
Sales ledger control account balance 1 April 2011	64 350
Cheques received from credit customers	136 800
Discount allowed	5 250
Bad debts written off	7 900
Cash sales	10 750
Credit sales	153 400
Returns inwards	8 100

Required:

Prepare the sales ledger control account for the month ended 30 April 2011.

Q4: On 1 April 2014, Yee's sales ledger control account showed the following balances: \$20450 debit and \$600 credit.

During April the following transactions were recorded:

	\$
Credit sales	50 500
Cash sales	10 000
Returns from credit customers	700
Receipts from credit customers	48 600
Refunds to credit customers	750
Discount allowed	1 200
Bad debt written off	800

On 1 May 2014, Yee's sales ledger control account showed a credit balance of \$180. The debit balance is to be determined.

REQUIRED

Prepare the sales ledger control account for the month of April 2014. Balance the account and bring down the balances.

Q5: The following information is available from the books of Yana for August 2015.

	\$
Trade receivables at 1 August 2015	27 520
Credit sales	32 400
Cash sales	19 970
Sales returns from credit customers	1 700
Cheques received from credit customers	40 150
Discount allowed	780
Bad debts written off	2 900
Interest charged on overdue accounts	600

REQUIRED

Prepare the sales ledger control account for August. Balance the account and bring down the balance on 1 September 2015.

Q6: Tsang is in business buying and selling goods on credit. The following information is available for the month of March 2010.

	\$
Revenue (sales)	65 000
Inventory (stock) 1 March	3 400
Trade payables (creditors) 1 March	1 700
Payments to suppliers	47 000
Discount received	300
Inventory (stock) 31 March	2 900
Ordinary goods purchased	47 900
Wages & expenses	2 500

REQUIRED

Prepare the purchase ledger control account showing the balance of trade payables (creditors) at 31 March 2010.

Q7: Ann buys and sells on credit. She supplied the following information for the month ended 31 May 2013.

2013		\$
May 1	Trade receivables	5 687
31	Credit sales	72 641
	Receipts from credit customers	64 500
	Credit notes issued to customers	8 242
	Cash discounts allowed	1 894
	Bad debts	800
	Contra entry	300

The sales journal had been under-cast by \$86. A cheque received and banked on 8 May from John Lee for \$2300 had been returned by the bank because of insufficient funds.

REQUIRED

Prepare the sales ledger control account for the month ended 31 May 2013. Balance the account at that date and bring the balance down on 1 June 2013.

Q8: The following information was obtained from the books of Sam Stryder.

		\$
1 April 2007	Sales ledger's balance	7 190
	Purchases ledger's balance	4 120
30 April 2007	Credit sales for month	46 300
	Credit purchases for month	29 900
	Cash sales for month	14 360
	Cash purchases for month	9 750
	Sales returns for month	1 070
	Purchase returns for month	940
	Cheques received from trade receivables	38 900

Cheques paid to trade payables	28 100
Discounts allowed	1 060
Discounts received	760
Balance in sales ledger set off against balance in purchases	
Ledger	90
Interest charged to customers on overdue accounts	20
Interest charged by supplier on overdue account	10

REQUIRED

- (a) Select the appropriate items and prepare the purchases ledger control account for the month of April.
- (b) Select the appropriate items and prepare the sales ledger control account for the month of April.

Q9: Lau buys and sells goods on credit. The following information is provided by her for the month of March 2012:

	\$
Trade payables 1 March 2012	15 300
Purchases returns	900
Payments by cheque	82 450
Discount received	1 350
Refunds from trade payables	700
Purchases journal total	98 000

REQUIRED

Prepare the purchases ledger control account for the month of March 2012.

Q10: The following information was obtained from the books of Arden.

		\$
1 February 2015	Trade receivables balance	14 900 Dr
	Trade payables balance	17 160 Cr
28 February 2015	Cheques received from trade receivables	45 800
	Cheque from trade receivable later	
	Dishonoured	200
	Cheques paid to trade payables	32 500
	Discount allowed	2 700
	Discount received	910
	Purchases returns	3 800
	Bad debts	1 800
	Cash sales	10 500
	Credit Sales	64 500
	Credit Purchases	48 800
	Set off	650
1 March 2015	Trade receivables balance	600 Cr

Trade payables balance 450 Dr

REQUIRED

Prepare the purchases ledger control account and sales ledger control account in the month of February 2015.

Q11: Valda prepares a monthly control account for her sales ledger.

The following information relates to the month of August 2016.

	Debit	Credit
	\$	\$
Sales ledger control account balances 1 August 2016	18 410	720
Sales ledger control account balances 1 September 2016	?	580
	\$	
Cheques received	40 500	
Dishonoured cheque (included in cheques received)	800	
Cash sales	8 950	
Discount allowed	970	
Bad debt written off	2 750	
Credit sales	39 600	
Returns inwards	3 900	

REQUIRED

Prepare the sales ledger control account for the month of August 2016. Balance the account and bring down the balances on 1 September.