

Control Accounts

Review questions

31.1 You are required to prepare a sales ledger control account from the following for the month of November:

20X7	£
Nov 1 Sales ledger balances	23,220
Totals for November:	
Sales journal	14,194
Returns inwards journal	826
Cheques and cash received from customers	17,918
Discounts allowed	312
Nov 30 Sales ledger balances	18,358

31.2A You are required to prepare a purchases ledger control account from the following for the month of April. The balance of the account is to be taken as the amount of creditors as on 30 April.

20X5	£
April 1 Purchases ledger balances	11,241
Totals for April:	
Purchases journal	6,100
Returns outwards journal	246
Cheques paid to suppliers	8,300
Discounts received from suppliers	749
April 30 Purchases ledger balances	?

31.3 Prepare a sales ledger control account from the following:

20X9	£
March 1 Debit balances	12,271
Totals for March:	
Sales journal	9,334
Cash and cheques received from debtors	11,487
Discounts allowed	629
Debit balances in the sales ledger set off against credit balances in the purchases ledger	82
March 31 Debit balances	?
Credit balances	47

31.4A Prepare a sales ledger control account from the following information for October 20X6, carrying down the balance at 31 October:

20X6	£
Oct 1 Sales ledger balances	28,409
Oct 31 Sales journal	26,617
Bad debts written off	342
Cheques received from debtors	24,293
Discounts allowed	416
Cheques dishonoured	120
Returns inwards	924
Set-offs against balances in purchases ledger	319

31.5 The trial balance of Outsize Books Ltd revealed a difference in the books. In order that the error(s) could be located it was decided to prepare purchases and sales ledger control accounts.

From the following prepare the control accounts and show where an error may have been made:

20X8		£	
Jan	1	Purchases ledger balances	19,420
		Sales ledger balances	28,227
		Totals for the year 20X8	
		Purchases journal	210,416
		Sales journal	305,824
		Returns outwards journal	1,452
		Returns inwards journal	3,618
		Cheques paid to suppliers	205,419
		Petty cash paid to suppliers	62
		Cheques and cash received from customers	287,317
		Discounts allowed	4,102
		Discounts received	1,721
		Balances on the sales ledger set off against balances in the purchases ledger	640
Dec	31	The list of balances from the purchases ledger shows a total of £20,210 and that from the sales ledger a total of £38,374	

31.6 From the following figures, compile debtors ledger and creditors ledger control accounts for the month, and ascertain what the net balances of the respective ledgers should be on 31 January 20X0.

Balances on 1 January 20X0		£
Debtors ledger – Dr		46,462
Cr		245
Creditors ledger – Dr		1,472
Cr		25,465

Total for the month to 31 January 20X0		£
Purchases		76,474
Sales		126,024
Purchase returns		2,154
Debtors accounts settled by contra accounts with creditors		455
Bad debt written off		1,253
Discounts and allowances to customers		746
Cash received from customers		120,464
Cash discount received		1,942
Cash paid to creditors		70,476
Cash paid to customers		52

31.7A

		£
Sales ledger balances, 1 July 20X9 – Debit		20,040
– Credit		56
Purchases ledger balances, 1 July 20X9 – Debit		12
– Credit		14,860
Activities during the half-year to 31 December 20X9:		
Payments to trade creditors		93,685
Cheques from credit customers		119,930
Purchases on credit		95,580
Sales on credit		124,600
Bad debts written off		204
Discounts allowed		3,480
Discounts received		2,850
Returns inwards		1,063
Returns outwards		240
Sales ledger credit balances at 31 December 20X9		37
Purchases ledger debit balances at 31 December 20X9		26

During the half year, debit balances in the sales ledger, amounting to £438, were transferred to the purchases ledger.

Required:

Prepare the sales ledger control account and the purchases ledger control account for the half-year to 31 December 20X9.

J12/21

2 Fatima Ayub is a trader. She maintains a full set of accounting records and prepares control accounts for her sales ledger and purchases ledger at the end of every month.

REQUIRED

(a) State two reasons why Fatima Ayub prepares control accounts.

- (i)
-
- (ii)
-[2]

(b) Explain why the information for the preparation of a purchases ledger control account is obtained from the books of prime (original) entry and not from the purchases ledger accounts.

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-
-
-[2]

Fatima Ayub provided the following information.

April 1	Debit balances in purchases ledger	\$ 38
	Credit balances in purchases ledger	4 260
April 30	Totals for the month	
	Cheques received from credit customers	5 340
	Cheques paid to credit suppliers	3 705
	Credit purchases	6 680
	Cash purchases	355
	Returns by credit customers	235
	Returns to credit suppliers	243
	Discount allowed	127
	Discount received	95
	Interest charged by supplier on overdue account	11
	Contra entry	320
May 1	Debit balances in purchases ledger	22
	Credit balances in purchases ledger	?

REQUIRED

(c) Select the relevant figures and prepare Fatima Ayub's purchases ledger control account for the month ended 30 April 2012. [12]

- (d) State where each of the following items will appear in Ruth Van Zyl’s sales ledger control account. If the item will not appear in a sales ledger control account write “No entry”. The first one has been completed as an example.

Item	Entry in sales ledger control account
Cash refund to a credit customer	<i>debit</i>
Sales returns
Bad debt written off
Provision for doubtful debts
Credit customer’s cheque dishonoured[4]

On 2 November 2012 Ruth Van Zyl had the following transactions.

- 1 Charged Wilhelm, a credit customer, \$15 interest on his overdue account.
- 2 Transferred the balance of \$500 from Ansie’s account in the purchases ledger to her account in the sales ledger.

REQUIRED

- (e) Prepare journal entries to record the above transactions. Narratives **are** required.

Ruth Van Zyl
Journal

	Debit \$	Credit \$

[6]
[Total: 24]

J13/11

- 4(a) The following items appear in a sales ledger control account. Place a tick (✓) in the correct box to indicate where the item would appear in the sales ledger control account.

	Debit	Credit
Opening balance trade receivables		
Credit sales		
Sales returns		
Receipts from credit customers		
Discount allowed		
Bad debts		
Dishonoured cheques		
Interest on overdue accounts		

[8]

N13/22

4 The following account appeared in Samira El Badry's purchases ledger.

Tahir Stores Limited account

Date	Details		Date	Details	
2013		\$	2013		\$
Aug.10	Returns	83	Aug.1	Balance b/d	400
31	Balance c/d	535	6	Purchases	195
			6	Carriage	15
			31	Interest	8
		618			618
			2013		
			Sept.1	Balance b/d	535

(d) Explain the following entries in the above account. State where the double entry for each transaction would have been made.

(i) August 6 Purchases

Explanation

.....

.....

Double entry[3]

(ii) August 6 Carriage

Explanation

.....

.....

Double entry[3]

(iii) August 31 Interest

Explanation

.....

.....

Double entry[3]

(e) State whether the balance on 1 September 2013 represents an asset or a liability to Samira El Badry.

..... [1]

N13/23

- 4 Asma Anwar maintains a full set of double entry records and prepares control accounts at the end of each month.

The sales ledger control account prepared on 30 September 2013 is shown below.

Asma Anwar
Sales ledger control account

Date	Details	\$	Date	Details	\$
2013			2013		
Sept.1	Balance b/d	520	Sept.1	Balance b/d	36
30	Sales	848		Bank	390
				Discount	10
				Returns	56
				Contra	130
			30	Balance c/d	746
		1 368			1 368
2013					
Oct.1	Balance b/d	746			

- (a) Explain why the sales ledger control account should be prepared by a more senior member of staff than the person who maintains the sales ledger.

.....

.....

.....[2]

- (b) Explain the significance of the balance of \$36 on 1 September 2013.

.....

.....

.....[2]

- (c) Explain the following entries in the above account. State the source of information for each item.

Sales

Explanation

.....

.....

Source of information

Discount
 Explanation

.....

.....

Source of information

Contra
 Explanation

.....

.....

Source of information [6]

J14/22

2 (b) On 1 March 2014 there was a balance on each side of Maria Rahman's purchases ledger control account.

State **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

1

.....

2

..... [2]

(c) Complete the table below. Use a tick (✓) to show where each of the following items would appear in Maria Rahman's purchases ledger control account. If the item does not appear place a tick in the 'no entry' column.

The first one has been completed as an example.

	Debit	Credit	No entry
credit purchases			
cash purchases			
refund from credit supplier			
cheques paid to credit suppliers			
discount allowed			
discount received			
interest charged by credit supplier on overdue account			
contra entry			
carriage charged by credit supplier			
bad debts written off			

[9]

On 1 April 2014 Maria Rahman’s purchases ledger control account had a credit balance of \$5 300.

For the year ended 31 March 2014 Maria Rahman’s purchases were:

	\$
cash purchases	12 500
credit purchases	80 700

REQUIRED

(d) Calculate the payment period for trade payables. Round your answer up to the next whole day.

.....

.....

.....

..... [2]

Maria Rahman has asked A1 Traders to supply her with goods on credit.

REQUIRED

(e) State one reason, other than checking the payment period for trade payables, why A1 Traders would want to see Maria’s financial statements.

.....

.....

..... [2]

[Total: 19]

N14/12

2 Arun sells goods to Rupa and also buys goods from her. On 1 October Arun’s books showed the following balances.

Rupa account in sales ledger	\$180
Rupa account in purchases ledger	\$37

It was agreed that these balances should be set off against one another.

REQUIRED

(d) Prepare the journal entry to record the set-off in Arun’s books. A narrative is not required.

Arun
Journal

	Debit \$	Credit \$

[2]

Purchases ledger control account

Date	Details	\$	Date	Details	\$

[14]

J15/23

- 2 Vijay Singh maintains a full set of accounting records and prepares control accounts at the end of each month.

He provided the following information.

2015		\$
April 1	Debit balance on sales ledger control account	475
30	Totals for the month	
	Sales journal	590
	Sales returns journal	46
	Cash sales	614
	Cheques received from credit customers	387
	Cheque received from credit customer (included in the above figure) later dishonoured	26
	Cheques paid to credit suppliers	469
	Discounts allowed	13
	Discounts received	34
	Bad debts written off	32
	Interest charged to credit customer	8
	Contra entry to purchases ledger	150
May 1	Debit balance on sales ledger control account	?
	Credit balance on sales ledger control account	21

REQUIRED

- (f) Select the relevant figures and prepare Vijay Singh's sales ledger control account for the month ended 30 April 2015. Balance the account and bring down the balances on 1 May 2015.

1 Nyasha Chingono prepared the following sales ledger control account on 30 April 2015.

Nyasha Chingono
Sales ledger control account

Date	Details	\$	Date	Details	\$
2015			2015		
April 1	Balance b/d	750	April 30	Sales returns	60
30	Sales	990		Bank	637
	Interest charged	10		Discount	13
				Bad debts	120
				Contra	120
				Balance c/d	800
		1 750			1 750
2015					
May 1	Balance b/d	800			

REQUIRED

(d) Explain the following entries in the control account. State the source of information for each item. The first one has been completed as an example.

1 Sales

Explanation *The total goods sold on credit in the month*

Source of information *Sales journal*

2 Sales returns

Explanation

.....

.....

Source of information

3 Contra

Explanation

.....

.....

Source of information

4 Interest charged

Explanation

.....

.....

Source of information [6]

Winston
Sales ledger
Jared account

Date	Details	\$	Date	Details	\$

[8]

Winston also buys goods from Jared and on 31 August 2016 he owed Jared \$40. Winston decided to make a contra entry on 1 September 2016 to set off the accounts in the sales and purchases ledgers.

REQUIRED

(e) State the double entry needed to set off the accounts.

account debited	account credited

[2]

Ahsan Zarif, TCS > PAF Chapter >

(d) Suggest **one** advantage of paying credit suppliers before the due date.

.....
..... [1]

(e) Suggest **one** disadvantage of paying credit suppliers before the due date.

.....
..... [1]

J17/22

2(b) State the meaning of a contra entry in connection with control accounts.

State why Waheed may make such an entry.

Meaning

Reason

The sales journal for March 2017 was destroyed, but Waheed was able to provide the following information.

2017		\$
March 1	Debit balances in sales ledger	2 346
	Credit balances in sales ledger	140
March 31	Totals for the month	
	Cheques received from credit customers	2 145
	Cheques paid to credit suppliers	3 013
	Cheque received from credit customer (included in the cheques received), later dishonoured	350
	Discount allowed	55
	Discount received	90
	Returns by credit customers	276
	Returns to credit suppliers	198
	Contra entry	182
	Bad debts written off	62
April 1	Debit balances in sales ledger	2 670
	Credit balances in sales ledger	86

REQUIRED

(c) Select the relevant figures and prepare the sales ledger control account for the month of March 2017. Insert a figure for credit sales. Balance the account and bring down the balances on 1 April 2017.

N17/21

1(c) (i) State the meaning of a contra entry in connection with control accounts.

.....
 [1]

(ii) State why such an entry may be necessary.

.....
 [1]

(d) Suggest **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

1

 2
 [2]

N17/21

2 Mahendra’s financial year ends on 31 August. He buys and sells on both cash and credit terms and maintains a full set of accounting records.

Mahendra prepares control accounts at the end of each month.

REQUIRED

(a) Complete the following table. Use a tick (✓) to show where **each** of the following items would appear in Mahendra’s sales ledger control account. If the item does **not** appear place a tick in the “no entry” column.

	Debit	Credit	No entry
opening balance owed by credit customers			
credit sales			
cash sales			
provision for doubtful debts			
bad debts written off			
cash discount allowed to credit customers			
trade discount allowed to credit customers			
contra between sales and purchases ledgers			
cash received from credit customers			

[9]

J18/12

- 3** Kumu purchases goods for resale on both cash and credit terms. Kumu’s credit suppliers allow 30 days for payment of invoices.

Kumu provided the following information for the year ended 30 April 2018.

	\$
Trade payables 1 May 2017	19 800
Trade payables 30 April 2018	22 200
Discount allowed	480
Discount received	330
Interest charged by suppliers	122
Credit purchases	180 870
Cash purchases	26 400
Sales ledger balances set off against purchases ledger balances	400

REQUIRED

- (a)** Select the relevant items and prepare the purchases ledger control account for the year ended 30 April 2018. Insert the amount paid to credit suppliers.

Kumu
Purchases ledger control account

Date	Details	\$	Date	Details	\$

[8]

- (b)** State the formula for calculating the trade payables payment period.

.....
[1]

- (c)** Calculate the trade payables payment period for the year ended 30 April 2018. Round up your answer to the next whole day.

.....

[2]

(d) State whether Kumu’s suppliers would be satisfied with her trade payables payment period. Give a reason for your answer.

Satisfied?
Reason
.....
.....[2]

(e) State **two** problems Kumu may face if her trade payables payment period is unsatisfactory.

1
.....
2
.....[2]

Kumu provided the following information for the year ended 30 April 2018.

	\$
Cost of sales	205 000
Gross profit	92 250
Inventory at 30 April 2018	35 000

REQUIRED

(f) Calculate the percentage mark-up Kumu has applied.

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.....
.....
.....[2]

(g) Calculate the value of inventory at 1 May 2017.

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.....
.....
.....
.....
.....
.....
.....
.....
.....[3]

(h) State the formula for the rate of inventory turnover.

.....
[1]

(i) Calculate Kumu's rate of inventory turnover for the year ended 30 April 2018. The calculation should be correct to **two** decimal places.

.....

[2][Total: 23]

J18/21

1 Lydia was able to provide the following information for the month ended 30 April 2018.

2018		\$
April 1	Amount owing by credit customers	3 944
	Amount owing to credit suppliers	4 215
April 30	Totals for the month	
	Cash purchases	996
	Credit purchases	4 855
	Returns to credit suppliers	113
	Returns from credit customers	236
	Cheques received from credit customers	3 332
	Discount allowed	68
	Discount received	95
	Contra entry	250
	Carriage charged by credit supplier	210
May 1	Debit balance in purchases ledger	100
	Credit balance in purchases ledger	4 237

REQUIRED

(b) Select the relevant figures and prepare the purchases ledger control account for the month of April 2018. Insert a figure for cheques paid to credit suppliers. Balance the account and bring down the balances on 1 May 2018.

Lydia
Purchases ledger control account

Date	Details	\$	Date	Details	\$

[9]

(c) Suggest **two** reasons for the debit balance in the purchases ledger on 1 May 2018.

- 1
-
- 2
-[2]

N18/12

3 Saul provided the following information for the month ended 30 June 2018.

2018

		\$
June 1	Sales ledger debit balances	16 420
	Sales ledger credit balances	390
30	Credit sales	39 800
	Sales returns	2 700
	Cash and cheques received from credit customers	36 350
	Irrecoverable debt written off	340
	Sales ledger balance set off against purchases ledger balance	760
	Discount allowed	?
	Interest charged to credit customers on overdue accounts	175
July 1	Sales ledger debit balances	15 485
	Sales ledger credit balances	200

REQUIRED

(d) Prepare the sales ledger control account for the month of June 2018. Insert the figure for discount allowed. Balance the account and bring down the balances on 1 July 2018.

Saul

Sales ledger control account

Date	Details	\$	Date	Details	\$

[10]

J19/11

- 2 Olivia is a trader. Sales and purchases are made on both cash and credit terms. Olivia maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

- (a) Name the book of prime (original) entry which Olivia would use to obtain the following information when preparing her control accounts.

	book of prime (original) entry
returns to credit suppliers	
cheques received from credit customers	
contra entry	
irrecoverable debts written off	

[4]

- (b) Complete the table by placing a tick (✓) in the correct column to indicate where each item would appear in Olivia's sales ledger control account. If the item does not appear place a tick (✓) in the 'no entry' column.

	Debit	Credit	No entry
credit sales			
cash sales			
cash refund to credit customer			
cash discount allowed by credit suppliers			
contra entry			
trade discount allowed to credit customers			
interest charged on credit customer's overdue account			

[7]