

# ACCOUNTING

## CONTROL ACCOUNTS

**GRADE: NINE**

Prepared By: M G Hussain  
Department of commerce  
Bangladesh International School, English Section

# Control Accounts

An account which checks the arithmetical accuracy of a ledger. Control accounts enable errors to be traced down to the ledger that does not balance, thus there will be no need to check all the book in full to find an error. Control account are sometimes known as **Total accounts** because total are used.

## The important control accounts are

**1. Sales ledger control accounts** – which acts as a control over the individual transaction passing through the debtors ledger accounts. It is also known as total trade receivables account.

**2. Purchase ledger control accounts** – which acts as a control over the individual transaction passing through the creditors ledger accounts. It is also known as total payables account.

### Format of Sales ledger control (total trade receivables) accounts

	\$		\$
Balance b/d	xxxx	Balance b/d	xxxx
Sales	xxxx	Cash and bank	xxxx
Dishonored cheque	xxxx	Return inwards	xxxx
Interest	xxxx	Discount allowed	xxxx
	xxxx	Bad debts	xxxx
Balance c/d	xxxx	Balance c/d	xxxx
	<b>XXXXXX</b>		<b>XXXXXX</b>

**\*\*\*The balance of the sales ledger control accounts must be equal to the total of individual balance of all debtors opened at the sales ledger.**

### Reasons for a credit balance in sales ledger control account (total trade receivables accounts):

1. Over payment receipt from customers
2. Cash discount not deducted before payments received
3. Returns inwards after payment received
4. Payment received in advanced from customers

### Advantages of sales ledger control account:

1. It helps to locate errors when a trial balance doesn't balance
2. It provide instant total of debtors
3. It proves the arithmetical accuracy of sales ledger
4. It enables the balance sheet to be prepared quickly
5. It provides a summary of the transaction relating to the debtors for the period
6. It provides an internal check on the sales ledger that may reduce the travel

**Format of purchase ledger control (total trade payables) accounts**

	\$		\$
Balance b/d	xxxx	Balance b/d	xxxx
Cash	xxxx	Purchase	xxxx
Bank		Interest	xxxx
Return outwards	xxxx		
Discount received	xxxx		
Balance c/d	xxxx	Balance c/d	xxxx
	<b>XXXXX</b>		<b>XXXXX</b>

**Reasons for debit balance in purchase ledger account:**

1. When making advance payment to suppliers along with order
2. Cash discount not deducted before payments
3. Return goods after payment of amount due
4. When transferring debit balance from sales ledger (set off)
5. Over payment of amount due

**Advantages of purchase ledger control account:**

1. It helps to locate errors when a trial balance doesn't balance
2. It provide instant total of creditors
3. It proves the arithmetical accuracy of purchase ledger
4. It enables the balance sheet to be prepared quickly
5. It provides a summary of the transaction relating to the creditors for the period
6. It provides an internal check on the purchase ledger that may reduce fraud

**Exercise -1:**

Debit balance on 1 January 2010 \$ 1894

Cheques received from customers \$ 7284

Return inwards from customers \$ 1236

Cash received from customers in the month \$ 296

Debit balance on 31 January as extracted from the sales ledger \$3368

**REQUIRED**

- **Prepare sales ledger control account**

**Exercise -2:**

Credit balance on 1 January 2010 \$ 3890

Cheques paid to suppliers during the month \$ 3620

Return outwards to suppliers during the month \$ 95

Purchase from supplier in the month \$4936

Credit balance on 31 January as extracted from the purchase ledger \$5151

**REQUIRED**

- Prepare purchase ledger control account.

**Exercise -3: (31.1)** you are required to prepare a sales ledger control account from the following for the month of November:

Date 2018		\$
Nov -1	Sales ledger balances	23220
	Totals for November :	
	Sales journal	14194
	Return inwards journal	826
	Cheque and cash received from customers	17918
	Discount allowed	312
Nov-30	Sales ledger balances	18358

**Exercise -4(31.2A)** you are required to prepare a purchase 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.

Date 2018		\$
April-1	Purchase ledger balances	11241
	Totals for November :	
	Purchase journal	6100
	Return outwards journal	246
	Cheque and cash paid to suppliers	8300
	Discount received from suppliers	749
April-30	Purchase ledger balances	?

**Contra account:** A contra account is where by the same firm is both a supplier and a customer has also been entered in the control account.

**Contra entry:** A contra entry is where a transfer is made from an account of a person or business in the sales ledger to an account of the same person or business in the purchase ledger. This may occur when a business is both a customer and supplier.

**Exercise – 5: (31.3)** you are required to prepare a sales ledger control account from the following for the month of March:

Date 2018		\$
March-1	Debit balances	12271
	Totals for March:	
	Sales journal	9334
	Cheque and cash received from trade receivables	11487
	Discount allowed	629
	Debit balances in the sales ledger set off against credit balances in the purchase ledger	82
March-31	Debit balances	?
March-31	Credit balances	47

**Exercise – 6: (31.4A)** you are required to prepare a sales ledger control account from the following information for the month of October:

Date 2018		\$
Oct -1	Sales ledger balances	28409
Oct -31	Sales journal	26617
	Bad debts written off	342
	Cheques received from trade receivables	24293
	Discount allowed	416
	Cheque dishonored	120
	Return inwards	924
	Set off against balances in purchase ledger	319

**Exercise – 7: (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:

Date		\$
Jan-1 2018	Purchases ledger balances	19420
	Sales ledger balances	28,227
	Totals for the year 2018	\$
	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 2018	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	

**Exercise – 8: (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 2018.

<b>Balances on 1 January 2018</b>	\$
Debtors ledger – Dr	46,462
-Cr	245
Creditors ledger – Dr	1,472
-Cr	25,465
<b>Total for the month to 31 January 2018</b>	\$
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