



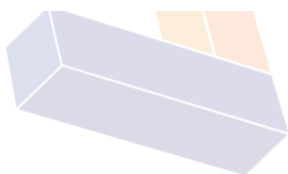
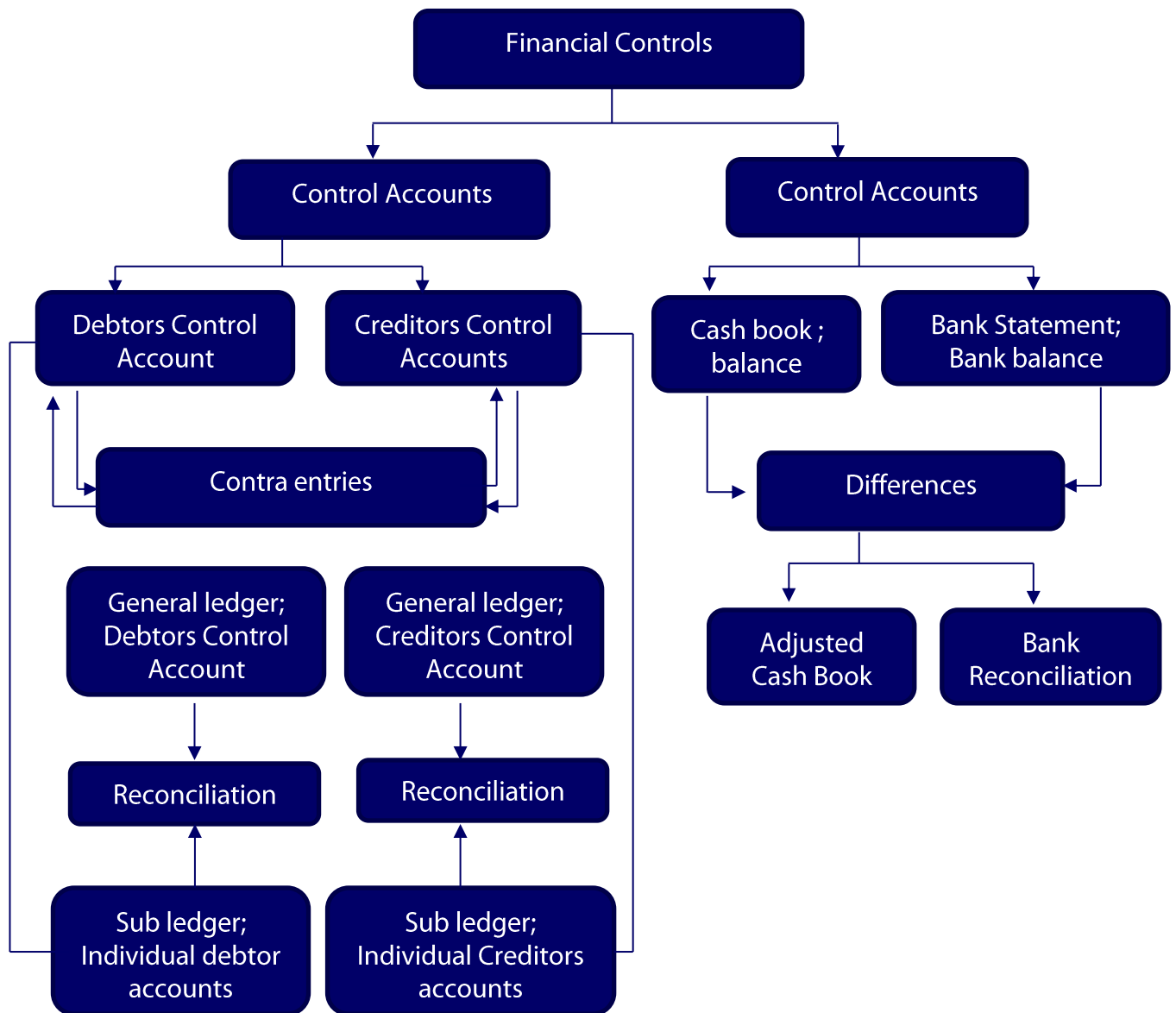
Control Accounts

Mr. Shihan Haneef

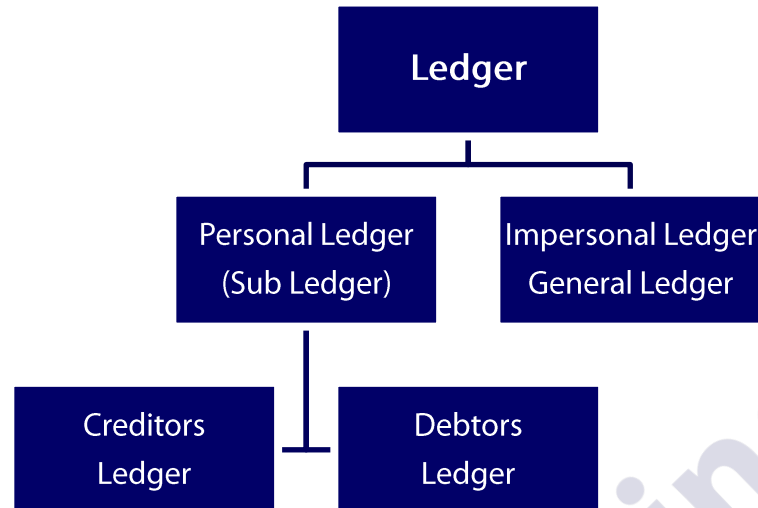


JMC Jayasekera Management Centre (Pvt) Ltd
Pioneers in Professional Education

65/2A, Chittampalam Gardiner Mawatha, Colombo 02 | T: +94 112 430451 | E: info@jmc.lk | F: +94 115 377917



1. Ledger



I. General Ledger

Asset Liabilities income & expenditure accounts that are not maintain in personnel names are accounted here.

II. Personal Ledger

Transactions taken place with individuals & varies organizations are kept in this ledger. Personal accounts are maintained here independently.

a. Debtors Ledger

All the debtors individual accounts that arising from credit sales are maintained in this ledger, also called sales ledger.

b. Creditors Ledger

All the creditors' individual accounts arising from credit purchases, are maintained in this ledger, also called purchase ledger.

2. Control Account

An account in the general ledger in which totals of transactions recorded in individual accounts maintained under sub ledger are recorded.

3. Purpose and Need of Control Accounts

When business grows keeping all the accounts in one ledger leads may to problem of controlling them, as there will be many creditors as well as many debtors. Other than that we do have to keep asset, Liabilities, & nominal accounts in the same ledger. Therefore such a business faces the following difficulties.

1. It should maintain with large amounts of accounts.
2. It takes much time to posting.
3. It is very difficult to find a particular account.
4. Omissions & mistakes can be taken place easily.
5. One employee can't maintain the ledger property.
6. When preparing trial balance, business faces difficulties.
7. Fraud & errors can't be traced easily.
8. Accounting function can't be controlled property.
9. Management reports can't be prepared instantly or accurately.
10. Weaken the fund management. (Receiving & payment of funds.)

In such situation, individual accounts of particular types should be kept in a Separate independent sub ledger.

4. Advantages of Control Accounts

1. When preparing T.B. debtors & creditors totals can be taken easily.
2. Leads to good internal control in book keeping & minimize the fraud errors.
3. When any difference identifies in the T.B. easy to trace where difference is.
4. We can examine the accountancy of sale and purchase ledger accounts. So it helps to identify where the error is.

5. Sales Ledger Control Account (Debtors Control Account)

- Debtors control account is one account which maintains in the G.L. in order to record the transaction that recorded in the individual accounts in the sales ledger. Sales ledger clerk & G.L. clerk use the same prime entry books. Therefore at any time the balances in both should equal. If not it seems to be an error.
- In order to get an understanding of sales ledger control account the format is given below.

Sales ledger control account

Balance b/f (Debit balance)	xx	Balance b/f (Credit balance)	xx
Credit sales	xx	Sales returns	xx
Dishonoured Cheques	xx	Cash/Cheques received	xx
Interest on delayed payments	xx	Bill received	xx
Discount cancelled	xx	Discounts allowed	xx
		Setting of debtor	
		Balance to creditor	xx
Balance c/d	xx	Balance c/d	xx
	xx		xx

- Preparing a debtors control account is exactly same as preparing individual debtors account. Since a debtor is an asset of the organization we can see a debit balance in that. So the principle is increase in debtors become a debit and decreases a credit.
- However in certain circumstances we can see credit balance in such accounts.
E.g.: for such situations are:
 1. Goods returned, which sold on credit forms after setting of does by the debtor.
 2. Payments made by the Debtor without deducting discounts.
 3. Recovery of bad debts after treating a balance as a bad debt.
 4. Correcting the balance ought to be paid by the customer after setting the whole debt.
- Sources from where the information is extracted to prepare debtor control accounts.

Control accounts are not prepared by using the information from sub but they are prepared by the information obtained from prime entry books as maintained below.

	Information	Source
1	Opening balance	General Journal
2	Return payments to customers	Cash book
3	Discounts allowed	Cash book
4	Dishonored cheques	Cash book
5	Interest on delayed pay'	General Journal
6	Credit sales	Sales Journal
7	Sales returns	Sale return Journal
8	Cash receipts	Receipts cash book.
9	Bills receivable	Bills receivable journal
10	Write off of bad debts	Cash book
11	Inter ledger transfers	General Journal

6. Purchase Ledger Control Account (Creditors Control Account)

- Creditors control accounts is a single account which maintains in the GL in order to record the transactions that recorded in the individual accounts in the purchases ledger. Purchase ledger clerk & G.L clerk uses the same prime entry books. Therefore at any time the balances in both should equal. If not it seems to be an error.
- In order to get an understanding of purchase ledger control a/c the format is given below.

B/f (Debit) balance	xx	B/f (Credit balance)	xx
Purchases returned	xx	Credit purchases	xx
Cash payment	xx	Dishonoured cheques	xx
Discounts received	xx	Other charges (Penalty interest, legal fees)	xx
Inter ledger transfers	xx		
B c f	xx	B c f	xx
	xx		xx

Purchase ledger control a/c.

Situations that debit balance can be seen in creditors control account.

1. Goods returned which bought on credit terms after setting the dues to creditor.
2. Not deducting the discounts when paid to creditors.

3. Correcting the balance ought to be paid to the creditor after setting the dues.
 4. Creditor is paid in excess.
- Information sources uses to prepare creditors control account.

	Information	Source
1	Opening balance	General Journal
2	Purchase returns	Purchase return ledger
3	Dishonored cheque	Cash book
4	Interest charges	General Journal
5	Credit purchase	Purchase ledger
6	Cash payments	C.B Cash book
7	Bills Payable	Bills Payable
8	Discount receivable	Cash book
9	Inter ledger transfers	General Journal

7. Inter Ledger Transaction Entries

- A debit balance of a debtor can be set off against a credit balance of a creditor if both parties agreed for such a transfer or if both parties are the same person. These type of entries are called inter ledger transfer entries.

E.g.: If Mr A is a debtor as well as a creditor of a business, the balance receivable from a can be set off against balance payable to A.

There are two types of these entries.

- i. A debit balance in the debtors control a/c transaction to creditor control a/c.
Creditors control a/c debit.
Debtors control a/c credit.
- ii. A credit balance in the debtors control a/c transaction to creditors control a/c
Debtors control a/c Debit
Creditor control a/c credit

Entries made in the control account should exactly the same as entries made in the sale & purchases journal. (We can see the G.L. to verify that because inter ledger transfers are done through G.L.)

8. Reconciliation's Of Ledger

The balance in the control AC should exactly equal to the total of sub ledger. Otherwise there will be all error. So the org' should take steps to reveal them. Subsequently we should prepare a reconciliation statement in order to make them correct.

1. EXERCISE

The following particulars have been obtained from the books of Alpha Traders:

Trade Receivables (debtors) Control Account

Balance as at 01/03/2016 (Debit)	69,000
Balance as at 31/03/2016 (Debit)	98,000
Transactions during the period:	
Cash Sales	179,000
Credit Sales	868,000
Bad Debit written off	25,000
Discount Allowed to customers	15,000
Sales Returns	18,000
Setoff against creditors	6,000

Prepare the Trade Receivables Control Account and ascertain the collections from Debtors for the month of March 2016.

2. EXERCISE

The following particulars have been obtained from the books of Beeta Traders:

Trade Payables (creditors) Control Account

Balance as at 01/03/2016 (Credit)	78,000
Transactions during the period:	
Cash Purchases	179,000
Credit Purchases	868,000
Amount paid to Creditors	545,000
Discount Received	15,000
Purchases Returns	18,000
Setoff against debtors	6,000

Prepare the Trade Payable Control Account and ascertain the Trade Payables Control Account balance as at 31/03/2016.

3. EXERCISE

Following table shows details of credit purchases of SUNIMAL's Business in January 2016

Date	Supplier	Invoice No.	Amount (Rs)	Other Information
2-Jan	Sugath	6125	10,000	Paid cash on 5th Jan
10-Jan	Kamal	3112	5,200	Not Paid Yet
15-Jan	Sunanda	2518	6,500	Returned all on 16th Jan
20-Jan	Saliya	3510	7,200	Paid by a cheque on 21st Jan
22-Jan	Sunanda	3115	6,100	Not Paid yet

Required:

- Purchases day book for January 2016
- Creditors Control Account in the general ledger
- Individual ledger accounts in the creditors' ledger

4. EXERCISE

The following particulars have been obtained from the books of Gama Traders:

Debtors balance as at 1/4/2016 (Dr)	650,000
Creditors balance as at 1/4/2016 (Cr)	800,000
Credit purchases	950,000
Credit sales	890,000
Return outwards	12,000
Return inwards	16,000
Discount received	20,000
Discount allowed	30,000
Cash & cheques paid to creditors	450,000
Cash & cheques received from debtors	385,000
Setoff against creditors with debtors	132,000
Cheque received from debtors returned	25,000
Cheque paid to creditors returned	45,000
Bad debts	35,000
Doubtful debts	42,000

Prepare the trade receivable control account and trade payable control account.

5. EXERCISE

Following are the summaries of sales day book, sales return day book, receipt cash book and opening balances of debtors according to debtors ledger for the month of January 2016.

Debtor	Debtors ledger	Sales day book	Sales Returns Day Book	Cash book	
	balances 1/1	Credit sales	Return Inwards	Discounts Allowed	Cash received
A	2,100	1,700	-	60	2,040
B	1,800	3,200	-	50	1,750
C	4,200	-	-	-	1,000
D	3,700	400	100	-	-
E	2,800	-	-	20	880
F	3,800	1,300	300	50	1,950
G	400	-	-	-	-
H	(300)	1,800	-	-	-
I	-	300	-	-	-
J	-	500	200	-	-
Total	18,500	9,200	600	180	7,620

- i) Show individual debtor accounts & debtors list
- ii) Debtors control account

6. 2008 DEC AAT I

The following information is relevant for **Silva Traders** for the month of March 2008.

	Rs
Sales ledger balance as at 01.03.2008	49,500
Purchase ledger balance as at 01.03.2008	75,600
Sales journal –total for the month	98,600
Purchases journal –total for the month	19,100
Discounts receive	2,400
Return inwards journal	5,000
Return outwards journal	3,550
Cash & cheques received from customers	70,600
Cash & cheques paid to suppliers	10,850
Irrecoverable debts	12,500

From the above information **you are required to prepare**, the debtors (Accounts Receivable) and creditors (Accounts Payable) control accounts of **Silva Traders** for the month.

(06 marks)

7. 2016 JAN

As at 31st July 2015, trade payable control account appearing in the general ledger of **Aminda Fashions** showed a credit balance of Rs.118,300/-, while the total of the individual account balances as per the payables sub ledger was Rs.118,800/-, Subsequent checking revealed the following reasons for the difference.

- (1) The total of discounts received for the month of July 2015, amounting to Rs.11,700/- has been entered in the control accounts correctly, but has not been entered in the individual payable accounts.
- (2) The list of balance of the individual accounts of the payables sub ledger has been overcasted
- (3) The purchase day book for the month of July 2015 has been overcasted Rs.20,000/-.
- (4) During the month of July 2015, an amount of Rs.2,700/- payable to **Super Fashions**, a supplier has been offset against the amount receivable from them. This has been correctly recorded in the respective individual ledgers, but it has been omitted from the respective control accounts of the general ledger.
- (5) A cash payment to a supplier amounting to Rs.4,500/- has been correctly recorded in the respective control account, but no entry has been made in the suppliers` individual ledger account.

required to,

Prepare the following:

- (a) The revised (adjusted) trade payables control accounts in the general ledger.
- (b) A statement reconciling the revised balance of the trade payables control account with the total of the individual payable sub ledger balances.

(05 marks)

8. 2015 JUL

As at 31st March 2015, the balance on **Shantha`s** Receivables Control Accounts of the general ledger was Rs.225, 200/-. The total of the balances appearing in the individual accounts of the receivables ledger amounted to Rs.247, 400/-.

The following errors have been discovered:

- (1) An invoice for Rs.5, 600/- has been correctly recorded in the sales day book, but recorded in the individual customer`s account as Rs.6, 500/-.

- (2) A cheque for Rs.5, 500/- from a customer has been dishonoured. This has been correctly recorded in the Receivables Ledger but Receivables Control Account has not been updated.
- (3) Discounts allowed totaling to Rs.1, 200/- has not been entered in the control account.
- (4) The sales day book was under cast by Rs.1, 000/-.
- (5) Cash received of Rs.8, 000/- has been debited to the individual customer's account in the Receivables Ledger.

You are required to:

Prepare a Revised Receivables Control Accounts of the general ledger and **reconcile** the Receivables Ledger balance with Receivables Control Account balance.

(05 marks)

9. 2010 JUN AAT I

The following information was extracted from the books of Somaweera & Son: Debtor's outstanding balance as at 01st June 2011:

Name of the Debtor	Amount(Rs)
Amil	10,000
Sunil	15,000
Gagul	17,500

Credit sales and sales returns during the month of June 2011 were as follows:

Name of the Debtor	Credit sales (Rs)	Sales Returns (Rs)
Anil	40,000	-
Sunil	30,000	5,000

Monies received during the month of June 2011 and discounts allowed are as follows:

Debtor	Amount Received (Rs)	Discount Allowed (Rs)
Anil	18,000	2,000
Sunil	32,000	3,000

Court declared Gagul as bankrupt on 29th June 2011, thus the amount due from him is to be written off.

You are required to Prepare, Debtors Control Account and Individual Debtors Ledger Accounts as at 30th June 2011.

(08 marks)

10. 2009 JUN AAT I

Buke (Pvt) Ltd. sells spare parts to small retailers on credit. There are around 500 customers islandwide. The following information relates to the year ended 31st March 2009:

	Rs
Trade Debtors Control Account balance (Debit) as at 01 st April 2008	1,411,000
Total Debtors ledger balance as at 31 st March 2009	1,260,800
Amount transferred to Trade Creditors Control Account	21,500
Sales for the year	7,943,000
Bad Debts written off	42,000
Sales Returned by Debtors	150,500
Discount Allowed	50,800
Cash received from Debtors	2,955,000
Cheques of received from Debtors	5,051,000
Cheques of Debtors dishonoured	149,000
Interest charged on late payments	11,500

The following errors have been identified on 31st March 2009:

- (1) A Trade Debtors ledger account was under cast by Rs.9, 900/-.
- (2) A sale of Rs.69, 600/- was accounted as Rs.96, 600/- in and individual Trade Debtors Account.
- (3) Sales Return of Rs.5, 900/- from **Sunil** has been accounted as Sales Returns from **Anil**

Required to prepare:

- a) Trade Debtors Control Account as it would appear in the ledger of **Buke (Pvt) Ltd.**
- b) A reconciliation of the control account balance with the total trade Debtors Ledger balance as at 31st March 2009.

11. 2013 JUL AAT I

The following information is extracted from the books of accounts of **Selvam Traders** for the month of March 2009.

	Rs
Debtors` control account balance as at 01 st March 2013	95,600
Creditors` Control account balance as at 01 st March 2013	53,800

Sales journal total – for the month	232,600
Purchase journal total – for the month	173,400
Discounts received	2,500
Paid to suppliers during the month	132,600
Received from customers during the month	198,200
Bad debt written-off	4,300
Return inwards journal total	6,600

Based on the above information, you are required to prepare, Debtors` Control Account and Creditors` Control Account for the month of March 2013.

(7½ marks)

12. 2012 JAN AAT I

The following information was extracted from the books of Silva`s business for the month of December 2009:

	Rs
Balance of the trade Debtors Control (Accounts Receivable) account as at 01 st December 2009	985,000

	Rs
Total of Credit sales	900,000
Total of the return inwards Journal	30,000
Receipt of cheques and cash from debtors	831,000
Discounts allowed	21,600
Amount transferred to Trade Creditors Control Account	120,000
Dishonoured cheques out of cheques received from debtors	17,000
Dishonoured cheque chargers recovered by the bank	320
Receipt of bad debts written off during last year	1,000
Bad debts written off	23,560

required to prepare, the Debtors Control Account of Silva,s business for the month of December 2009. (07½marks)

13. 2013 JAN AAT I

The table below gives the transactions of GG & Co. for the month of December 2012:

Creditors	Balance as at 01.12.2020 (Rs.)	Purchases (Rs.)	Cash paid (Rs.)	Discounts Received (Rs.)	Purchase Returns (Rs.)
-----------	--------------------------------	-----------------	-----------------	--------------------------	------------------------

Amal	25,000 Cr	40,000	38,500	1,500	2,000
Bimal	40,000 Cr	35,000	50,000	2,000	-
Cecil & Co.	15,000 Cr	55,000	-	-	5,000
Diana Agency	-	34,000	-	-	-

GG & Co. has not received the amount due from Cecil & Co., as at 31st December 2012 and it has appeared in the debtors ledger of GG & Co. with a debit balance of Rs.52,000/- .Cecil & Co. has agreed to set-off receivable balance against payables.

You are required to prepare, Creditors Control Account and individual Creditors` Ledger Accounts of GG & Co, as at 31st December 2012.

(7 ½ marks)

14. 2014 JAN AAT I

You are given the following information relating to debtors of Maith`s business for October 2013:

Debtor	Balance as at 01 st October 2013	Credit sales	Returns Inwards	Cash Receipts	Discounts Given
Nuwan	15,000	53,000	5,000	25,000	-
Lakmal	44,000	78,000	3,000	66,000	2,000
Lalith	-	82,000	4,500	36,000	1,750
Kumara	4,500	45,000	-	29,500	500

You are required to prepare, the debtors` control account and individual debtors ledger accounts as at 31st October 2013.

(7 ½ marks)

15. 2015 JAN AAT I

The following information relating to debtors was extracted from the books of Suranga Traders:

	Rs
Debit balance as at 31 st March 2014 as per debtors` control account	62,800
Debit balance as per individual debtors ledger accounts as at 31 st March 2014:	
kapila	12,000
Bharatha	9,000
Dilan	11,000
Malaka	24,000
	56,000

The following errors were discovered for the difference between the debtors` control account balance and total of individual debtors` ledger accounts balances:

- (1) Goods sold on credit to **Dilan** for Rs.2, 600/- were correctly recorded in the debtors` control account, but it was recorded as Rs.6, 200/- in **Dilan`s** account.
- (2) A cheque issued by **Bharatha** of Rs.6, 000/- in settlement of his outstanding has been returned by the bank due to insufficients funds. No entry has been recorded in this regard both in the debtors` control account and **Bharatha`s** account.
- (3) A Credit sale of Rs.5, 200/- to **Malaka** has been recorded in the wrong side of his account in the debtor`s ledger. It was correctly recorded in the debtors` control account.
- (4) **Kapila** has made a direct payment to the bank for a settlement of Rs.7, 000/- This has not been recorded completely in the book of accounts of the business.

Required to,

Correct the debtors` control account and individual debtors` ledger accounts as at 31st March 2014.

(7 ½ marks)

16. 2016 MAR CAB 1

Pearl (Pvt) Limited (Pearl) maintains a manual accounting system. It also maintains a control account for its trade receivables. The trade receivables control account balance as at 31 December 2015 was Rs.595, 000. However, the total of the sub- ledger account balances (individual accounts) did not tally with the control account balance. Subsequent investigation revealed the following:

- (i) A credit note sent by Pearl to one of its customers for Rs.10, 500, being a rebate for damaged goods, was wrongly recorded in the sub-ledger account as Rs.15, 000.
- (ii) Discount allowed to a particular customer of Rs.4, 500 was correctly entered in the sub-ledger account but recorded as Rs.5, 400 in the Control account.
- (iii) An amount due from a customer, David of Rs.46, 000 has been omitted from the list of receivable sub-ledger balances.
- (iv) An amount of Rs.12, 540 received from a customer, Aruna was wrongly posted to Waruna`s account in the sub-ledger.
- (v) A credit sales of Rs.24, 400 was entered in the sales day book as Rs.42, 400 but correctly entered in the sub-ledger account.

Required:

- (i) **Compute** the correct trade receivables control account balance as at 31 December 2015.

(2 marks)

- (ii) **Identity** the total of the individual account balances before adjustments by preparing the reconciliation statement.

(3 marks)

17. 2015 SEP CAB 1

The Following balance as at 31 March 2015 were extracted from the books of accounts of Mayura (Pvt) Limited.

	Rs
Trade receivables account as at 1 April 2014	580,000
Trade receivables account as at 31 March 2015	660,000
Trade payable account as at 1 April 2014	360,000
Trade payable account as at 31 March 2015	520,000
Cash sales during the year	1,280,000
Cash purchases during the year	940,000
Finished good inventory as at 1 April 2014	870,000
Finished good inventory as at 31 March 2015	990,000
Total cash received from trade debtors during the year	4,260,000
Total cash paid to trade creditors during the year	3,440,000

The following errors were observed after extracting the above balances.

- (i) A discount allowed of Rs.15, 000 was recorded in the respective sub-ledger but not in the control account.
- (ii) The sales day book was under-cast by Rs.36, 000. Assume all posting to sub ledger were properly done.
- (iii) An amount of Rs.40, 000 due to a creditors was settled by making a sale to them for same value. However, no entries were made with regard to this.
- (iv) A cash remittance of Rs.110, 000 from a trade debtor, being the settlement of an outstanding bill, was wrongly treated as cash sales but correctly entered in the respective sub ledger account.
- (v) A discount allowed by a supplier amounting to Rs.26, 000 was treated as a discount allowed by the company but correctly entered in the respective sub-ledger account.

Required:

- (a) **Prepare** the journal entries required to correct the above errors.

(4 marks)

- (b) **Prepare** the trade receivables control account and the trade payables control account for the year ended 31 March 2015.

(4 marks)

- (c) Calculate the gross profit / loss of the company for the year ended 31 March 2015. (2 marks)

(Total: 10 marks)

18. 2015 MAR CAB 1

The balance of the trade receivables control account of Happy (Pvt) Limited as 31 December 2014 was Rs.500, 000, but this did not agree with the total of the trade receivables sub ledger accounts. The following were identified as the reasons for the difference:

- Discount allowed amounting to Rs.15, 000 was not recorded in the respective personal account.
- The total of sales returns amounting to Rs.45, 000 was not posted to the general ledger.
- A sales invoice of Rs.60, 000 was omitted from the sales journal but the same had been recorded in the personal account.

Required:

- (3) Prepare the trade receivables control account starting with the balance of Rs.500, 000.

(2 marks)

- (4) Calculate the total of the trade receivables sub ledger accounts as at 31 December 2014 before making the corrections.

(1 marks)

(Total: 10 marks)

