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Pre-Exam *Quick Revision*

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Topic 14 Control Accounts

~ Important Concepts ~

Control Accounts:

Control Accounts are drawn to check the arithmetical accuracy of the concerned ledgers. Sales Ledger Control Account checks the sales ledger balance while Purchases Ledger Control Account checks the purchases ledger.

Sales Ledger Control Account

Balance b/d		Sales returns	
Credit Sales		Discount allowed	
Dishonoured cheque		Bank	
Interest on overdue		Bad debts	
Debts		Contra: Purchases ledger	
Balance c/d	—	Balance c/d	—
	XX		XX
Balance b/d	XX	Balance b/d	XX

Purchases Ledger Control Account

Purchases returns		Balance b/d	
Bank		Purchases (credit)	
Discount received		Interest on overdue bills	
Contra: sales ledger			
Balance c/d	—	Balance c/d	—
	—		—
Balance b/d	—	Balance b/d	—

The debit balance in the Sales Ledger Control Account is the amount of closing debtors. The credit balance is the amount owed to debtors by the firm because of:

1. Advance payment
2. Cash returned
3. Goods returned after account was settled

The credit balance in the Purchase Ledger Control Account is the amount of closing creditors. The debit balance is the amount owed by the creditors to the firm because of:


1. Advance payment made to them
2. Cash refund from creditors
3. Goods returned after account was settled

Contra Entry:

Amount owed by debtor written off against what the firm owes him as a creditor.

Reconciliation of Control Accounts and Subsidiary Books:

- Step 1. Analyze the errors.
- Step 2. Identify the effects of errors on subsidiary Ledgers and Control Accounts.
- Step 3. Make all the necessary adjustments in the Control Accounts.
- Step 4. Prepare Reconciliation Statements.

Multiple **C**hoice **Q**uestions
 seek for this  when you really need 'HELP'

1. The balance on a Purchase Ledger Control Account on May 1 was \$4270. Purchases made during the month were: credit \$16000, cash \$2150. Payments made to creditors were: cheques \$17610, cash \$820. The balance on Purchase Ledger Control Account on May 31 was:

- A \$1840 B \$2660
 C \$3990 D \$4810

Brain  Storm

Purchases Ledger Control A/c

Cash	820	May 1 b/d	4270
Bank	17610	May 1 Purchases	16000
c/d	1840		
	<u>20270</u>		<u>20270</u>

2. The total of the Purchase Control Account had been undercasted by \$100. How could this error be rectified in the concerned firm's journal?

- A Dr Suspense Cr Purchase
 A/c \$100 A/c \$100
 B Dr purchases Cr Suspense
 A/c \$200 A/c \$200
 C Dr Purchases Cr Suspense
 A/c \$100 A/c \$100
 D Dr Creditors Cr Purchases
 A/c \$100 A/c \$100

Brain  Storm

When purchases are undercasted, they are to be increased by a Dr entry, and as error is on one side, Cr side will have to be a Suspense Account.

3. In Sales Ledger Control Account, provision for bad debt should be shown in the account:

- A as a debit
 B as a credit
 C balance b/d
 D should not be shown

Brain  Storm

Actual amounts are recorded in the Control Account. Estimates do not go into Control Account.

4. On July 1, the debit balance on a Sales Ledger Control Account was \$5600. During the month, sales invoice sent to a customer totalled \$16000 and \$17200 was received from debtors. The balance on the Sales Ledger Control Account on July 31 was:

- A \$4298 B \$4400
 C \$4502 D \$6800

Brain  Storm

Sales Ledger Control A/c

b/d	5600	Bank	17200
Sales	16000	c/d	4400
	<u>21600</u>		<u>21600</u>

5. Which of the following should not be recorded in a Sales Ledger Control Account?

- A Credit sales
 B Bad debts written off
 C Provision for bad debt
 D Interest charged from debtors

Brain  Storm

Provisions are not recorded in Control Account, as they are estimates.

6. The balance on a purchases ledger Control Account on May 1 was \$2470. Purchases made during the month were credit \$10000, cash purchases \$2150, payments made to creditors were cheques \$6710 cash \$280. The balance on the Purchase Ledger Control Account on May 31 was:

- A \$1840
 B \$2470
 C \$6710
 D \$5480

Brain  Storm

Purchases Ledger Control A/c

Bank	6710	b/d	2470
Cash	280	Purchases	10000
c/d	5480		
	<u>12470</u>		<u>12470</u>

7. A company accountant has prepared a reconciliation of the Debtors' Control Account with the Sales Ledger

	\$
Balance as per Control A/c	100000
Add: Invoices not posted to the nominal ledger	10000
Cash received not posted to the sales ledger	5000
Balance as per sales ledger	115000

Which figure for debtors should be shown in the accounts?

- A \$100000 B \$105000
C \$110000 D \$115000

Brain Storm

Sales Control Account balance is recorded in the accounts as debtors.

8. Which of the following should not appear in a Creditors Ledger Control Account?
- A Cash paid to suppliers
B Purchase returns
C Discounts received
D Discounts allowed

Brain Storm

Discount allowed is the item not included in the Purchases Ledger Control Account, as they are related to sales.

9. The sales day book of a business has been overcasted by \$800. The business maintains Control Accounts, as part of the double entry book keeping system. The effect of correcting this error will be to make adjustments to the:
- A Control Account, with a decrease in profit of \$800.
B Control Account, with no effect on profit.
C Ledger balances of the individual debtors, with a decrease in profit of \$800.
D Ledger balances of the individual debtors, with no effect on profit.

Brain Storm

Daybook effects the Control Account, and sales effect net profit. If daybook is overcasted, then it will be rectified in Control Account and profit will decrease.

10. A Purchase Ledger Control Account has a closing balance of \$92460. A debtor for \$720 transferred from the Sales Ledger has been entered on the wrong side of the Purchase Ledger Control Account. What is the correct balance on the Purchase Ledger Control Account?

- A \$91020 B \$91740
C \$93180 D \$93900

Brain Storm

Purchases Ledger Control A/C

Set off	1440	b/d	92460
Sales ledger	91020		
	<u>92460</u>		<u>92460</u>

11. What would not appear in a Sales Ledger Control Account?

- A Cash received from customers
B Discounts allowed
C Provision for doubtful debts
D Return Inwards

Brain Storm

Provisions are estimates and only actual amounts are taken to Control Accounts.

12. In a Sales Ledger Control Account, the total of bad debts would appear on:
- A the debit side.
B the credit side.
C neither sides.
D recorded as c/d.

Brain Storm

Bad debts reduce debtors, and hence taken to the Credit side.

13. The beginning balance in Sales Ledger Control Account was \$15500, bad debt written off \$500, sales returns \$50, and dishonored cheques \$300, and provision for bad debts was \$52 of debtors. The ending balance of debtors was:

- A \$15250
B \$15445
C \$15045
D \$15495



Sales Ledger Control A/C

b/d	15500	Bad debt	500
Dishonoured Cheque	300	Sales return	50
	15800	c/d	15250
			15800

14. The total amount of money received from debtors, in addition to being recorded in the bank should be:
- A credited to Sales Account.
 - B credited to Sales Ledger Control Account.
 - C debited to Sales Ledger Control Account.
 - D debited to Sales Account.



When payment is received from debtors, it reduces the debtors and it is credited.

15. On March 1, the debit balance on a Sales Ledger Control Account was \$17240. During the month, sales invoice sent to customers totalled \$52300. \$51760 was received from debtors. Discounts for the month amounted to \$1455 and returns were \$900. It was decided to make a provision for bad debts in the sum of \$600. The balance on the Sales Ledger Control Account at March 31 was:
- A \$14825
 - B \$14885
 - C \$15425
 - D \$17225



Sales Ledger Control A/c

March 1 b/d	17240	Bank	51760
Sales	52300	Discount allowed	1455
		Return Inwards	900
		c/d	15425
	69540		69540

16. What is the purpose of Control Accounts?
- A To calculate total receipts.
 - B To calculate year end debtors and creditors balance.
 - C To calculate total cash discount.
 - D To calculate total returns.



Control Account provides debtors and creditors balances at the year end.

17. Which of the following should not appear in a Creditors Ledger Control Account?

- A Cheques paid to suppliers
- B Discount received
- C Return Outwards
- D Return Inwards



Return Inwards are recorded in the Debtors Control Account.

18. At the beginning of the period, a business owed its creditors \$15000. During the period, the credit purchases amounted to \$87000, and it paid \$94000 to its creditors. At the end of the period, the firm owed its creditors:

- A \$7000
- B \$8000
- C \$14000
- D \$22000



Purchases Ledger Control A/C

Bank	94000	B/d	15000
c/d	8000	Purchases	87000
	102000		102000

19. What is the effect of making contra entries in the Sales and Purchases Ledger Control Accounts?

- | | | |
|---|----------------|------------------|
| | <u>Debtors</u> | <u>Creditors</u> |
| A | Increase | Increase |
| B | Decrease | Decrease |
| C | Increase | Decrease |
| D | Decrease | Increase |



Contra entry reduces the amount the debtor owes to the firm against what the firm owes to the creditor.

20. Which item appear on the credit side of a Purchases Ledger Control Account?

- A Cheques Paid
- B Discount received
- C Refund from suppliers
- D Purchases return



Payment to suppliers is recorded on the Dr side and over payment or refund is on the Cr side.

21. Calculate the ending debtors from the following balances of Sales Ledger Control Account?

Opening balance \$17100
 Sales (cash) \$7100
 Credit sales \$10100
 Refund to credit customer \$210
 Bad debts written off \$250
 Return Inward \$350 and set off
 Purchases ledger \$2700

- A \$27200 B \$27410
 C \$23900 D \$24110



Sales Ledger Control A/C

b/d	17100	Bad debt	250
Sales	10100	Return Inwards	350
Refund	210	Control P.L.	2700
		c/d	24110
	<u>27410</u>		<u>27410</u>

22. Contra entry in the Purchase Ledger Control Account is also found in:

- A Cash book
 B Sales journal
 C Purchase journal
 D Sales Ledger Control Account



A person is a debtor and creditor of the firm, what he owes you is set off against what you owe him.

23. The Sales Ledger Control Accounts does not take into account:

- A Cash sales
 B Bad debts written off
 C Dishonored cheques
 D Refund to credit customers



Cash sales are not a debt, so they are not recorded in the Sales Ledger Control Account.

24. When company draws the Reconciliation Statement for Purchases Ledger and Control Account, four principles are followed. Which one is not a principle for reconciliation?

- A Purchase of goods on credit omitted
 B Wrong addition of purchases journal
 C Wrong posting of amount from journal to ledger
 D Purchase of goods for cash



Purchase of goods for cash is not a part of creditors, so it is not recorded in the reconciliation.

25. The beginning balance of debtors was \$11000, sales \$48000, receipts from debtors \$45000. The closing debtors should be:

- A \$8580 B \$14000
 C \$83500 D \$18000



$11000 + 48000 - 45000 = ?$

26. Receipts from debtors is recorded in the Bank Account as well as:

- A credited to the Sales Account
 B credited to the Debtors Control Account
 C debited to the Debtors Control Account
 D debited to the Sales Account



When debtors pay the firm, they are reduced and credited.

27. At the end of the year, the balance c/d on the Sales Ledger Control Account should agree with:

- A the total of the firm's sales for that year.
 B the amount of money received from debtors during the year.
 C the total of debtors which are outstanding for more than one year.
 D the total of its list of debtors outstanding at the year end.



The closing balance on Sales Ledger Control Account is what the debtors owe you at year end.



52. Which item will not appear in Sales Ledger Control Account?
- A Discounts allowed
 - B Interest charged on overdue accounts
 - C Provision for doubtful debts
 - D Sales returns



Provisions are estimates, they are not recorded in the Sales Ledger Control Account.

Answers			
1. A	2. C	3. D	
4. B	5. C	6. D	
7. A	8. D	9. A	
10. A	11. C	12. B	
13. A	14. B	15. C	
16. B	17. D	18. B	
19. B	20. C	21. D	
22. D	23. A	24. D	
25. B	26. B	27. D	
28. C	29. C	30. C	
31. B	32. A	33. A	
34. A	35. C	36. A	
37. B	38. B	39. C	
40. B	41. C	42. B	
43. D	44. C	45. C	
46. C	47. D	48. D	
49. B	50. C	51. B	
52. C			