

Topic 3



CONTROL ACCOUNTS

CONTROL ACCOUNTS JOURNAL ENTRIES

Sales ledger - Transactions relating to trade receivables

	Dr	Cr
1. <u>Credit Sales</u> trade receivables (Assets) ↑ sales (Revenue) ↑	xxx	xxx
2. <u>Cash Sales</u> cash/bank (Asset) ↑ sales (Revenue) ↑	xxx	xxx
3. <u>Credit Sales Returns</u> sales returns (Revenue) ↓ ↑ trade receivables (Asset) ↓	xxx	xxx
4. <u>Receipts from Debtors/Customers (collection)</u> cash/bank (Asset) ↑ trade receivables (Asset) ↓	xxx	xxx
5. <u>Discount Allowed to customers</u> discount allowed (Expense) ↑ trade receivables (Asset) ↓	xxx	xxx
6. <u>Bad Debt Written-off</u> bad debt (expense) ↑ trade receivables (Asset) ↓	xxx	xxx
7. <u>Increase in Provision for Doubtful Debts</u> X income statement (expense) provision for doubtful debts ↑	xxx	xxx
8. <u>Dishonoured Cheques</u> trade receivables (Asset) ↑ bank (Asset) ↓	xxx	xxx
9. <u>Refund to Customers</u> trade receivables (Asset) ↑ (liability) ↓ cash/bank (Asset) ↓	xxx	xxx
10. <u>Interest Charged on Customer's Account</u> trade receivables (Asset) ↑ interest income (Revenue) ↑	xxx	xxx

	Dr	Cr
<u>11.a. Bad Debt Recovered</u>		
trade receivables (Asset) ↑	xxx	
bad debt recovered (Revenue) ↑		xxx
<u>11.b. Receipts from Bad Debt Recovered</u>		
cash/bank (Asset) ↑	xxx	
trade receivables (Asset) ↓		xxx
<u>Net entry for Bad Debt Recovered</u>		
trade receivables	xxx	
bad debt recovered		xxx
cash/bank	xxx	
trade receivables		xxx
<u>13. Contra / Set-off</u>		
trade payables (Liability) ↓	xxx	
trade receivables (Asset) ↓		xxx

Cash sales returns
 sales returns
 cash/bank

dr

cr

Adeel

TP+TR
 Raza

discount disallowed

Trade receivables
 discount allowed

dr

cr

Contra set off

Rule 1. Asset (TR) ↓ 'Cr'
 Liability (TP) ↓ 'Dr'

2. Smaller amount

net entry for BDR

cash/bank
 bad debt recovered

dr

cr

sales ledger
 Raza - TR

balance	600	contra set off	350
		balance c/d	250
	<u>600</u>		<u>600</u>

Purchases ledger
 Raza - TP

contra set off	350	balance	350
	<u>350</u>		<u>350</u>

Effects of transactions on Trade Receivables Account

Transactions	Debit	Credit	Not Recorded
1. Credit Sales	✓		
2. Credit Sales Returns		✓	
3. Cash Sales			✓
4. Receipts / Collection from Customers		✓	
5. Discount Allowed		✓	
6. Dishonoured Cheque	✓		
7. Discount Disallowed	✓		
8. Bad Debts		✓	
9. Provision for Doubtful Debts			✓
10. Refunds	✓		
11. Interest Charged	✓		
12. Contra Set off		✓	
13. Bad debt Recovered	✓		
14. Receipts from Bad debt Recovered		✓	

Total Sales Ledger Control Account

↑ 125180
Total Trade Receivables ledger Control Account
68900 ↓

2021		\$	2021		\$
1Jan	Balance b/d (Dr) (Normal)	22000	1Jan	Balance b/d (Cr) (Abnormal)	400
31Dec	Credit Sales	100000	31Dec	Credit Sales Returns	10000
	Dishonoured Cheque	950		Receipts (Cash/Bank)	48000
	Discount Disallowed	50		Discount Allowed	2000
	Bad Debt Recovered	1000		Bad Debts	5000
	Interest Charged	640		Bad Debt Recovered (Receipts)	1000
	Refunds (Bank)	360		Contra Set off	2500
31Dec	Balance c/d (Cr) (Abnormal)	180	31Dec	Balance c/d (Dr) (Normal)	56280
		125180			125180
2022			2022		
1Jan	Balance b/d (Dr) (Normal)	56280	1Jan	Balance b/d (Cr) (Abnormal)	180

Amount Receivable from customers at Start

Amount Payable to customers at end

Amount Receivable from customers at end

Amount payable to customers at Start

- Q. Why a trade receivable account may have a credit balance?
- Excess or overpayment by customers, refunds not yet made.
 - Sales returns after the payments have been made
 - Advances from customer for goods to be supplied at a later date.
 - Errors and mistakes not yet rectified.



Example

During the first year of business operations, Shafqat carried out the following transactions:

	\$
1. Total Sales	150000
2. Cash Sales	15% of total Sales
3. Credit Sales Returns	20% of credit Sales
4. Collections from customers	62000
5. Discount Allowed	5% of Collection
6. Bad Debts	2% of Credit Sales
7. Interest Charged on Customers	150
8. Refunds to Customers	100

Additional Information:

- During the year a cheque of \$950 was received from a credit customer Musab who paid in full his outstanding amount of \$1000. His cheque was returned by the bank marked 'insufficient funds'.
- Eeshal is both a customer and supplier of the business. At 31st December 2021 the outstanding balance on Eeshal's Account were:
Sales Ledger \$150 Dr
Purchases ledger \$500 Cr
It was decided to set off these accounts
- At 31st December 2021, the credit balance on sales ledger control account is \$1000.

Required

Prepare Sales Ledger Control Account for the year ended 31st December 2021.

INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

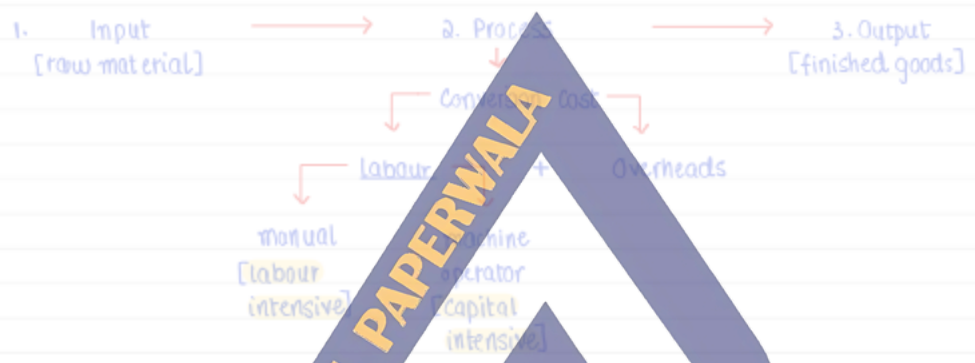
Cost/Expense: Outflow of resources.



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Stages of Manufacturing



Labour intensive business: Business organisations dependant on manual labour rather than technology or machinery.

Capital intensive business: Business organisations which are more dependant on machines rather than manual labour.