

Control Accounts and Its Verification

Reconciliation and verification

Control accounts

Candidates should have an understanding of:

- entries in control accounts
- sales ledger control accounts and purchases ledger control accounts
- reconciliation statements between control account balances and ledger balances
- the effects on financial statements of the correction of errors
- the benefits and limitations of control accounts

Candidates are expected to use their understanding of reconciliation and verification to evaluate relevant information and make informed business decisions.



2 Lawrence provided the following information at 30 November 2018.

	\$
Purchases ledger control account balance	16 970
Sales ledger control account balance	42 350

These did not agree with the list of balances taken from the purchases ledger and sales ledger respectively. The following items were discovered:

- 1 A discount received of \$280 had been omitted from the books.
- 2 A credit note for a sales returns of \$230 had been treated as a sales invoice and entered in the sales journal.
- 3 An irrecoverable debt of \$190 had been written off in the sales ledger. No entry had been made in the control account.
- 4 A contra entry for \$1070 had been debited twice in the purchases ledger control account.
- 5 A payment of \$120 to a credit supplier had not been recorded.
- 6 Discount allowed of \$70 had been posted to the debit side of both the sales ledger control account and the purchases ledger control account.
- 7 Lawrence owes Kalim \$380 and Kalim owes Lawrence \$1590. They have agreed to set off the balance, on Lawrence's account in Kalim's sales ledger.
- 8 A customer's dishonoured cheque had been entered in the cash book as \$1560 instead of \$1650.

REQUIRED

(a) (i) Prepare the corrected purchases ledger control account at 30 November 2018.

	\$		\$
		Balance b/d	16 970

[4]

(ii) Prepare the corrected sales ledger control account at 30 November 2018.

	\$		\$
Balance b/d	42 350		

[5]

(b) Explain what is meant by the term 'error of commission'.

.....

.....

.....

..... [2]

REQUIRED**(c)** Prepare statements to show corrected totals for:**(i)** the purchases ledger balances

Correction of purchases ledger balances

Details	\$
Incorrect total	12 860

[2]

(ii) the purchases ledger control account balance

Correction of purchases ledger control account balance

Details	\$
Incorrect balance	12 980

[3]

[Total: 15]

- 3 Martina has prepared the following sales ledger control account for the month of August 2021. All sales are on credit.

Sales ledger control account for the month of August 2021

	\$		\$
Balance b/d	14 280	Sales returns journal	210
Sales journal	9 540	Bank	11 860
		Discounts received	280
		Balance c/d	11 470
	<u>23 820</u>		<u>23 820</u>
Balance b/d	11 470		

Martina produced a list of all customer account balances at 31 August 2021 totalling \$10 020.

She discovered that the following errors had been made in the records.

- 1 Discounts allowed of \$1190 had been entered in customers' accounts but had not been entered in the control account.
- 2 A credit transfer from a customer of \$420 had been correctly entered in the cash book but had been credited to the customer's account as \$240.
- 3 A credit balance of \$60 on a customer's account had been recorded on the list of balances as a debit balance.
- 4 A contra to the purchases ledger of \$860 had been entered in the customer's sales ledger account but had not been entered in the control account.
- 5 A cheque received from a customer of \$380 had been returned unpaid by the bank. No entries had been made in Martina's books of account in respect of the unpaid cheque.
- 6 Martina had sent a cheque for \$20 to a customer who had overpaid his account. The payment had been correctly processed in both the cash book and the customer's account but had been posted to the purchases ledger control account in error.

REQUIRED

- (a) Prepare an adjusted sales ledger control account.

Sales ledger control account

	\$		\$
Balance b/d	11 470		

[6]

- (b) Prepare an adjusted list of sales ledger balances to agree with the adjusted sales ledger control account balance in part (a).

	\$
Original total of sales ledger balances	10 020
Adjusted total of sales ledger balances	

[4]

(c) Explain how the preparation of a sales ledger control account assists in the prevention of fraud.

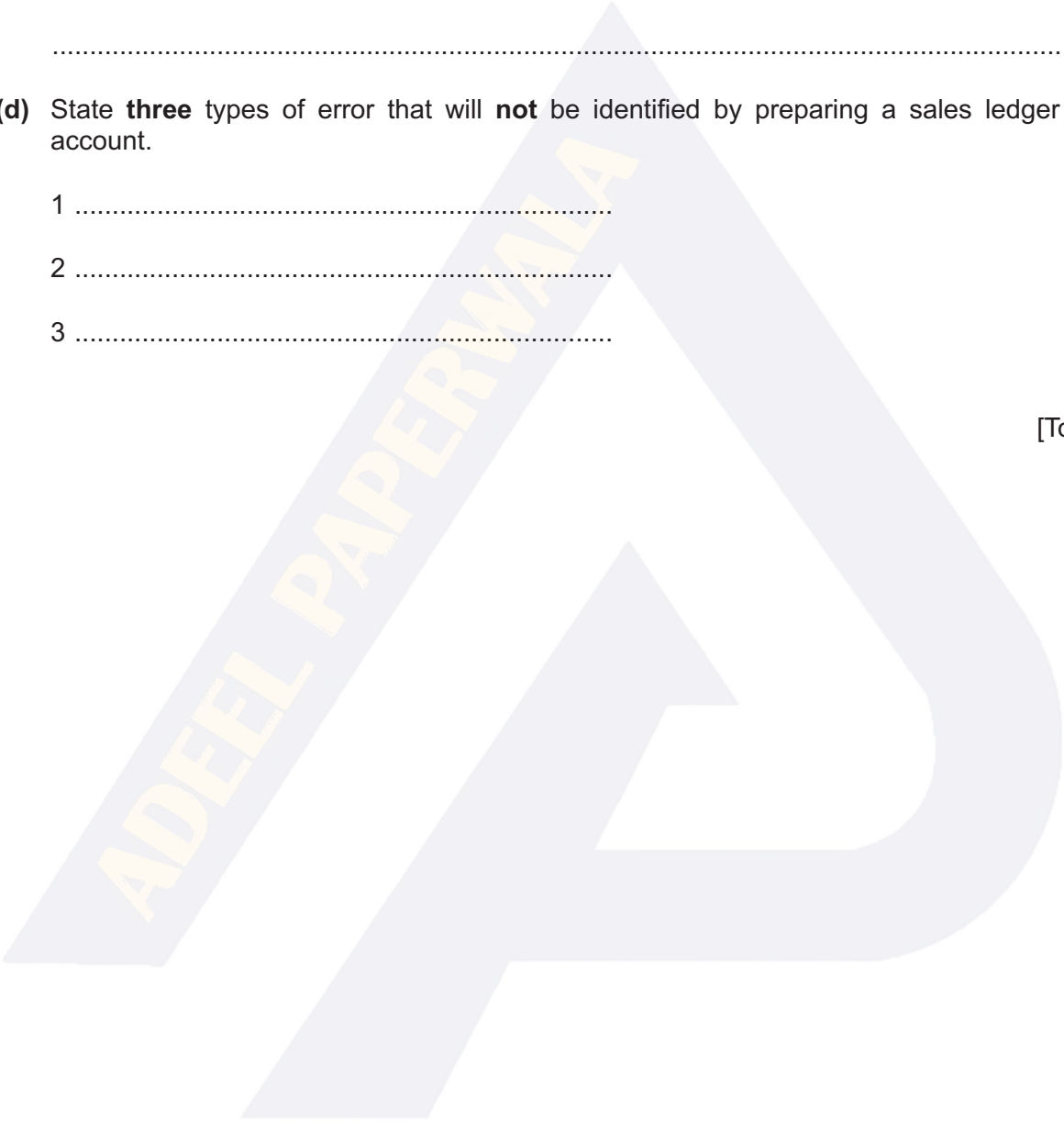
.....
.....
.....
.....
..... [2]

(d) State **three** types of error that will **not** be identified by preparing a sales ledger control account.

- 1
- 2
- 3

[3]

[Total: 15]



(b) State **three** reasons why a business may prepare a purchases ledger control account.

- 1
-
-
- 2
-
-
- 3
-
-

[3]

Additional information

The bookkeeper also prepared a sales ledger control account for March 2020. However, the balance of the control account did not agree with the total of balances of accounts in the sales ledger.

The following errors were discovered which accounted for the difference.

- 1 The total of the sales returns journal had been overcast by \$160.
- 2 The balance of a sales ledger account had been undercast by \$150.
- 3 An entry in the sales journal for Susan Baker, \$370, had been posted as a debit entry in the sales ledger account of Sarah Barker.
- 4 The bank statement for 31 March 2020 recorded the return of a cheque for \$420 received from a credit customer. This transaction had not yet been recorded in the books of account.
- 5 An entry in the general journal to write off the balance of the account of J Limited, \$230, as irrecoverable had been posted to the debit side of the customer's account.

REQUIRED

- (c) Complete the following table to reconcile the sales ledger control account balance with the total of the sales ledger balances.

Error 1 has been completed for you as an example.

	sales ledger control account balance	total of sales ledger balances
	\$	\$
Incorrect figures	14 850	15 320
Error 1	160	–
Error 2		
Error 3		
Error 4		
Error 5		
Corrected figures		

[5]

[Total: 15]

REQUIRED**(b)** Prepare a corrected:**(i)** Purchases ledger control account

	\$		\$
		Balance b/d	18 981

[4]

(ii) Sales ledger control account

	\$		\$
Balance b/d	12 385		

[2]

(c) Calculate amended totals for the:

(i) purchases ledger accounts

.....

.....

.....

.....

.....

.....

..... [3]

(ii) sales ledger accounts.

.....

.....

.....

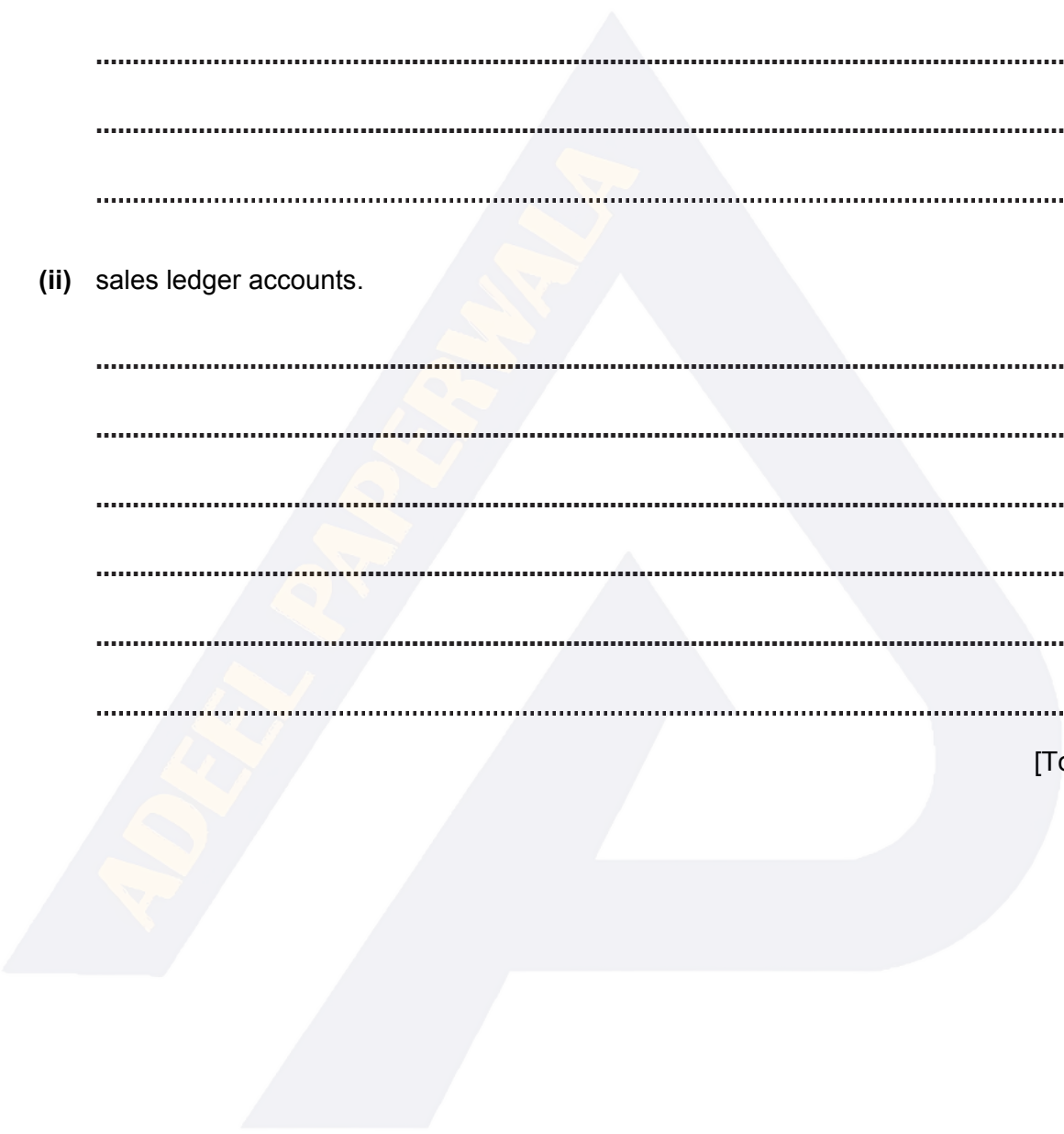
.....

.....

.....

..... [2]

[Total: 15]



- 1 Delph started trading on 1 July 2016. For the year ended 30 June 2017 he provided the following information relating to his sales and purchases.

	\$	
Bank payments to credit suppliers	39 826	
Cash purchases	692	
Credit purchases	74 779	
Credit purchases returns	6 813	
Discount received	1 764	

At 30 June 2017

Sales ledger control account balance	21 555	Debit
--------------------------------------	--------	-------

REQUIRED

- (a) Explain **two** benefits of using control accounts.

1

.....

.....

.....

.....

2

.....

.....

.....

..... [4]

Additional information

The following book-keeping errors have been discovered in the sales ledger:

- 1 The sales journal total for June 2017 was understated by \$1470.
- 2 A customer's invoice for \$2910 was entered in the sales journal as \$2190.
- 3 Discounts allowed in June 2017 amounting to \$435 were debited to the sales ledger control account.
- 4 A sales invoice for \$1520 dated 30 June 2017 was omitted from the sales journal.

REQUIRED

- (b) Prepare the amended sales ledger control account at 30 June 2017.

Delph
Amended sales ledger control account

	\$		\$
Balance b/d	21 555		

[5]

Additional information

At 30 June 2017 there was a debit balance on the purchases ledger account of \$384.

REQUIRED

(c) Prepare the purchases ledger control account for the year ended 30 June 2017.

Delph
Purchases ledger control account

	\$		\$

[5]

- 3 Meena did not keep full accounting records. She was advised to keep her books of account using the double entry system.

REQUIRED

- (a) State **three** benefits a business gains from maintaining a system of double entry book-keeping.

1

.....

2

.....

3

..... [3]

Additional information

Meena now uses the double entry system of book-keeping. At the end of January the total of the balances in the sales ledger was \$34 524. However, the balance on the sales ledger control account was \$33 205.

On investigation she found the following errors:

- 1 The sales journal had been undercast by \$1649.
- 2 A cheque received had been correctly entered in the cash book as \$650 but was entered in the sales ledger as \$560.
- 3 An irrecoverable debt, \$420, had been written off in the sales ledger but not entered in the control account.
- 4 A credit note issued for \$160 had been completely omitted from the books of account.

REQUIRED

- (b) Prepare a reconciliation between the sales ledger control account and the sales ledger balances at 31 January.

Sales ledger control account

Description	Add (\$)	Less (\$)	Total (\$)
Opening balance			33 205

Sales ledger balances

Description	Add (\$)	Less (\$)	Total (\$)
Opening balance			34 524

[6]

(c) State **three** reasons why there might be a credit balance on a customer's account in the sales ledger.

1

.....

2

.....

3

..... [3]

Additional information

Meena is considering charging interest on the full account balances of her customers who do not pay promptly.

REQUIRED

(d) Advise Meena whether or not she should take this course of action. Justify your answer.

.....

.....

.....

.....

.....

.....

.....

..... [3]

[Total: 15]

2 Trott provided the following information for the year ended 30 April 2017:

	\$
Sales ledger control account balance	93 185
Sales ledger balances	78 370

The following errors were identified:

- 1 The sales journal total had been overcast by \$30 420.
- 2 A dishonoured cheque for \$9745 had not been entered in the customer's account.
- 3 Interest charged on an overdue amount, \$720, had been completely omitted from the books of account.
- 4 The sales returns journal had been overcast by \$4560.
- 5 Discount allowed of \$1520 had been completely omitted from the books of account.
- 6 Receipts from credit customers entered in the cash book had been overcast by \$18 965.
- 7 An irrecoverable debt of \$1825 had been written off in the sales ledger control account but no entry had been made in the customer's account.

REQUIRED

- (a) Complete the following tables to update the sales ledger control account balance and the sales ledger balances at 30 April 2017.

Sales ledger control account

Description	Add (\$)	Less (\$)	Total (\$)
Opening balance			93 185

Sales ledger balances

Description	Add (\$)	Less (\$)	Total (\$)
Opening balance			78 370

[11]

(b) State **four** advantages to a business of preparing a sales ledger control account.

1

.....

.....

.....

2

.....

.....

.....

3

.....

.....

.....

4

.....

.....

.....

[4]

[Total: 15]