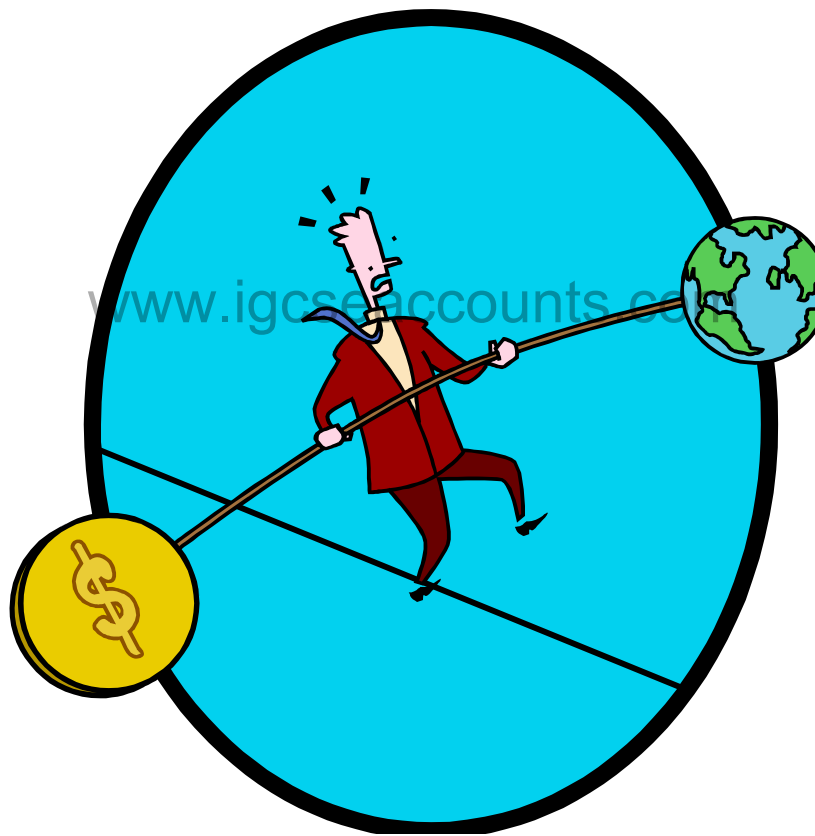


# Control Accounts



- 1 Ian Selkirk is a sole trader who maintains a full set of accounting records. He divides his ledger into three sections – general ledger, purchases ledger and sales ledger.

(a) State and explain **one** advantage of dividing the ledger into these three sections.

.....

.....

.....[2]

(b) Name **two** accounts which would appear in the general ledger.

- (i) .....
- (ii) .....[2]

(c) Ian Selkirk prepares control accounts for his purchases and sales ledgers at the end of each month.

On 1 April 2003 the balances brought down on the control accounts were –

	\$
Purchases Ledger Control account	1960 credit
Sales Ledger Control account	1750 debit
Sales Ledger Control account	100 credit

Totals of the journals for April 2003 were –

	\$
Purchases Journal	4190
Sales Journal	5150
Purchases Returns Journal	135
Sales Returns Journal	270

The Cash Book for April 2003 showed –

	\$
Cheques received from debtors	4990
Cheques paid to creditors	3830
Cheque paid to debtor in respect of overpayment	100
Discount allowed	110
Discount received	180

The journal entries for April 2003 showed –

	\$
Bad debts written off	74

Prepare Ian Selkirk's Purchases Ledger Control account and Sales Ledger Control account for the month of April 2003. Bring down the balances on 1 May 2003.



- 3 Mohammed Hanif maintains a full set of books of prime (original) entry and prepares a sales ledger control account and a purchases ledger control account at the end of every month.

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He provided the following information for the month of April 2009.

		\$
April 1	Sales ledger balances	4100 debit
	Sales ledger balances	72 credit
April 30	Totals for the month:	
	Sales journal	5300
	Sales returns journal	320
	Cash sales	3900
	Cheques received from debtors	3850
	Cheque received from a debtor (included in the cheques received shown above) later dishonoured	65
	Cash received relating to a bad debt written off in September 2007	250
	Discount allowed	150
	Increase in provision for doubtful debts	60
	Transfer from a purchases ledger account to a sales ledger account	240

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- (c) State where **each** of the following items will appear in a purchases ledger control account. If the item will not appear in a purchases ledger control account write "No entry".

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The first one has been completed as an example.

Item	Entry in purchases ledger control account
(i) Purchases returns	<i>debit</i> .....
(ii) Cash purchases	.....
(iii) Discount received	.....
(iv) Interest charged by supplier on overdue account	..... [3]

Mohammed Hanif's accountant advised him that it is necessary to make decisions in relation to accounting policies. He informed Mohammed Hanif that one of the four objectives he must consider is "relevance".

#### REQUIRED

- (d) Explain to Mohammed Hanif what is meant by the term "relevance".

.....

.....

.....

..... [2]

Mohammed Hanif's accountant informed him that the accounting statements prepared at the end of the financial year provide only a limited amount of information about the business.

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## REQUIRED

- (e) State how **each** of the following may be regarded as a limitation of accounting statements.

The first one has been completed as an example.

- (i) Historic cost

*All transactions are recorded at the actual cost price.*.....

*It is difficult to compare transactions taking place at different times.*.....

.....

- (ii) Money measurement

.....

.....

.....

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.....

- (iii) Time factor

.....

.....

.....

..... [2]

[Total: 20]

- 2 Suzie Chow is a trader. She maintains a full set of books of prime (original) entry and prepares a sales ledger control account and a purchases ledger control account at the end of each month.

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### REQUIRED

- (a) State **two** advantages of preparing control accounts.

- (i) .....
- .....
- (ii) .....
- ..... [2]

Suzie Chow provided the following information for the month of September 2010.

		\$
September 1	Debit balances in sales ledger	21 976
	Credit balance in sales ledger	54
September 30	Totals for the month	
	Cheques paid to credit suppliers	24 585
	Cheques received from credit customers	21 860
	Cheque received from a credit customer (included in the cheques received shown above) later dishonoured	610
	Discounts allowed	488
	Discounts received	532
	Returns to credit suppliers	414
	Returns by credit customers	391
	Credit sales	22 800
	Bad debts written off	100
	Provision for doubtful debts	550
	Contra entry	78

### REQUIRED

- (b) Select the relevant figures and prepare Suzie Chow's sales ledger control account for the month ended 30 September 2010.

There is only one balance on the account at the end of the month.

Where a traditional "T" account is used it should be balanced and the balance brought down on 1 October 2010.

Where a three column running balance account is used the balance column should be up-dated after each entry.



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[11]

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- (c)** Explain the meaning of a contra entry in connection with control accounts and explain why such an entry may be made.

[2]

- (d)** Explain why the information used to write up Suzie Chow's sales ledger control account is obtained from books of prime (original) entry and **not** from the sales ledger.

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[2]

Suzie Chow's financial year ended on 30 September 2010. Her total sales for the year were as follows.

	\$
Cash sales	95 000
Credit sales	275 000

She allows her credit customers a period of 21 days in which to pay their accounts.

### REQUIRED

- (e) Using the closing balance on the sales ledger control account you prepared in (b) and the above information, calculate the debtors' collection period. Your answer should be rounded up to the next whole day.

Show your workings.

.....

.....

.....

..... [2]

- (f) Suggest **three** ways in which the collection period for debtors may be improved.

(i) ..... [www.igcseaccounts.com](http://www.igcseaccounts.com) .....

.....

(ii) .....

.....

(iii) .....

..... [3]

[Total: 22]

- 4 Ruth Van Zyl is a trader who maintains a full set of accounting records. She divides her ledger into three sections – general ledger, sales ledger and purchases ledger.

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### REQUIRED

- (a) State **one** advantage of dividing the ledger into these three sections.

.....  
..... [1]

Ruth Van Zyl prepares control accounts at the end of each month and provided the following information.

		\$
1 September 2012	Debit balances in purchases ledger	210
	Credit balances in purchases ledger	9 530
Totals of the journals on 30 September 2012		
	Purchases journal	11 740
	Purchases returns journal	1 160
The cash book for September 2012 showed:		
	Cheques paid to credit suppliers	8 730
	Discounts received	270
The journal entries for September 2012 showed:		
	Interest charged by credit supplier	90
1 October 2012	Debit balances on the purchases ledger	160
	Credit balances on the purchases ledger	?



- (d) State where **each** of the following items will appear in Ruth Van Zyl's sales ledger control account. If the item will not appear in a sales ledger control account write "No entry".

For  
Examiner's  
Use

The first one has been completed as an example.

Item	Entry in sales ledger control account
Cash refund to a credit customer	<i>debit</i>
Sales returns	.....
Bad debt written off	.....
Provision for doubtful debts	.....
Credit customer's cheque dishonoured	..... [4]

On 2 November 2012 Ruth Van Zyl had the following transactions.

- 1 Charged Wilhelm, a credit customer, \$15 interest on his overdue account.
- 2 Transferred the balance of \$500 from Ansie's account in the purchases ledger to her account in the sales ledger.

### REQUIRED

- (e) Prepare journal entries to record the above transactions. Narratives are required.

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#### Ruth Van Zyl Journal

	Debit \$	Credit \$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[6]

[Total: 24]