

IGCSE Accounting Control Accounts

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1 Vijay Singh maintains a full set of accounting records and prepares control accounts at the end of each month.

He provided the following information.

2015		\$
April	1 Debit balance on sales ledger control account	475
	30 Totals for the month	
	Sales journal	590
	Sales returns journal	46
	Cash sales	614
	Cheques received from credit customers	387
	Cheque received from credit customer (included in the above figure) later dishonoured	26
	Cheques paid to credit suppliers	469
	Discounts allowed	13
	Discounts received	34
	Bad debts written off	32
	Interest charged to credit customer	8
	Contra entry to purchases ledger	150
May	1 Debit balance on sales ledger control account	?
	Credit balance on sales ledger control account	21

REQUIRED

(a) Select the relevant figures and prepare Vijay Singh’s sales ledger control account for the month ended 30 April 2015.

Vijay Singh
Sales ledger control account

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(b) Explain the contra entry to the purchases ledger.

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(c) Suggest why Vijay Singh charged a credit customer interest.

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(d) State one reason why Vijay Singh prepares a monthly sales ledger control account.

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(e) State two reasons why Vijay Singh does not use the information contained in the sales ledger to prepare the sales ledger control account.

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2 (a) Where is discount received shown?

- A credit side of the purchases ledger control account
- B debit side of the purchases ledger control account
- C credit side of the sales ledger control account
- D debit side of the sales ledger control account

(b) Why is inventory valued at net realisable value when this is lower than cost?

- A to calculate the rate of inventory turnover
- B to ensure the balancing of the statement of financial position
- C to prevent profit being recorded before it is earned
- D to recognise losses as soon as they are incurred

3 Kriti provided the following information.

At 1 January 2014	Trade receivables balances	\$ 13 400 debit
		120 credit
	Inventory	21 600
For the year ended 31 December 2014	Cash sales	44 400
	Credit sales	165 600
	Bad debts written off	2 800
	Receipts from credit customers	155 010
	Discount allowed to credit customers	4 560
	Contra with supplier's account	1 300
	Cheque refund to a credit customer	90
At 1 January 2015	Trade receivables balances	? debit
		200 credit
	Inventory	28 800

Mark up on goods sold 50%.

REQUIRED

(a) Calculate Kriti's purchases for the year.

(b) Prepare the sales ledger control account for the year ended 31 December 2014. Balance the account and bring down the balance on 1 January 2015. See next page.

Kriti
Sales ledger control account

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(c) State two reasons why Kriti maintains a sales ledger control account.

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(d) State one reason why a credit balance on a sales ledger control account can arise.

(e) State why a sales ledger control account does not contain an entry for a provision for doubtful debts.

4 Esme provided the following information.

At 1 January 2014	\$
Trade payables	7 000
Trade receivables	9 500

For the year ended 31 December 2014

Sales (all credit)	95 100
Sales returns	1 050
Purchases (all credit)	63 600
Purchases returns	1 950
Receipts from credit customers	92 750
Payments to credit suppliers	59 000
Refund to credit customer	450
Discount allowed	2 100
Discount received	850
Bad debt written off	300

Additional information at 31 December 2014

- 1 Esme owed \$100 to a supplier who also owed \$180 to Esme. It was agreed to record this as a setoff in the control accounts.
- 2 Esme owed \$50 to a credit customer who had overpaid.

REQUIRED

(a) Prepare the sales ledger control account and the purchases ledger control account for the year. Balance the accounts and bring down the balances on 1 January 2015. See next page.

(b) State one reason why Esme maintains a sales ledger control account.

(c) State why the discount allowed was given.

5 The sales journal for March 2017 was destroyed, but Waheed was able to provide the following information.

2017		\$
March 1	Debit balances in sales ledger	2346
	Credit balances in sales ledger	140
March 31	Totals for the month	
	Cheques received from credit customers	2145
	Cheques paid to credit suppliers	3013
	Cheque received from credit customer (included in the cheques received), later dishonoured	350
	Discount allowed	55
	Discount received	90
	Returns by credit customers	276
	Returns to credit suppliers	198
	Contra entry	182
	Bad debts written off	62
April 1	Debit balances in sales ledger	2670
	Credit balances in sales ledger	86

REQUIRED

(a) Select the relevant figures and prepare the sales ledger control account for the month of March 2017. Insert a figure for credit sales.

Balance the account and bring down the balances on 1 April 2017. See next page.

(b) State the formula for calculating the trade payables payment period.

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(c) Calculate the trade payables payment period for the year ended 30 April 2018. Round up your answer to the next whole day.

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(d) State whether Kumu’s suppliers would be satisfied with her trade payables payment period.

Give a reason for your answer.

Satisfied?

Reason

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(e) State two problems Kumu may face if her trade payables payment period is unsatisfactory.

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9 Which item appears on the debit side of a sales ledger control account?

A discount received

B dishonoured cheque from customer

C provision for doubtful debts

D sales returns

10 Where are bad debts recorded in the control accounts?

A on the credit side of the purchases ledger control account

B on the credit side of the sales ledger control account

C on the debit side of the purchases ledger control account

D on the debit side of the sales ledger control account

11 Jared buys goods from Winston. On 1 August 2016 Jared owed Winston \$300.

During August 2016 the following took place.

August 3 Jared bought goods, list price \$600, after deducting 20% trade discount.

6 Jared returned goods, list price \$50.

9 Jared paid, by cheque, the balance due on 1 August after deducting 3% cash discount.

18 Jared purchased further goods, list price \$400, after deducting trade discount as before.

REQUIRED

(a) Prepare Jared's account in Winston's sales ledger for the month of August 2016. Balance the account and bring down the balance on 1 September 2016. See next page.

(d) Complete the following table, indicating with a tick (✓) where each item would appear in Winston's financial statements. The first has been completed as an example.

	manufacturing account	income statement
purchases of raw materials	✓	
salesmen's wages		
carriage outwards		
purchases of finished goods		
machine operators' wages		
factory supervisor's salary		
inventory of raw materials		
carriage inwards		
inventory of finished goods		

12 Amira's financial year ends on 30 September. She buys and sells on both cash and credit terms and maintains a full set of accounting records.

Control accounts are prepared at the end of each month.

REQUIRED

(a) Name the book of prime (original) entry which Amira would use to obtain the following information when preparing her sales ledger control account.

	Book of prime (original) entry
Cheque refund to credit customer	
Bad debts written off	
Returns by credit customers	
Interest charged on customer's overdue account	

(b) State two reasons why Amira prepares a purchases ledger control account.

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Amira provided the following information for September 2016.

		\$
September 1	Debit balances in purchases ledger	93
	Credit balances in purchases ledger	4210
September 30	Totals for the month	
	Credit purchases	5366
	Cash purchases	1469
	Cheques paid to credit suppliers	3705
	Cheques received from credit customers	6102
	Discount allowed	204
	Discount received	95
	Returns to credit suppliers	197
	Interest charged by supplier on overdue account	12
	Cash refund received from credit supplier	150
	Contra entry	494
October 1	Debit balances in purchases ledger	68
	Credit balances in purchases ledger	?

REQUIRED

(c) Select the relevant figures and prepare the purchases ledger control account for the month of September. Balance the account and bring down the balances on 1 October 2016. See next page.

Amira
Purchases ledger control account

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(d) Suggest one advantage of paying credit suppliers before the due date.

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(e) Suggest one disadvantage of paying credit suppliers before the due date.

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13 Which statement is true about a sales ledger control account?

- A Discount allowed appears on the credit side.
- B Discount allowed appears on the debit side.
- C Discount received appears on the credit side.
- D Discount received appears on the debit side.

14 How do discount received and sales ledger contras appear in a purchases ledger control account?

	discount received	contras
A	as a credit	as a credit
B	as a credit	as a debit
C	as a debit	as a credit
D	as a debit	as a debit

15 Paul is a trader. He maintains a full set of accounting records. His ledger is divided into a sales ledger, a purchases ledger and a nominal (general) ledger.

REQUIRED

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

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(b) Name the ledger in which each of the following accounts would appear.

- (i) J Smithson, a credit supplier, accountledger
- (ii) Sales returns account..... ledger
- (iii) Discount allowed account.....ledger