

Lesson 11 – Control Accounts

Question 11.1

A business maintains a sub-divided double entry bookkeeping system. sales ledger and purchase ledger control accounts are kept as part of its double entry system. In which **one** of the following would the control accounts be kept?

	✓
Cash book	
General ledger	✓
Subsidiary sales and purchase ledgers	
Sales and purchase day books	

Question 11.2

Concord Trading keep sales ledger and purchase ledger control accounts in their general ledger. The accounts of individual trade debtors and trade creditors are kept as memorandum accounts in subsidiary sales and purchase ledgers respectively.

You are provided with the following information from the bookkeeping system of Concord Trading for the month of March 201X.

	£
Balance on purchase ledger control account at 1 March 201X	68,180
Purchase day book – total of purchases on credit in March 201X	75,280
Purchase returns day book – total of purchase returns in March 201X	1,960
Cash book – total of payments made by cheque to trade creditors in March 201X	70,210

You are provided below with an extract from the general ledger of Concord Trading. Using the information provided above, prepare the purchase ledger control account for the month of March 201X. Balance off the account at 31 March 201X, clearly showing the closing account balance carried down and brought down at that date.

DR		Purchase Ledger Control		CR	
201X	Details	£	201X	Details	£
31 March	Purchase returns (purchase returns day book)	1,960	1 March	Balance b/d	68,180
31 March	Bank (cheque payments - cash book)	70,210	31 March	Purchases on credit (purchase day book)	75,280
31 March	Balance c/d	71,290			
		143,460			143,460
			31 March	Balance b/d	71,290

Question 11.3

Trade Decorating Supplies keep sales ledger and purchase ledger control accounts in their general ledger. The accounts of individual trade debtors and trade creditors are kept as memorandum accounts in subsidiary sales and purchase ledgers respectively.

You are provided with the following information taken from the bookkeeping system of Trade Decorating Supplies:

	£
Balance on the sales ledger control account at 1 May 201X	96,125
Sales day book – total of sales on credit in May 201X	105,180
Sales returns day book – total of sales returns in May 201X	2,885
Sales returns day book – total of prompt payment discounts allowed in May 201X	1,500
Cash book – total of receipts by BACS and cheque from trade debtors in May 201X	110,450

You are provided below with an extract from the general ledger of Trade Discount Supplies. Using the information provided above, prepare the sales ledger control account for the month of May 201X. Balance off the account at 31 May 201X, clearly showing the closing account balance carried down and brought down at that date.

DR		Sales Ledger Control		CR	
201X	Details	£	201X	Details	£
1 May	Balance b/d	96,125	31 May	Sales returns (sales returns day book)	2,885
31 May	Sales on credit (sakes day book)	105,180	31 May	Discounts allowed (sales returns day book)	1,500
			31 May	Bank (BACS and cheque receipts – cash book)	110,450
			31 May	Balance c/d	86,470
		201,305			201,305
31 May	Balance b/d	86,470			

Question 11.4

Pipeline Ltd keep sales ledger and purchase ledger control accounts in their general ledger. The accounts of individual trade debtors and trade creditors are kept as memorandum accounts in subsidiary sales and purchase ledgers respectively.

At the end of each month the balances on the control accounts in the general ledger are reconciled with the totals of account balances on the individual accounts of trade debtors and trade creditors the subsidiary ledgers.

At 30 June 201X the accounts of individual trade debtors in the sales ledger were balanced off and the balances were listed and totalled. The balances on the list totalled £76,270.

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You are provided with the following information taken from the bookkeeping system of Pipeline Ltd:

	£
Balance on the sales ledger control account at 1 June 201X	79,885
Cash book – total of receipts by BACS and cheque from trade debtors in June 201X	82,180
Sales day book – total of sales on credit in June 201X	81,580
Sales returns day book – total of sales returns in June 201X	1,795
Sales returns day book – total of prompt payment discounts allowed in June 201X	1,220

You are provided below with an extract from the general ledger of Pipeline Ltd. Using the information provided above, prepare the sales ledger control account for the month of June 201X. Balance off the account at 30 June 201X, clearly showing the closing account balance carried down and brought down at that date.

DR		Sales Ledger Control		CR	
201X	Details	£	201X	Details	£
1 June	Balance b/d	79,885	30 June	Bank (BACS and cheque receipts – cash book)	82,180
30 June	Sales on credit (sales day book)	81,580	30 June	Sales returns (sales returns day book)	1,795
			30 June	Discounts allowed (sales returns day book)	1,220
			30 June	Balance c/d	76,270
		161,465			161,465
30 June	Balance b/d	76,270			

Reconcile the balance on the sales ledger control account in the general ledger of Pipeline Ltd at 30 June 201X, with the total of trade debtor balances in the sales ledger at 30 June 201X, by completing the reconciliation statement provided below:

Reconciliation of the Balance on Sales Ledger Control Account with Sales Ledger Balances at 30 June 201X	£
Balance on sales ledger control account at 30 June 201X	76,270
Total of trade debtor account balances in sales ledger at 30 June 201X	76,270
Difference (if the amounts entered above agree enter 0 in the amount £ box)	0

Question 11.5

Chem Tech keep sales ledger and purchase ledger control accounts in their general ledger. The accounts of individual trade debtors and trade creditors are kept as memorandum accounts in subsidiary sales and purchase ledgers respectively.

At the end of each month the balances on the control accounts in the general ledger are reconciled with the totals of account balances on the individual accounts of trade debtors and trade creditors the subsidiary ledgers.

At 31 July 201X the accounts of individual trade creditors in the purchase ledger were balanced off and the balances were listed and totalled. The balances on the list totalled £66,540.

You are provided with the following information from the bookkeeping system of Chem Tech for the month of July 201X.

	£
Balance on purchase ledger control account at 1 July 201X	68,180
Cash book – total of payments made by cheque to trade creditors in July 201X	65,140
Purchase day book – total of purchases on credit in July 201X	67,090

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Purchase returns day book – total of purchase returns in July 201X	2,150
Purchase returns day book – total of prompt payment discounts received in July 201X	1,440

You are provided below with an extract from the general ledger of Chem Tech. Using the information provided above, prepare the purchase ledger control account for the month of July 201X. Balance off the account at 31 July 201X, clearly showing the closing account balance carried down and brought down at that date.

DR			Purchase Ledger Control		CR	
201X	Details	£	201X	Details	£	
31 July	Bank (cheque payments - cash book)	65,140	1 July	Balance b/d	68,180	
31 July	Purchase returns (purchase returns day book)	2,150	31 July	Purchases on credit (purchase day book)	67,090	
31 July	Discounts received (purchase returns day book)	1,440				
31 July	Balance c/d	66,540				
		135,270			135,270	
			31 July	Balance b/d	66,540	

Reconcile the balance on the purchase ledger control account in the general ledger of Chem Tech at 31 July 201X, with the total of trade creditor balances in the purchase ledger at 31 July 201X, by completing the reconciliation statement provided below:

Reconciliation of Balance on the Purchase Ledger Control Account with Purchase Ledger Balances at 31 July 201X	£
Balance on purchase ledger control account at 31 July 201X	66,540
Total of trader creditor account balances in purchase ledger at 31 July 201X	66,540
Difference (if the amounts entered above agree enter 0 in the amount £ box)	0

Question 11.6

Hawkeye Security Systems are registered for VAT. The VAT control account in their general ledger at 31 May 201X carried a balance of £1,890 (amount owing to HMRC). The following information was extracted from their accounting system at the month end 30 June 201X:

- Sales day book - VAT on sales on credit in month £3,564.
- Purchase day book - VAT on purchases on credit in month £1,970.
- Sales returns day book - VAT on sales returns in month £320.
- Purchase returns day book - VAT on purchase returns in month £410.
- Cash book - VAT on cash sales in month £680.
- Cash book - VAT on cash purchases and expenses in month £960.
- Journal - VAT on fixed assets purchased in month £400.
- Journal VAT bad debt relief on a debt written off as bad in the month £250.

Starting with the balance b/d on the VAT control account at 31 May 201X, and using the additional information provided at the month end 30 June 201X, write-up the VAT control account and balance off the account to show the closing balance carried down and brought down at 30 June 201X.

**Hawkeye Security Systems
General Ledger (extract)
VAT Control Account**

DR			CR		
201X	Details	£	201X	Details	£
30 June	Purchase day book	1,970	31 May	Balance b/d	1,890
30 June	Sales returns day book	320	30 June	Sales day book	3,564
30 June	Cash book	960	30 June	Purchase returns day book	410
30 June	Journal (VAT on purchase of fixed assets)	400	30 June	Cash book	680
30 June	Journal (VAT bad debt relief)	250			
30 June	Balance c/d	2,644			
		6,544			6,544
			30 June	Balance b/d	2,644

Question 11.7

Contract Carpets are registered for VAT. At 31 March 201X the VAT control account in the general ledger of the business carried a credit balance brought down of £2,346. The following information was extracted from the accounting system of the business at the month end 30 April 201X.

- Purchase day book - VAT on purchases on credit in month £2,140.
- Sales day book - VAT on sales on credit in month £4,198.
- Purchase returns day book - VAT on purchase returns in month £260.
- Sales returns day book - VAT on sales returns in month £220.
- Cash book - VAT on cash purchases and expenses in month £880.
- Cash book - VAT on cash sales in month £140.
- Petty cash book - VAT on petty cash expenses in month £18.
- Journal VAT bad debt relief on a debt written off as bad in the period £160.

Starting with the balance b/d on the VAT control account at 31 March 201X, and using the additional information provided at the month end 30 April 201X, write-up the VAT control account and balance off the account to show the closing balance carried down and brought down at 30 April 201X.

Contract Carpets
General Ledger (extract)
VAT Control Account

DR			CR		
201X	Details	£	201X	Details	£
30 April	Purchase day book	2,140	31 March	Balance b/d	2,346
30 April	Sales returns day book	220	30 April	Sales day book	4,198
30 April	Cash book	880	30 April	Purchase returns day book	260
30 April	Petty cash book	18	30 April	Cash book	140
30 April	Journal (VAT bad debt relief)	160			
30 April	Balance c/d	3,526			
		6,944			6,944
			30 April	Balance b/d	3,526

Question 11.8

Which **one** of the following statements is true?

	✓
At 31 September 201X the VAT control account in the general ledger of a business carried a credit balance. The balance represents a refund reclaimable from HMRC and an asset to the business	
At 31 September 201X the VAT control account in the general ledger of a business carried a credit balance. The balance represents an amount due to HMRC and a liability of the business	✓

Question 11.9

Car Parts Direct are registered for VAT. You are presented below with an extract from their general ledger, showing the VAT control account with the balance on the account brought down at 28 February 201X:

Car Parts Direct - General Ledger (extract)

DR			VAT Control Account			CR		
201X	Details	£	201X	Details	£			
31 March	Purchase day book	576	28 Feb	Balance b/d	1,860			
31 March	Sales returns day book	96	31 March	Sales day book	924			
31 March	Cash book	190	31 March	Purchase returns day book	56			
31 March	Journal (VAT bad debt relief)	200	31 March	Cash book	280			
31 March	Balance c/d	2,058						
		3,120			3,120			
			31 March	Balance b/d	2,058			

Presented below are extracts showing totals taken from the day books and analysed cash book of Car Parts Direct at the month end 31 March 201X.

Car Parts Direct – totals extracted from the analysis columns of the cash book at the month end 31 March 201X

Cash book (receipts page)

201X	Details	Cash £	Bank £	SL Control £	VAT £	Sales £
31 March	Totals	XXX	XXXX	3,240	280	1,400

Cash Book (payments page)

201X	Details	Cash £	Bank £	PL Control £	VAT £	Purchases £	Sundry Expenses £
31 March	Totals	XXX	XXXX	2,260	190	550	400

The following journal entry was prepared at 31 March 201X to write off the balance on a customer account and claim VAT bad debt relief on the debt written off.

Journal

201X	Account name	DR £	CR £
31 March	Bad debts	1,000	
	VAT	200	
	Sales ledger control		1,200
	Write off of balance on the account of West End Motors as a bad debt and claim for VAT bad debt relief. Business in liquidation.		

Car Parts Direct – totals extracted from the day books at the month end 31 March 201X

Day book	Day book totals	Balance £
Purchase day book	Net Purchases	2,880
	VAT on Purchases	576
	Invoice totals	3,456
Purchase returns day book	Net Purchases Returns	280
	VAT on Purchases Returns	56
	Credit note totals	336
Sales day book	Net Sales	4,620
	VAT on Sales	924
	Invoice totals	5,544
Sales returns day book	Net Sales Returns	480
	VAT on Sales Returns	96
	Credit note totals	576

Using the VAT totals from the day books, the cash book and the journal write-up the VAT control account provided in the general ledger extract above at 31 March 201X. Balance off the account at 31 March 201X and show balances carried down and brought down at that date,

Question 11.10

The VAT account of a VAT registered business carries a **debit** balance of £5,260 at the end of the most recent VAT period.

Which **one** of the following statements describes the balance on the VAT account in the books of the business?

	✓
The balance represents A payment to be made to HMRC by the business and, therefore, a liability of the business	
The balance represents a refund reclaimable by the business from HMRC and, therefore, an asset to the business	✓