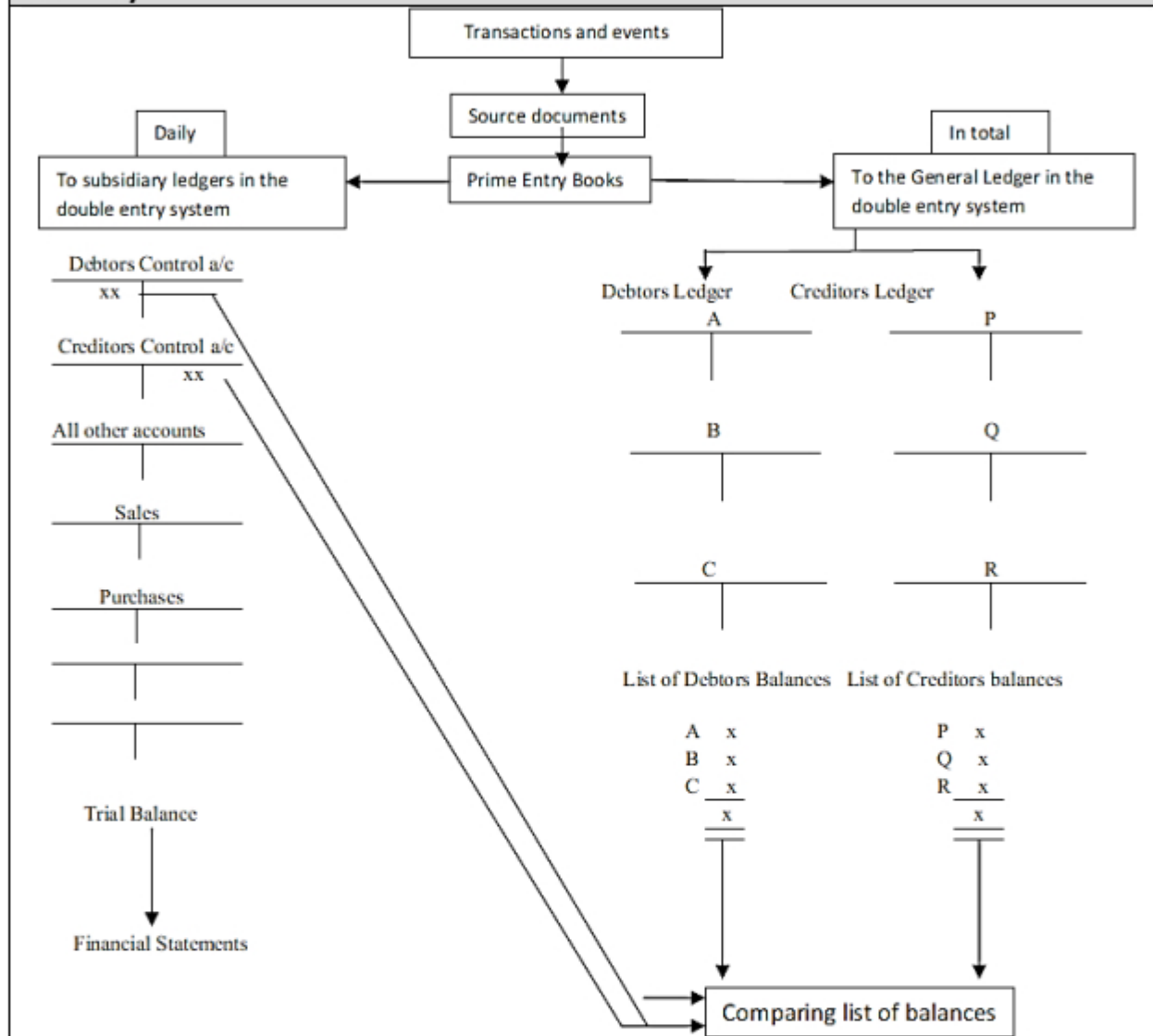


4.8 | Ledgers

- **Subsidiary ledgers**
- **Relationship between subsidiary ledgers and the general ledger**
- **Control accounts**
- **Comparing control accounts and subsidiary ledger balances**

Summary



Subsidiary ledgers

- When accounting for several similar types of transactions of a business, numerous problems may occur. Hence, it is possible to maintain subsidiary ledgers in addition to the General Ledger.
- The subsidiary ledger will be posted as a single entry only. After balancing the accounts in the subsidiary ledger, a list of balances can be obtained.

Ajantha's a/c		Rs. '000s
Sales	1400	Cash 300
		Discount allowed 40
		Returns Inwards 160
		Bad debts 100
		Balance c/f 800
	<u>1400</u>	<u>1400</u>
Balance b/f	800	

Wickrema's a/c		Rs. '000s
Sales	850	Returns Inwards 20
		Cash 400
		Discount allowed 30
		Balance c/f 400
	<u>850</u>	<u>850</u>
Balance b/f	400	

Sandali's a/c		Rs. '000s
Sales	500	Returns Inwards 150
		Cash 250
		Discount allowed 100
	<u>500</u>	<u>500</u>

List of balance from the Debtors Ledger		Rs. '000s
Ajantha		800
Wickrema		400
Sandali		0
		<u>1200</u>

Relationship between subsidiary ledgers and the General Ledger

- When posting transactions and events to the General Ledger, the double entry principle is always followed:

Credit Sales	Debtors Control a/c	Debit
	Sales a/c	Credit
Receipts from Debtors	Cash Control a/c/ Cash a/c	Debit
	Debtors Control a/c	Credit

- However, we use the single entry method when entering transactions and events to the subsidiary ledger.
- As a result, on a particular date, the balance in the control account in the general ledger should tally with the list of balances obtained from the subsidiary ledger.

Control accounts

- As the General Ledger follows the double entry principles for entries, a control account can be used for transactions involving debtors and creditors.
- Since the double entry is completed in the General Ledger, it is also possible to extract a Trial Balance. However, Trial Balances cannot be extracted from Subsidiary Ledgers, as they do not complete double entries.

Control account format

Debtors Control a/c			
Debit	Rs.	Credit	Rs.
4/1 Balance b/d	xx	4/1 Balance b/d	xx
Total Credit sales	xx	Returns Inwards	xx
Reversal of Discount allowed	xx	Discount allowed	xx
Interest charged to Debtors	xx	Cash	xx
		Bad debts	xx
Returned cheques	xx	Transfers from Sales Ledger to Purchases Ledger (Contra)	xx
Bad debts recovered	xx	Balance c/f	xx
Balance c/f			
	xxx		xxx
Balance b/d	xx	Balance b/d	x

Comparing control accounts and subsidiary ledger balances

- The balance in the Control Account in the General Ledger must agree with the total of the list of balances extracted from the Subsidiary Ledger.
- If the balances do not agree, it will be necessary to prepare a comparison document to find out where an error has been made.
- Statement to reconcile the Debtors Control a/c balance with the total from the list of debtors:

Reconciliation Statement		Rs.'000s
Revised balance in the Debtors Control a/c (+)		
(-)		
Balance as per Debtors subsidiary ledger		121,000

