

- 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.

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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

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

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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.

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