

3 Cheng, a sole trader, maintains control accounts.

REQUIRED

(a) Explain **two** benefits to a business of maintaining control accounts.

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Additional information

At 31 December 2018, Cheng's bookkeeper prepared a purchases ledger control account and a sales ledger control account. However, the balances of the control accounts did not agree with the total of the individual balances recorded in the relevant ledgers. The details were as follows:

	\$
Purchases ledger	
Total of ledger accounts	18 496
Control account balance	18 981
Sales ledger	
Total of ledger accounts	11 117
Control account balance	12 385

Cheng's bookkeeper has discovered the following:

- 1 Cash sales of \$480 had been recorded in the sales ledger control account.
- 2 A credit note for \$228 had been recorded as \$282 in both the purchases returns journal and the supplier's account.
- 3 The account of a customer with a balance of \$485 had been set off against his account in the purchases ledger. No record of this transaction had been made in the purchases ledger control account.
- 4 Interest of \$67 charged by a trade supplier on an overdue account had not been recorded in the books of account.
- 5 A dishonoured cheque of \$394 had been correctly recorded in the cash book but had been posted to the credit side of the customer's account.

REQUIRED

(b) Prepare a corrected:

(i) Purchases ledger control account

	\$		\$
		Balance b/d	18 981

[4]

(ii) Sales ledger control account

	\$		\$
Balance b/d	12 385		

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(c) Calculate amended totals for the:

(i) purchases ledger accounts

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(ii) sales ledger accounts.

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