

1 (a) Outline **three** reasons for keeping control accounts.

1
.....
.....
.....

2
.....
.....
.....

3
.....
.....
.....[6]

(b) The following information was extracted from the books of William Noel for the year ended 30 April 2001.

	\$
Purchase Ledger Balance at 1 May 2000	43 120
Credit purchases for the year	824 140
Credit purchases returns	12 400
Cheques paid to creditors	745 980
Cash purchases	8 940
Discount received on credit purchases	31 400
Credit balances transferred to sales ledger accounts	5 210

Draw up the Purchase Ledger Control account for the year ended 30 April 2001.

.....
.....
.....
.....
.....
.....
.....
.....[7]

The total of the balances in William Noel's purchase ledger amounts to \$67 660, which does not agree with the closing balance in the Control account.

The following errors were then discovered.

- 1 Discount received had been overstated by \$1000.
- 2 A credit purchases invoice for \$2040 had been completely omitted from the books.
- 3 A purchases ledger account had been understated by \$100.
- 4 A credit balance of \$850 in the purchases ledger had been set off against a contra entry in the sales ledger, but no entry had been made in either control account.
- 5 A payment of \$1450 had been debited to the creditor's account but was omitted from the bank account.
- 6 A credit balance of \$3210 had been omitted from the list of creditors.

(c) (i) Extract the necessary information from the above list and draw up an amended Purchase Ledger Control account for the year ended 30 April 2001.

.....

.....

.....

.....

.....

.....

.....

.....

.....[5]

(ii) Beginning with the given total of \$67 660, show the changes to be made in the Purchase Ledger to reconcile it with the new Control account balance.

.....

.....

.....

.....

.....

.....

.....

.....

.....[5]

(d) Explain the concept of Prudence.[2]

(e) Discuss how the concept of prudence might be relevant when considering:

(i) Goodwill

.....[3]

(ii) the valuation of Stock in Trade

.....[3]

[illegible]