

13 Control accounts**48 mins**

13.1 You are given the following information:

Receivables at 1 January 20X3	\$10,000
Receivables at 31 December 20X3	\$9,000
Total receipts during 20X3 (including cash sales of \$5,000)	\$85,000

What is the figure for sales on credit during 20X3?

- A \$81,000
- B \$86,000
- C \$79,000
- D \$84,000

(2 marks)

13.2 A supplier sends you a statement showing a balance outstanding of \$14,350. Your own records show a balance outstanding of \$14,500.

Which one of the following could be the reason for this difference?

- A The supplier sent an invoice for \$150 which you have not yet received.
- B The supplier has allowed you \$150 cash discount which you had omitted to enter in your ledgers.
- C You have paid the supplier \$150 which he has not yet accounted for.
- D You have returned goods worth \$150 which the supplier has not yet accounted for.

(2 marks)

13.3 Your payables control account has a balance at 1 October 20X8 of \$34,500 credit. During October, credit purchases were \$78,400, cash purchases were \$2,400 and payments made to suppliers, excluding cash purchases, and after deducting settlement discounts of \$1,200, were \$68,900. Purchase returns were \$4,700.

What was the closing balance?

- A \$38,100
- B \$40,500
- C \$47,500
- D \$49,900

(2 marks)

13.4 A receivables ledger control account had a closing balance of \$8,500. It contained a contra to the payables ledger of \$400, but this had been entered on the wrong side of the control account.

What should be the correct balance on the control account?

- A \$7,700 debit
- B \$8,100 debit
- C \$8,400 debit
- D \$8,900 debit

(2 marks)

13.5 Which of the following items could appear on the credit side of a receivables ledger control account?

- 1 Cash received from customers
- 2 Irrecoverable debts written off
- 3 Increase in allowance for receivables
- 4 Discounts allowed
- 5 Sales
- 6 Credits for goods returned by customers
- 7 Cash refunds to customers

- A 1, 2, 4 and 6
- B 1, 2, 4 and 7
- C 3, 4, 5 and 6
- D 5 and 7

(2 marks)

13.6 An inexperienced bookkeeper has drawn up the following receivables ledger control account:

RECEIVABLES LEDGER CONTROL ACCOUNT			
	\$		\$
Opening balance	180,000	Credit sales	190,000
Cash from credit customers	228,000	Irrecoverable debts written off	1,500
Sales returns	8,000	Contras against payables	2,400
Cash refunds to credit customers	3,300	Closing balance (balancing figure)	229,600
Discount allowed	4,200		
	<u>423,500</u>		<u>423,500</u>

What should the closing balance be after correcting the errors made in preparing the account?

- A \$130,600
- B \$129,200
- C \$142,400
- D \$214,600

(2 marks)

13.7 The following receivables ledger control account has been prepared by a trainee accountant:

	\$		\$
20X3		20X3	
1 Jan Balance	284,680	31 Dec Cash received from credit customers	179,790
31 Dec Credit sales	189,120	Contras against amounts owing by company in payables ledger	800
Discounts allowed	3,660	Balance	303,590
Irrecoverable debts written off	1,800		
Sales returns	4,920		
	<u>484,180</u>		<u>484,180</u>

What should the closing balance on the account be when the errors in it are corrected?

- A \$290,150
- B \$286,430
- C \$282,830
- D \$284,430

(2 marks)

13.8 The following control account has been prepared by a trainee accountant:

RECEIVABLES LEDGER CONTROL ACCOUNT			
	\$		\$
Opening balance	308,600	Cash received from credit customers	147,200
Credit sales	154,200	Discounts allowed to credit customers	1,400
Cash sales	88,100	Interest charged on overdue accounts	2,400
Contras against credit balances in payables ledger	4,600	Irrecoverable debts written off	4,900
		Allowance for receivables	2,800
		Closing balance	396,800
	<u>555,500</u>		<u>555,500</u>

What should the closing balance be when all the errors made in preparing the receivables ledger control account have been corrected?

- A \$395,200
- B \$304,300
- C \$307,100
- D \$309,500

(2 marks)

- 13.9 The following receivables ledger control account prepared by a trainee accountant contains a number of errors:

RECEIVABLES LEDGER CONTROL ACCOUNT						
			\$			\$
20X4				20X4		
1 Jan	Balance		614,000	31 Dec	Credit sales	301,000
31 Jan	Cash from credit customers		311,000		Discounts allowed	3,400
	Contras against amounts				Irrecoverable debts	
	due to suppliers in				written off	32,000
	payables ledger		8,650		Interest charged on overdue	
					accounts	1,600
					Balance	595,650
			<u>933,650</u>			<u>933,650</u>

What should the closing balance on the control account be after the errors in it have been corrected?

- A \$561,550
- B \$578,850
- C \$581,550
- D \$568,350

(2 marks)

- 13.10 Your organisation sold goods to PQ Co for \$800 less trade discount of 20% and cash discount of 5% for payment within 14 days. The invoice was settled by cheque five days later. Which one of the following gives the entries required to record BOTH of these transactions?

		DEBIT	CREDIT
		\$	\$
A	PQ Co	640	
	Sales		640
	Bank	608	
	Discount allowed PQ Co	32	
B	PQ Co	640	
	Sales		640
	Bank	600	
	Discount allowed PQ Co	40	
C	PQ Co	640	
	Sales		640
	Bank	608	
	Discount received PQ Co	32	
D	PQ Co	800	
	Sales		800
	Bank	608	
	Discount allowed PQ Co	182	

(2 marks)

- 13.11 Which one of the following is **not** the purpose of a receivables ledger control account?

- A A receivables ledger control account provides a check on the arithmetical accuracy of the personal ledger.
- B A receivables ledger control account helps to locate errors in the trial balance.
- C A receivables ledger control account ensures that there are no errors in the personal ledger.
- D Control accounts deter fraud.

(2 marks)

13.12 Which of the following lists is composed only of items which would appear on the credit side of the receivables control account?

- A Cash received from customers, sales returns, irrecoverable debts written off, contra against amounts due to suppliers in the accounts payable ledger
- B Sales, cash refunds to customers, irrecoverable debts written off, discounts allowed
- C Cash received from customers, discounts allowed, interest charged on overdue accounts, irrecoverable debts written off
- D Sales, cash refunds to customers, interest charged on overdue accounts, contra against amounts due to suppliers in the accounts payable ledger

(2 marks)

13.13 The following receivables ledger control account has been prepared by a trainee accountant:

RECEIVABLES LEDGER CONTROL ACCOUNT

		\$			\$
20X5			20X5		
1 Jan	Balance	318,650	31 Jan	Cash from credit customers	181,140
	Credit sales	161,770		Interest charged on overdue accounts	280
	Cash sales	84,260		Irrecoverable debts written off	1,390
	Discounts allowed to credit customers	1,240		Sales returns from credit customers	3,990
		<u>565,920</u>		Balance	<u>379,120</u>
					<u>565,920</u>

What should the closing balance at 31 January 20X5 be after correcting the errors in the account?

- A \$292,380
- B \$295,420
- C \$292,940
- D \$377,200

(2 marks)

13.14 At 1 April 20X9, the payables ledger control account showed a balance of \$142,320.

At the end of April the following totals are extracted from the subsidiary books for April:

	\$
Purchases day book	183,800
Returns outwards day book	27,490
Returns inwards day book	13,240
Payments to payables, after deducting \$1,430 cash discount	196,360

It is also discovered that:

- (a) the purchase day book figure is net of sales tax at 17.5%; the other figures all include sales tax.
- (b) a customer's balance of \$2,420 has been offset against his balance of \$3,650 in the payables ledger.
- (c) a supplier's account in the payables ledger, with a debit balance of \$800, has been included on the list of payables as a credit balance.

What is the corrected balance on the payables ledger control account?

- A \$130,585
- B \$144,835
- C \$98,429
- D \$128,985

(2 marks)

The following scenario relates to questions 13.15 to 13.17.

P & Co maintain a receivables ledger control account within the nominal ledger. At 30 November 20X0, the total of the list of individual balances extracted from the receivables ledger was \$15,800, which did not agree with the balance on the receivables ledger control account. An examination of the books revealed the following information, which can be used to reconcile the receivables ledger and the receivables ledger control account.

- 1 The credit balance of \$420 in Ahmed's payables ledger account had been set off against his account in the receivables ledger, but no entries had been made in the receivables and payables ledger control accounts.
- 2 The personal account of Mahmood was undercast by \$90.
- 3 Yasmin's balance of (debit) \$780 had been omitted from the list of balances.
- 4 Thomas' personal account balance of \$240 had been removed from the receivables ledger as a bad debt, but no entry had been made in the receivables ledger control account.
- 5 The January total of \$8,900 in the sales daybook had been posted as \$9,800.
- 6 A credit note to Charles for \$1,000, plus sales tax of \$300, had been posted to the receivables ledger control account as \$1,300 and to Charles' personal account as \$1,000.
- 7 The total on the credit side of Edward's personal account had been overcast by \$125.

13.15 Which of these items need to be corrected by journal entries in the nominal ledger?

- A 1, 3, 4 and 5 only
- B 1, 4 and 5 only
- C 1, 2, 5 and 6 only
- D 2, 3, 6 and 7 only

(2 marks)

13.16 What is the revised total of the balances in the receivables ledger after the errors have been corrected?

- A \$15,105
- B \$16,195
- C \$16,495
- D \$16,915

(2 marks)

13.17 Assuming that the closing balance on the receivables ledger control account should be \$16,000, what is the opening balance on the receivables ledger control account before the errors were corrected?

- A \$14,440
- B \$15,760
- C \$17,560
- D \$17,860

(2 marks)

13.18 The balance on Jude Co's payables ledger control account is \$31,554. The accountant at Jude Co has discovered that she has not recorded:

- A settlement discount of \$53 received from a supplier; and
- A supplier's invoice for \$622.

What amount should be reported for payables on Jude Co's statement of financial position?

- A \$30,879
- B \$30,985
- C \$32,123
- D \$32,229

(2 marks)

- 13.19 The accountant at Borris Co has prepared the following reconciliation between the balance on the trade payables ledger control account in the general ledger and the list of balances from the suppliers ledger:

	\$
Balance on general ledger control account	68,566
Credit balance omitted from list of balances from payables ledger	(127)
	<u>68,439</u>
Undercasting of purchases day book	99
Total of list of balances	<u>68,538</u>

What balance should be reported on Borris Co's statement of financial position for trade payables?

- A \$68,439
- B \$68,538
- C \$68,566
- D \$68,665

(2 marks)

- 13.20 How should the balance on the payables ledger control account be reported in the final accounts?

- A As an expense account
- B As a non-current liability
- C As a current asset
- D As a current liability

(2 marks)

(Total = 40 marks)

15 Correction of errors

36 mins

- 15.1 The debit side of a trial balance totals \$800 more than the credit side.

Which one of the following errors would fully account for the difference?

- A \$400 paid for plant maintenance has been correctly entered in the cash book and credited to the plant asset account.
- B Discount received \$400 has been debited to discount allowed account.
- C A receipt of \$800 for commission receivable has been omitted from the records.
- D The petty cash balance of \$800 has been omitted from the trial balance.

(2 marks)

15.2 The bookkeeper of Peri made the following mistakes:

Discount allowed \$3,840 was credited to discounts received account.

Discount received \$2,960 was debited to discounts allowed account.

Discounts were otherwise correctly recorded.

Which one of the following journal entries will correct the errors?

		<i>Dr</i>	<i>Cr</i>
		\$	\$
A	Discount allowed	7,680	
	Discount received		5,920
	Suspense account		1,760
B	Discount allowed	880	
	Discount received	880	
	Suspense account		1,760
C	Discount allowed	6,800	
	Discount received		6,800
D	Suspense account	1,760	
	Discount allowed		880
	Discount received		880

(2 marks)

15.3 A company's trial balance failed to agree, the totals being:

Debit	\$815,602
Credit	\$808,420

Which one of the following errors could fully account for the difference?

- A The omission from the trial balance of the balance on the insurance expense account \$7,182 debit
- B Discount allowed \$3,591 debited in error to the discount received account
- C No entries made in the records for cash sales totalling \$7,182
- D The returns outwards total of \$3,591 was included in the trial balance as a debit balance

(2 marks)

15.4 The debit side of a trial balance totals \$50 more than the credit side. Which one of the following could this be due to?

- A A purchase of goods for \$50 being omitted from the payables control account
- B A sale of goods for \$50 being omitted from the receivables control account
- C An invoice of \$25 for electricity being credited to the electricity account
- D A receipt for \$50 from a customer being omitted from the cash book

(2 marks)

15.5 Which one of the following would be an error of principle?

- A Plant and machinery purchased was credited to a non-current assets account.
- B Plant and machinery purchased was debited to the purchases account.
- C Plant and machinery purchased was debited to the equipment account.
- D Plant and machinery purchased was credited to the equipment account.

(2 marks)

15.6 What is an error of commission?

- A An error where a transaction has not been recorded
 - B An error where one side of a transaction has been recorded in the wrong account, and that account is of a different class to the correct account
 - C An error where one side of a transaction has been recorded in the wrong account, and that account is of the same class as the correct account
 - D An error where the numbers in the posting have been transposed (2 marks)
-

15.7 Where a transaction is entered into the correct ledger accounts, but the wrong amount is used, what is the error known as?

- A An error of omission
 - B An error of original entry
 - C An error of commission
 - D An error of principle (2 marks)
-

15.8 A business statement of profit or loss and other comprehensive income for the year ended 31 December 20X4 showed a net profit of \$83,600. It was later found that \$18,000 paid for the purchase of a motor van had been debited to motor expenses account. It is the company's policy to depreciate motor vans at 25 per cent per year, with a full year's charge in the year of acquisition.

What would the net profit be after adjusting for this error?

- A \$106,100
 - B \$70,100
 - C \$97,100
 - D \$101,600 (2 marks)
-

15.9 An organisation restores its petty cash balance to \$250 at the end of each month. During October, the total expenditure column in the petty cash book was calculated as being \$210, and the imprest was restored by this amount. The analysis columns posted to the nominal ledger totalled only \$200.

Which one of the following would this error cause?

- A The trial balance being \$10 higher on the debit side
 - B The trial balance being \$10 higher on the credit side
 - C No imbalance in the trial balance
 - D The petty cash balance being \$10 lower than it should be (2 marks)
-

15.10 Net profit was calculated as being \$10,200. It was later discovered that capital expenditure of \$3,000 had been treated as revenue expenditure, and revenue receipts of \$1,400 had been treated as capital receipts.

What is the net profit after correcting this error?

- A \$5,800
 - B \$8,600
 - C \$11,800
 - D \$14,600 (2 marks)
-

15.11 The accountant at Investotech discovered the following errors after calculating the company's profit for 20X3:

- (a) A non-current asset costing \$50,000 has been included in the purchases account
- (b) Stationery costing \$10,000 has been included as closing inventory of raw materials, instead of stationery expenses

What is the effect of these errors on gross profit and net profit?

- A Understatement of gross profit by \$40,000 and understatement of net profit by \$30,000
 - B Understatement of both gross profit and net profit by \$40,000
 - C Understatement of gross profit by \$60,000 and understatement of net profit by \$50,000
 - D Overstatement of both gross profit and net profit by \$60,000 (2 marks)
-

15.12 A purchase return of \$48 has been wrongly posted to the debit of the sales returns account, but has been correctly entered in the supplier's account.

Which of the following statements about the trial balance would be correct?

- A The credit side to be \$48 more than the debit side
 - B The debit side to be \$48 more than the credit side
 - C The credit side to be \$96 more than the debit side
 - D The debit side to be \$96 more than the credit side (2 marks)
-

15.13 Two types of common errors in bookkeeping are errors of *principle* and errors of *transposition*.

Which of the following correctly states whether or not these errors will be revealed by extracting a trial balance?

	<i>Errors of Principle</i>	<i>Errors of Transposition</i>
A	Will be revealed	Will not be revealed
B	Will be revealed	Will be revealed
C	Will not be revealed	Will not be revealed
D	Will not be revealed	Will be revealed

(2 marks)

15.14 The following are balances on the accounts of Luigi, a sole trader, as at the end of the current financial year and after all entries have been processed and the profit for the year has been calculated.

	\$
Non-current assets	85,000
Receivables	7,000
Trade payables	3,000
Bank loan	15,000
Allowance for depreciation, non-current assets	15,000
Inventory	4,000
Accruals	1,000
Prepayments	2,000
Bank overdraft	2,000

What is the balance on Luigi's capital account?

- A \$59,000
 - B \$66,000
 - C \$62,000
 - D \$64,000 (2 marks)
-

15.15 The following balances have been extracted from the nominal ledger accounts of Tanya, but the figure for bank loan is unknown. There are no other accounts in the main ledger.

	\$
Payables	27,000
Capital	66,000
Purchases	160,000
Sales	300,000
Other expenses	110,000
Receivables	33,000
Purchase returns	2,000
Non-current assets	120,000
Cash in bank	18,000
Bank loan	Unknown

What is the credit balance on the bank loan account?

- A \$46,000
- B \$102,000
- C \$78,000
- D \$34,000

(2 marks)

(Total = 30 marks)

31.4A Prepare a sales ledger control account from the following information for October 2012, carrying down the balance at 31 October:

2012		£
Oct	1 Sales ledger balances	28,409
	31 Sales day book	26,617
	Bad debts written off	342
	Cheques received from debtors	24,293
	Discounts allowed	416
	Cheques dishonoured	120
	Returns inwards	924
	Set-offs against balances in purchases ledger	319

31.5 The trial balance of Outsize Books Ltd revealed a difference in the books. In order that the error(s) could be located it was decided to prepare purchases and sales ledger control accounts.

From the following information prepare the control accounts and show where an error may have been made:

2011		£
Jan	1 Purchases ledger balances	19,420
	Sales ledger balances	28,227
	Totals for the year 2011	
	Purchases journal	210,416
	Sales journal	305,824
	Returns outwards journal	1,452
	Returns inwards journal	3,618
	Cheques paid to suppliers	205,419
	Petty cash paid to suppliers	62
	Cheques and cash received from customers	287,317
	Discounts allowed	4,102
	Discounts received	1,721
	Balances on the sales ledger set off against balances in the purchases ledger	640
Dec	31 The list of balances from the purchases ledger shows a total of £20,210 and that from the sales ledger a total of £38,374	

31.6 From the following figures, compile accounts receivable ledger and accounts payable ledger control accounts for the month, and ascertain what the net balances of the respective ledgers should be on 31 January 2013.

Balances on 1 January 2013		£
Accounts receivable ledger – Dr		46,462
	Cr	245
Accounts payable ledger – Dr		1,472
	Cr	25,465
Total for the month to 31 January 2013		£
Purchases		76,474
Sales		126,024
Purchase returns		2,154
Accounts receivable settled by contra accounts with accounts payable		455
Bad debt written off		1,253
Discounts and allowances to customers		746
Cash received from customers		120,464
Cash discount received		1,942
Cash paid to creditors		70,476
Cash paid to customers		52

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