

Control Accounts

Need for control accounts

As all accounts are kept in different ledgers then it is more likely that a mistake will occur when a Trial Balance is drawn up. In addition as the 'T' accounts are kept in different ledgers mistakes are very often hard to locate.

As a result accountants use Control Accounts to check whether errors have occurred in the Purchases Ledger or the Sales Ledger. The control account acts as a type of Trial Balance for each ledger.

Form of control accounts

1- Sales Ledger Control Account

	\$
Sales Ledger Debit balances on 1 st January 20X8	1,894
Total credit sales for the month	10,290
Cheques received from customers in the month	7,284
Cash received from customers in the month	1,236
Returns inwards from customers during the month	296
Debit balances on the 31 st January 20X8 as extracted from the sales ledger	3,368

Dr		Sales Ledger Control Account		Cr	
20X8		\$	20X8		\$
Jan 1	Balances b/d	1,894	Jan 31	Bank	7,284
Jan 31	Sales	10,290		Cash	1,236
				Returns Inwards	296
				Balances c/d	3,368
		12,184			12,184

In this case the Sales Ledger Control Account has proven that there is no error in the Sales Ledger because the balance c/d in the Sales Ledger is the correct figure that balances with the other entries made in the various day books.

2- Purchases Ledger Control Account

	\$
Purchases Ledger Credit balances on 1 st January 20X8	3,890
Cheques paid to suppliers during the month	3,620
Returns outwards to suppliers in the month	95
Purchases from suppliers in the month	4,936
Credit balances on 31 st January as extracted from the purchases ledger	5,151

Dr		Purchases Ledger Control Account		Cr	
20X8		\$	20X8		\$
Jan 31	Bank	3,620	Jan 1	Balances b/d	3,890
Jan 31	Returns Outwards	95	Jan 31	Purchases	4,936
Jan 31	Balances c/d	5,151			
		8,866			8,826*

* This difference between the Balance c/d from the Purchases Ledger and the other entries is \$40. This proves there is a mistake somewhere in the Purchases Ledger.

Information for control accounts

The following tables show where information is obtained from to draw up control accounts.

Sales Ledger Control	Source
1 Opening debtors (Bal b/d)	List of debtors drawn up at end of previous period
2 Credit sales	Total from Sales Day Book
3 Returns inwards	Total from Returns Inwards Day Book
4 Cheques received	Cash Book: Bank column on received side (Dr)
5 Cash received	Cash Book: Cash column on received side (Dr)
6 Closing debtors (Bal c/d)	List of debtors drawn up from the Sales Ledger

Purchases Ledger Control	Source
1 Opening Creditors (Bal b/d)	List of creditors drawn up at the end of previous period
2 Credit purchases	Total from purchases day book
3 Returns Outwards	Total of returns outwards day book
4 Cheques paid	Cash book: bank column on payments side (Cr)
5 Cash paid	Cash Book : Cash column on payments side (Cr)
6 Closing Creditors (Bal c/d)	List of creditors drawn up from the Purchases Ledger