**WEEK FOUR**

**TOPIC:- CONTROL ACCOUNT**

i. Definition of Control Accounts

ii. Advantages of Control Accounts

iii. Division of control and their format

**Note**

Control accounts is the extraction of trial balance from individual ledger account of a large organization. Generally speaking, large organizations prepare different types of ledger accounts, but error might occur when preparing these ledgers. To locate the error easily individual trial balance need to be opened for each ledger account, anyone that fails to agree indicates that there are errors. Control account is an easy way to locate errors from ledger account. Control account is also called self balancing ledge.

**ADVANTAGES OF CONTROL ACCOUNT**

1. It helps in locating errors
2. It saves time
3. It can be used to detect missing figures
4. Fraud becomes difficult when control accounts are prepared
5. It is used to check accuracy of balance of the ledgers
6. The total debtors and creditors can be easily calculated.

**Division of control accounts**

Basically control accounts is divided into two: Sales Ledger Control Account and Purchases Ledger Control Accounts.

1. Sales Ledger Control Account: This account recorded all account debtors control account.
2. Purchases Ledger Control Account: This account recorded all account of creditor. It is also called Total Creditors Control account.

**EVALUATION**

1. What is a control account?

2. List four advantages of control account.

**Format**

**Sales Ledger Control Account**

**N N**

1990 Jan Balance b/f X 1990 Jan. Cash from customers X Credits sales X Cheque from customers X

Debit note issued X Returns inward X

Interest charged X Bad debts X

Dishonour cheque X Discount allowed X

Discount disallowed X Credit notes issued X

Carriage outwards X Bills Receivable X

Set offs X

Balance c/d X

X X

**Purchase Ledger Control Account**

**N N**

1990 Jan. Cash to supplier X 1990 Jan. Balance b/f X

Cheque to suppliers X Credit purchases X

Returns outwards X Discount received withdrawn received X

Credit notes received X Cash refunds X

Discounts received X

Set offs X

Bills payable X

Balance c/d X X

XX XX

**Note**: The closing balance of sale ledger control account represents debtors which will appear in balance sheet under current assets. While closing balance of purchase ledger control account represents creditors which will appear in balance under current liability.

Evaluation

1. Define the term control account and mention two divisions of control account.
2. Mention five advantages of control account.

**Reading Assignment**

Essential Financial Accounting by O.A. Longe 187-189

**GENERAL EVALUATION QUESTIONS**

1 List seven types of errors a trial balance will not reveal

2 Explain the term apportionment in departmental accounts

3 List six uses of control account

4 Explain the components of prime cost

5 List five items found in the total creditors control account

**WEEKEND ASSIGNMENT**

1. Another name for control account is (a) sale ledger (b) purchase ledger (c) self balancing ledger (d) general ledger.

Used the information and options provided, Under it to answer question

2-5

1. Credit Sales
2. Discount received
3. Return Outward
4. Credit Purchase

The above items are recorded under

(a) Purchase ledger control account

(b) General ledger control account

(c) Proper Journal Control account

(d) Sales Ledger Control account

**SECTION B**

Draw up the typical format of

(1) Total debtors control account

(2) Total creditors control account