

CHAPTER 4

PURCHASE LEDGER RECONCILIATION AND SALES LEDGER RECONCILIATION

LEARNING OBJECTIVE

- I. THE NATURE OF PURCHASE AND SALES LEDGER CONTROL ACCOUNTS**
- II. LINK BETWEEN CONTROL ACCOUNTS AND PERSONAL LEDGERS**
- III. CONTROL ACCOUNT RECONCILIATIONS**
- IV. SUPPLIERS' STATEMENTS**

I. THE NATURE OF PURCHASE AND SALES LEDGER CONTROL ACCOUNTS

The balance on the control account should equal the sum of the individual balances on the relevant personal ledgers.

An important method of checking errors is to reconcile the balances on the purchase ledger control account and the sales ledger control account to the total of the individual balances in the purchase (payables) ledger and sales (receivables) ledger respectively.

The **purchase (payables) ledger control account** is used to record the total liability to credit suppliers in the general ledger.

The **purchase (payables) ledger** records details of the amounts owed to each supplier.

The **sales (receivables) ledger control account** is used to record the total amount owed by credit customers in the general ledger.

The **sales (receivables) ledger** records details of the amounts owing from each customer.

II. LINK BETWEEN CONTROL ACCOUNTS AND PERSONAL LEDGERS

Postings from the sales day book

Sales day book	
	\$
A Smith	100
B Jones	3,100
C Francis	2,500
D Collins	900
E Jefferies	500
F Hamilton	2,600
	9,700

Recorded in personal accounts

Recorded in control account

III. CONTROL ACCOUNT RECONCILIATIONS

A control account reconciliation is an exercise carried out periodically to ensure that the control accounts' balances agree with the total of the individual account balances in their respective personal ledgers.

A list of individual balances is prepared from the personal ledger. The total of the list of balances is compared with the balance on the control account.

The adjustments to the list of balances, whether due to incorrect extraction of balances from the personal ledger or accounting entries incorrectly performed (and therefore adjusted in the personal ledger), are shown on the control account reconciliation.

Reconciliation of sales ledger control account and list of sales ledger balances at 31 March 20X5

	\$
Total list of balances originally extracted	x
Less: correction of errors in personal accounts	(x)
Add: correction of errors in personal accounts	x
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Adjusted list of balances and control account balance	x
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IV. SUPPLIERS' STATEMENTS

Whilst the purchase ledger control account reconciliation gives us confidence in the integrity of double entries involving transactions with payables, it cannot reveal whether all purchase invoices, credit notes and payments to suppliers have been recorded in day books.

Many businesses perform a suppliers' statement reconciliation in addition to the control account reconciliation as a further check.

Willy Mossop has received the following statement of account from a supplier, MHB:

MHB				
Statement of account				
Customer: Willy Mossop				5 May 20X8
Date	Description	Dr \$	Cr \$	Balance \$
14 April	Balance b/f			1,729.46
26 April	Invoice 314/X5	397.42		2,126.88
29 April	Invoice 386/X5	927.04		3,053.92
3 May	Cheque received		1,529.46	1,524.46
4 May	Invoice 019/X6	1,062.96		2,587.42
5 May	Credit note CR174		123.26	2,464.16
			Now due	2,464.16