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.

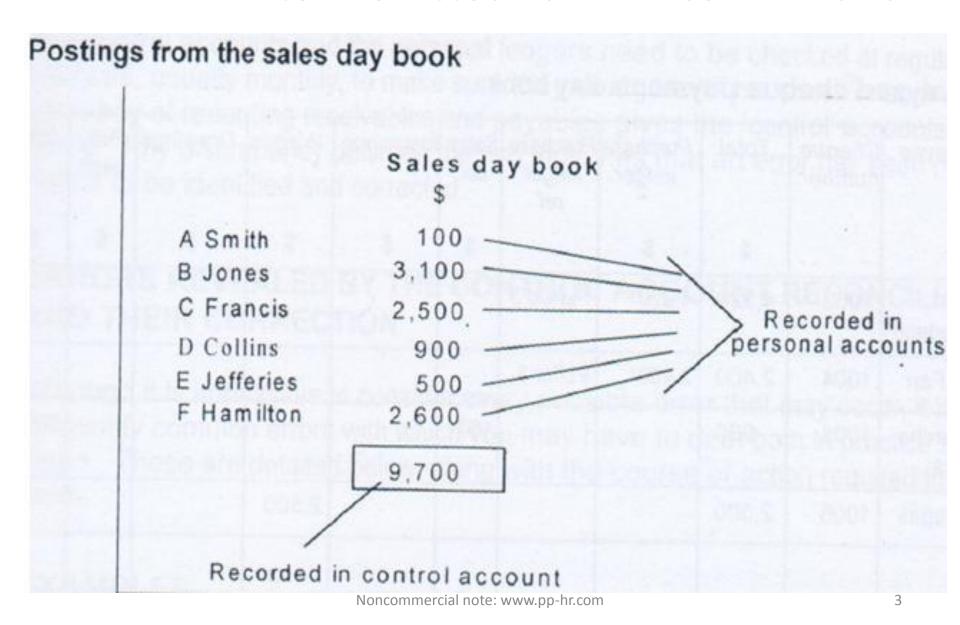
The purchase (payables) ledger control account is used to record the total liability to credit suppliers in the general ledger.

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



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 duce 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 at 31 March 20X5	s ledger balances
Compiler and limbilities CA Yet 300 M & Solovill	\$
Total list of balances originally extracted	X
Less: correction of errors in personal accounts	(x)
Add: correction of errors in personal accounts	<u>x</u>
Adjusted list of balances and control account balance	×
Noncommercial note: www.pp-hr.com	4

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
2000000 000		\$	\$	\$
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