

**PENANG SANGAM HIGH SCHOOL**

**P. O BOX 44, RAKIRAKI**

**LESSON NOTES Week 17**

**SUBJECT: ACCOUNTING**

**YEAR/LEVEL: 12**

**Strand 6: SYSTEMS FOR IMPLEMENTING THE ACCOUNTING PROCESS**

**Sub-strand 6.1 ACCOUNTING FOR CREDIT TRANSACTIONS**

**Content Learning Outcome:** Examine the basic internal control procedures over credit transactions.

Greetings to all my students, week 16 we have started with strand 6: systems for implementing the accounting process and this week (week 17) we will continue with our coverage. If there are any queries do contact me in our 12A Viber group.

**Lesson Notes**

**Sectionalising the Ledger:**

-means dividing the ledger into different groups, Example: General ledger and Subsidiary ledger.

**General Ledger**

-It contains all the information of the debtors and creditors control accounts, and other impersonal accounts. (total of all debtors/ creditors information is included)

**Subsidiary Ledger**

-It provides detailed information and records of each **individual** accounts receivable and accounts payable.

**Advantages of Control Accounts**

A trial balance can be prepared from the general ledger without referring to subsidiary ledger.  
Errors can be detected through the use of control accounts.

**Format of an Accounts Receivable Control Account**

Accounts Receivable Control Account (T form)					
<b>Date</b>	<b>Particulars</b>	<b>\$</b>	<b>Date</b>	<b>Particulars</b>	<b>\$</b>
	Opening Balance	X		Cash	X
	Credit sales	X		Discount allowed	X
	Interest charged	X		Sales Returns	X
	Cash refund	X		Transfer- creditors ledger (Contra Acc)	X
	Dishonoured cheques	X		Closing Balance	X
		<u>xx</u>			<u>xx</u>

**Note:** This control account can be prepared in 3 column form as well using same rule for debtors.

Accounts Payable Control Account (T form)					
Date	Particulars	\$	Date	Particulars	\$
	Cash	X		Opening Balance	X
	Discount received	X		Credit purchase	X
	Purchase Returns	X		Interest charged	X
	Transfer- debtors ledger (Contra Acc)	X		Cash refund	X
	Closing Balance	X			
		<u>xx</u>			<u>xx</u>

**Note:** This control account can be prepared in 3 column form as well using same rule for creditors.

### Schedule of Balances

- Consists of the list of closing balance of each individual debtor and creditor. This should **equal** to the closing balance of accounts receivable and accounts payable **control** account.

### Activity (Ref: MOE Year 12 Accounting Text pg. 169-170)

1. The accounts receivable's dishonored cheque first appears in the

- A. Cash Payments Journal.                      B. Cash Receipts Journal  
C. Bank Statement.                                D. Statement of Account.

2. Interest charged to debtors will affect

- A. Creditors general ledger.                    B. Debtors Ledger.  
C. Creditors ledger.                                D. Sales account.

3. The total of sales returns and allowances journal is placed on the:

- A. debit side of Accounts Payable control account.  
B. credit side of Accounts Payable control account.  
C. debit side of Accounts Receivable control account.  
D. credit side of Accounts Receivable control account.

4. The closing balance should equal to:

- A. credit sales for the period  
B. Schedule of Accounts Receivable.  
C. total of debtor's column in cash receipts journal  
D. creditor's ledger total

**(Solutions of these activities will be provided later for verification, Best wishes for week 17 studies, take care and Stay Safe)**