Principles of Bookkeeping Controls: Summary of corrections to course materials

These changes affect version V001 of the materials.

Course Notes & Questions

We added the following to Chapter 4 (page 104):

Contras

It may be that a business has a customer who is also a supplier. When this happens, we will owe them money but they will also owe us money. Rather than pay each other the full amount they will cancel out the lower amount and just pay the balance.

For example, we owe customer A £1,000 and customer A owes us £1,200. In this case we would make customer A pay us £200 and we would cancel out the £1,000 we both owe to each other.

We would record the contra as follows:

Dr Payables   £1,000
    Cr Receivables   £1,000

This is always the double entry for a contra. **Remember it must reduce both the receivables and the payables. The contra is always the lowest amount owed. The contra must also be entered in the individual accounts in the memorandum ledgers.**

Task Bank & Mocks

We have added contras to the task briefing (page 14):

The Receivables Ledger control account (RLCA)

The RLCA records the total amount owed to the business by credit customers. This is an asset of the business which means that it will be a **debit** balance.

▶ New credit sales made will further increase the balance on the RLCA so will be a **debit** entry.

▶ Sales returns, payments made by credit customers, discounts allowed to customers, irrecoverable debts written off, and contras all reduce the balance on the RLCA so will be **credit** entries.

Receivables Ledger control account (RLCA) - an asset

Debits increase the balance	£	Credits reduce the balance	£
Balance b/d	1,000	Sales returns	100
Credit sales	2,000	Payments received	1,200
		Discounts allowed	150
		Irrecoverable debts	250
		Contra entry	50
		Balance c/d (BF)	1,250
Total	3,000	Total	3,000

The Payables Ledger control account (PLCA)

The PLCA records the total amount owed by the business to credit suppliers. This is a liability of the business which means that it will be a **credit** balance.

▶ New credit purchases will increase the balance on the PLCA so will be a credit entry.

▶ Purchases returns, payments to credit suppliers, discounts received from suppliers, and contras all reduce the balance on the PLCA so will be **debit** entries.

Payables Ledger control account (PLCA) – a liability

Debits reduce the balance	£	Credits increase the balance	£
Purchases returns	1,000	Balance b/d	5,000
Payments to suppliers	4,500	Credit purchases	7,000
Discounts received	500		
Contra entry	50		
Balance c/d (BF)	5,950		
	12,000		12,000

Errata:

Pg 44	**Task 6 revision example 2 part (a)** "Error of original entry" is missing from the picklist. This is the correct answer to the first error.
Pg 116	**Mock 1 task 4** "Hound Ltd" is missing from the picklist.
Pg 140	**Mock 1 task 4 solution** The cashbook answer was presented in a different format to the question. It should look like this: (no change to any of the figures) **Cash book**

Cashbook	Debit £	Credit £
Closing balance b/d	3,900	
Adjustments:		
Hound Ltd	1,000	
Bank charges		50
Overdraft fee		150
Adjusted balance c/d		**4,700**