

## Principles of Bookkeeping Controls: Summary of corrections to course materials

These changes affect version V002 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 and 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
			<b>Contra entry</b>		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 contra entries 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			
		<b>12,000</b>			<b>12,000</b>