

6 (a) Explain **two** reasons why a business would prepare control accounts.

(4)

Jenny maintains full accounting records. At the end of each month she prepares control accounts for her trade receivables ledger and trade payables ledger.

The following information is available.

	Trade receivables		Trade payables	
	£		£	
	Debit	Credit	Debit	Credit
Balances 1 April 2021	2750	175	265	1 900
Balances 1 May 2021	<b>To be calculated</b>	25	105	<b>To be calculated</b>

#### Transactions summary for April 2021

	£
Total sales	4 250
Total purchases	2 500
Receipts from credit customers (including dishonoured cheque)	3 050
Dishonoured cheque	180
Payments to credit suppliers	1 950
Discount allowed	150
Discount received	90
Interest charged by supplier	25
Purchase returns	450
Irrecoverable debts written off	650
Cash refund from supplier	410
Contra credit balance transferred to the trade payables ledger	140

#### Additional information

- (1) 80% of sales were on credit.
- (2) 10% of purchases were for cash.
- (3) There were no returns for cash sales or cash purchases.

#### Required

(b) Prepare the:

(i) Trade Receivables Ledger Control Account

(7)

(ii) Trade Payables Ledger Control Account.

(8)

(c) State **two** possible reasons for the credit balance on trade receivables on 1 April 2021. (2)

(d) Explain why Jenny would transfer a balance from the trade receivables ledger to the trade payables ledger. (3)

Jenny stated that 'You should **only consider profit** when making business decisions.'

(e) Evaluate the statement of Jenny. (6)

**(Total for Question 6 = 30 marks)**