3   Lucas is a trader. He has provided the following information.

	$
Balances at 1 January 2023	
Sales ledger control account	14 940 debit
Purchases ledger control account	8 450 credit
Totals for January 2023	
Credit sales	12 736
Cash sales	3 992
Credit purchases	7 325
Returns to credit suppliers	463
Returns from credit customers	920
Cash received from credit customers	685
Bank transfers received from credit customers	10 620
Bank payments to credit suppliers	6 675
Irrecoverable debts written off	140
Discount received	210
Contra entries	180
Interest charged on overdue purchases ledger accounts	166

REQUIRED

(a) Prepare the sales ledger control account for January 2023. Balance the account and bring down the balance at 1 February 2023.

Lucas
Sales ledger control

Date	Details	$	Date	Details	$
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....	....	....	....	....	....

[6]

(b) Prepare the purchases ledger control account for January 2023. Balance the account and bring down the balance at 1 February 2023.

Lucas
Purchases ledger control

Date	Details	$	Date	Details	$
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[7]

(c) State **two** advantages of preparing control accounts.

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[2]

One of Lucas's suppliers has demanded immediate payment of the $3900 due to him. Lucas does not have sufficient cash to pay this amount. He is considering selling some office equipment which had cost $6000 and has been fully depreciated. Lucas has been offered $2500 cash for this equipment.

REQUIRED

(d) Advise Lucas whether he should sell this office equipment in order to pay the supplier. Justify your answer.

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.... [5]

[Total: 20]

Question	Answer	Marks
3(a)	Lucas Sales ledger control account	6

Date 2023	Details		$	Date 2023	Details		$
Jan 1	Balance b/d		14 940	Jan 31	Returns inwards	**(1)**	920
31	Sales	**(1)**	12 736		Cash	**}**	685
					Bank	**}(1)**	10 620
					Irrecoverable debts	**(1)**	140
					Contra	**(1)**	180
					Balance c/d		15 131
			27 676				27 676
Feb 1	Balance b/d	**(1)OF**	15 131				

Question	Answer	Marks
3(b)	Lucas Purchases ledger control account	7

Date 2023	Details		$	Date 2023	Details		$
Jan 31	Returns outwards	**(1)**	463	Jan 1	Balance b/d		8 450
	Bank	**(1)**	6 675	31	Purchases	**(1)**	7 325
	Discount received	**(1)**	210		Interest	**(1)**	166
	Contra	**(1)**	180				
	Balance c/d		8 413				
			15 941				15 941
				Feb 1	Balance b/d	**(1)OF**	8 413

Question	Answer	Marks
3(c)	Assist in locating errors **(1)** Are proof of the arithmetical accuracy of the ledgers they control **(1)** Provide the total of trade receivables and trade payables immediately **(1)** Allow draft financial statements to be prepared quickly **(1)** Provide a summary of transactions affecting trade receivables and trade payables **(1)** May help to reduce fraud **(1)** **Max (2)**	2

Question	Answer	Marks
3(d)	**For selling the equipment to pay supplier** Release funds to pay most of amount outstanding/increase liquidity **(1)** Would reduce any interest supplier may charge **(1)** Would maintain good relationship with supplier **(1)** Would earn a profit on disposal **(1)** May not affect the ability of the business to earn a profit **(1)** New equipment could be purchased when funds are available **(1)** **Max (2)** **Against selling the equipment to pay supplier** May have to pay interest to the supplier **(1)** Will damage relationship with supplier if do not pay when requested **(1)** Would not provide enough to pay the supplier in full/will have to pay rest from cash/bank**(1)** May not be possible to operate efficiently without the equipment **(1)** Would cost more to replace the equipment than the amount owing to the supplier **(1)** Could consider obtaining money from elsewhere – trade receivables, bank overdraft, introducing capital etc. **Max (2)** **Accept other valid points** **Recommendation (1)**	**5**