

Multiple Control Account

Control Account

General ledger account whose balance reflects the total of balances of related subsidiary ledger accounts. Accounts receivable and accounts payable are the most commonly used control accounts, and their balances serve as a crosscheck (control) of the accuracy of the associated subsidiary records.

A control account is a summary account in the general ledger. The details that support the balance in the summary account are contained in a subsidiary ledger—a ledger outside of the general ledger.

The purpose of the control account is to keep the general ledger free of details, yet have the correct balance for the financial statements. For example, the Accounts Receivable account in the general ledger could be a control account. If it were a control account, the company would merely update the account with a few amounts, such as total collections for the day, total sales on account for the day, total returns and allowances for the day, etc.

The details on each customer and each transaction would not be recorded in the Accounts Receivable control account in the general ledger. Rather, these details of the accounts receivable activity will be in the Accounts Receivable Subsidiary Ledger. This works well because the employees working with the general ledger probably do not need to see the details for every sale or every collection transaction. However, the sales manager and the credit manager will need to know detailed information on individual customers, including whether a customer recently reduced their account balance. The company can provide these individuals with access to the Accounts Receivable Subsidiary Ledger and can keep the general ledger free of a tremendous amount of detail.

Implementing Multiple Control Account in Power Enterprise: The Sequence

a) Item Level: Providing the Stock/Inventory, Sales and Cost of sales control accounts at the item creation level makes it a default control accounts to be use by the system whenever transactions involving the inventory item is being carried out.

b) Transaction/Document Level: Specifying the Stock/Inventory on Purchase Order and Sales and Cost of sales control accounts on Order Entry or invoice override the control accounts specified at the item level.

c) Warehouse Level: If no control account is specified at the item level as well as the document/transaction entry level the system uses its intelligent to check for the control account at the warehouse level Inventory, Sales and cost of sales account can be specified at this level. This is possible where Inventory, sales and cost of sales where to be reported by location.

d) Item Family/Group Level: If no control account is specified at the item level, document/transaction entry as well as the warehouse level the system uses its intelligent to check for the control account at the item family level. Sales and cost of sales account can be specified at this level. Possible scenario where sales and cost of sales where to be reported by item class or group.

e) Customer Type /Group Level: if option a-c were omitted power enterprise checks the customer type for the Debtors/Receivables, Sales and Cost of sales control accounts.

f) Company Level (Default): The Default setting if all the setups from **a-e** above are not provided the system resulted to the default control accounts specified under the default accounts settings on the company setup.

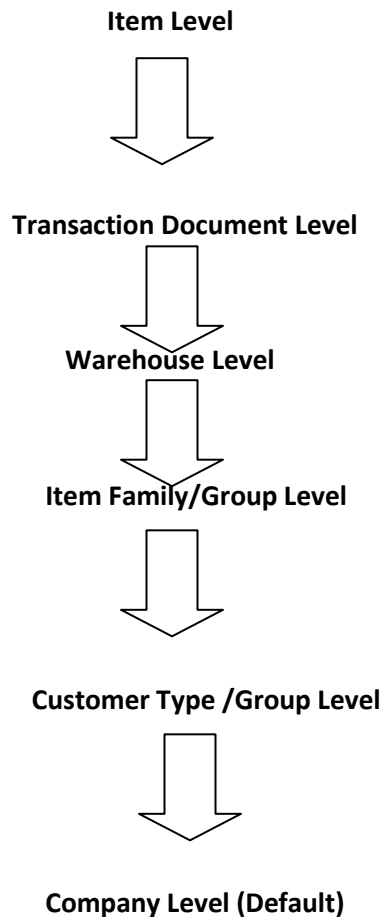


Fig.1.0: The control accounts hierarchy