

Book-keeping Level 1



International
Qualifications from EDI

Model Answers Series 2 2011 (1017)

Book- Keeping Level 1

Series 2 2011

How to use this booklet

Model Answers have been developed by EDI to offer additional information and guidance to Centres, teachers and candidates as they prepare for LCCI International Qualifications. The contents of this booklet are divided into 3 elements:

- (1) Questions – reproduced from the printed examination paper
- (2) Model Answers – summary of the main points that the Chief Examiner expected to see in the answers to each question in the examination paper, plus a fully worked example or sample answer (where applicable)
- (3) Helpful Hints – where appropriate, additional guidance relating to individual questions or to examination technique

Teachers and candidates should find this booklet an invaluable teaching tool and an aid to success.

EDI provides Model Answers to help candidates gain a general understanding of the standard required. The general standard of model answers is one that would achieve a Distinction grade. EDI accepts that candidates may offer other answers that could be equally valid.

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QUESTION 1

Belle extracted the following Trial Balance at 31 January 2011:

	£	£
Capital at 1 February 2010		67,127
Premises	35,000	
Equipment	18,000	
Provision for depreciation at 1 February 2010: equipment		6,480
Debtors and Creditors	43,687	16,213
Stock at 1 February 2010	19,400	
Bank balance		3,847
Cash	210	
Purchases and Sales	95,460	258,100
Goods returned	1,240	348
Rent receivable		5,500
Discounts	230	115
Drawings	9,600	
Wages	84,640	
Office expenses	38,420	
Travelling expenses	11,431	
Bank interest	412	
	<u>357,730</u>	<u>357,730</u>

Additional information at 31 January 2011:

- (1) Stock £19,750
- (2) Rent receivable owing £500
- (3) Wages owing £1,580
- (4) Office expenses paid in advance £285
- (5) Depreciation is calculated as follows:
 equipment - 20% per annum, reducing balance method

REQUIRED

Prepare the:

- (a) Trading and Profit & Loss Account for the year ended 31 January 2011 (13 marks)
- (b) Balance Sheet at 31 January 2011. (12 marks)

(Total 25 marks)

MODEL ANSWER FOR QUESTION 1

Syllabus Topic 19: Trading and Profit and Loss
Syllabus Topic 20: Balance Sheet

Belle

(a) **Trading and Profit & Loss Account for the year ended 31 January 2011**

		£	£	
Sales	258,100			
Less Sales Returns	<u>(1,240)</u>		256,860	1
Cost of sales				
Stock 1 February 2010		19,400		
Purchases	95,460			
Less Purchase Returns	<u>(348)</u>	<u>95,112</u>		1+1of
		114,512		
Stock 31 January 2011		<u>19,750</u>	<u>94,762</u>	1
Gross profit			162,098	
Rent receivable	(5,500+500)		6,000	1+1of
Discount received			<u>115</u>	1
			168,213	
Discount allowed		230		1
Wages	(84,640+1,580)	86,220		1
Office expenses	(38,420-285)	38,135		1
Travelling expenses		11,431		
Bank interest		412		
Depreciation				
Equipment	(18,000-6,480) x 20%	<u>2,304</u>		1+1of
			<u>138,732</u>	
Net Profit			<u>29,481</u>	1of

(13 marks)

(b)

Belle

Balance Sheet at 31 January 2011 1

Fixed assets	Cost		Aggregate	NBV
	£	£	Depreciation	£
Premises	35,000		-	35,000
Equipment	<u>18,000</u>		<u>8,784</u>	<u>9,216</u>
	<u>53,000</u>		<u>8,784</u>	44,216
Current assets				
Stock		19,750	1	
Debtors		43,687		
Prepayments		285	1	
Rent receivable		500	1	
Cash in hand		<u>210</u>		
		64,432	1	
Current liabilities				
Bank overdraft	3,847	1		
Creditors	16,213	1		
Accruals	<u>1,580</u>	1	<u>21,640</u>	
Net current assets				<u>42,792</u>
				<u>87,008</u>
Capital				67,127
add Net Profit				<u>29,481</u>
				96,608
less Drawings				<u>9,600</u>
				<u>87,008</u>

(12 marks)

(Total 25 marks)

QUESTION 2

Gerald prepares his accounts to 30 June each year. The business purchased motor vehicles by cheque, as follows:

			£
2008	January	1	12,000
	March	31	9,000
	July	1	13,800
2009	September	30	15,000
2010	February	1	7,500

The business has the following depreciation policy:

- (1) A full year's depreciation will be charged in the year of purchase.
- (2) Depreciation is charged at 20% per annum, straight line method.

REQUIRED

Prepare, for the **three** years ended 30 June 2008, 30 June 2009 and 30 June 2010, the:

- (a) Motor Vehicles Account (8 marks)
- (b) Provision for Depreciation Account Motor Vehicles. (9 marks)

Hal paid the following:

- (i) New Premises
- (ii) Fixtures for new premises
- (iii) Wages paid to employees to build the new premises
- (iv) Insurance of new premises
- (v) Bought second hand equipment
- (vi) Repairs to equipment
- (vii) Computer, for office use
- (viii) Computers, for stock.

REQUIRED

- (c) State in the above items (i) to (viii), indicating those which are **capital expenditure** and which are **revenue expenditure**. (8 marks)

(Total 25 marks)

MODEL ANSWER FOR QUESTION 2

Syllabus Topic 2: Recording Transactions

Syllabus Topic 13: Record Depreciation Entries (13.6)

Syllabus Topic 16: Classify Capital and Revenue Expenditure (16.2)

(a)				Motor Vehicles Account				
2008			£	2008			£	
Jan	1	Bank	1	12,000				
Mar	31	Bank	1	9,000				
				<u>21,000</u>	Jun	30	Balance c/d	<u>21,000</u>
								<u>21,000</u>
Jul	1	Balance b/d		21,000				
		Bank	1	13,800				
2009				<u>34,800</u>	2009			
					Jun	30	Balance c/d	<u>34,800</u>
								<u>34,800</u>
Jul	1	Balance b/d	1of	34,800				
Sep	30	Bank	1	15,000				
2010				<u>57,300</u>	2010			
Feb	1	Bank	1	7,500				
				<u>57,300</u>	Jun	30	Balance c/d	<u>57,300</u>
Jul	1	Balance b/d	1+1of	57,300				<u>57,300</u>

(8 marks)

(b)				Provision for Depreciation Motor Vehicles Account			
2008			£	2008			£
				Jun	30	Profit & Loss A/c (21,000 x 20%)	4,200 1+1of
Jun	30	Balance c/d	<u>4,200</u>				<u>4,200</u>
							<u>4,200</u>
2009				Jul	1	Balance b/d	4,200 1of
				2009			
Jun	30	Balance c/d	<u>11,160</u>	Jun	30	Profit & Loss A/c (34,800 x 20%)	6,960 1+1of
			<u>11,160</u>				<u>11,160</u>
				Jul	1	Balance b/d	11,160 1of
2010				2010			
Jun	30	Balance c/d	<u>22,620</u>	Jun	30	Profit & Loss A/c (57,300 x 20%)	11,460 1+1of
			<u>22,620</u>				<u>22,620</u>
				Jul	1	Balance b/d	22,620 1of

(9 marks)

- (c)
- (i) Capital **1**
 - (ii) Capital **1**
 - (iii) Capital **1**
 - (iv) Revenue **1**
 - (v) Capital **1**
 - (vi) Revenue **1**
 - (vii) Capital **1**
 - (viii) Revenue **1**

(8 marks)

(Total 25 marks)

QUESTION 3

The following information has been extracted from Jean's records:

	£
Balances at 1 February 2011	
Sales Ledger - Dr	18,348
Purchases Ledger - Cr	8,478
February 2011 transactions	
Receipts from debtors	10,370
Payments to creditors	5,595
Credit sales	10,657
Cash sales	3,246
Credit purchases	3,921
Returns inwards	265
Bad debts written off	185
Cash purchases	1,460
Returns outwards	95
Refunds to debtors	125
Discounts received	75
Discounts allowed	103
Balances at 28 February 2011	
Sales Ledger	?
Purchases Ledger	?

REQUIRED

(a) Prepare the:

- (i) Sales Ledger Control Account (9 marks)
- (ii) Purchases Ledger Control Account (8 marks)

The following errors were found in Jean's records for March 2011:

- (1) A cheque for £260, received from Will, had been entered in Bill's account
- (2) Purchases, £250, from Joan, had been debited to Jane's account
- (3) A cheque for £385, payable to Greg, had been recorded in the Cash Book as £835
- (4) The Purchases Day Book was undercast by £100.

REQUIRED

- (b) Prepare Journal entries to correct the errors (i) to (iv).
Narratives are **not** required. (8 marks)

(Total 25 marks)

MODEL ANSWER FOR QUESTION 3

Syllabus Topic 21: Record items in control accounts
Syllabus Topic 15: Journal entries to correct errors (15.3.2)

Jean			
Jean - Sales Ledger Control Account			
(a) (i)		£	£
2011		2011	2011
Feb	1	Balance b/d	18,348 1
	28	Sales	10,657 1
		Bank/Cash	25 1
			29,130
Mar	1	Balance b/d	18,207 10f

Marks are for the narrative and the figure

(9 marks)

Jean			
Jean - Purchases Ledger Control Account			
(a) (ii)		£	£
2011		2011	2011
Feb	28	Bank/Cash	5,595 1
		Returns outwards	95 1
		Discounts received	75 1
		Balance c/d	6,634 1
			12,399
			12,399
Mar	1	Balance b/d	6,634 1+1of

Marks are for the narrative and the figure

(8 marks)

Jean - Journal			
		Dr	Cr
		£	£
Bill		260 1	
Will			260 1
Joan			250 1
Jane			250 1
Bank		450 1	
Greg			450 1
Purchases		100 1	
No entry			100 1

(8 marks)

(Total 25 marks)

QUESTION 4

Helen keeps her Petty Cash Book on the imprest system. The imprest of £100.00 is restored on the first day of each month. Helen uses three analysis columns, Travelling expenses, Office expenses and Ledger. The following transactions took place in January 2011 and February 2011:

		Voucher	£
January	1	Balance brought forward	23.81
		Restored imprest	
	6	Petrol	32 25.41
		Bus fares	33 3.25
	13	Tea, sugar and milk	34 11.55
		Bus fares	35 1.75
	21	James (refund to customer)	36 25.00
		Bus fares	37 2.44
	28	Postage	38 5.40
		Stationery	39 9.60
February	1	Restored imprest	
	4	Petrol	40 28.59
		Tea, sugar and milk	41 12.66
	8	Sale of stationery	5.00
	11	Ken (creditor)	42 8.50
		Bus fares	43 3.09
	18	Postage	44 6.80
		Bus fares	45 2.18
	25	Stationery	46 11.25
		Bus fares	47 1.79

REQUIRED

- (a) Write up the Petty Cash Book for the month of January and February 2011. Balance the book at the end of each month and restore the imprest on the first day of the following month. (21 marks)

Remove and use the sheet(s) on pages 6 and 7 to present your answer.

- (b) Prepare the:
- (i) Travelling Expenses Account (2 marks)
- (ii) Office Expenses Account. (2 marks)

(Total 25 marks)

MODEL ANSWER FOR QUESTION 4

Syllabus Topic 10: Petty Cash Book and Transfers to Ledger Accounts (10.4), (10.5), (10.6) and (10.7)

Receipts		Voucher No.	Total	Travelling expenses	Office expenses	Ledger
			£	£	£	£
23.81	1	Jan 1	Balance b/d			
76.19	1		Bank/cash			
		6	Petrol	25.41		
			Bus fares	3.25		
		13	Tea, etc		11.55	
			Bus fares	1.75		
		21	James (refund)			25.00
			Bus fares	2.44		
		28	Postage		5.40	
			Stationery		9.60	
				<u>32.85</u>	<u>26.55</u>	
						<u>25.00</u>
						1 (if all correct)
		31	Balance c/d			
				<u>84.40</u>	<u>9.60</u>	
				<u>15.60</u>		
<u>100.00</u>				<u>100.00</u>		
	1of	Feb 1	Balance b/d			
15.60	1of		Bank/cash			
84.40		4	Petrol	28.59		
			Tea		12.66	
		8	Sale of stationary			
5.00	1		Ken (creditor)			8.50
		11	Bus fares	3.09		
			Postage		6.80	
		18	Bus fares	2.18		
			Stationery		11.25	
		25	Bus fares	1.79		
				<u>35.65</u>	<u>30.71</u>	
				<u>74.86</u>		<u>8.50</u>
				1		1 (if all correct)
			Balance c/d			
				<u>30.14</u>		
<u>105.00</u>				<u>105.00</u>		
30.14	1of	Mar 1	Balance b/d			
69.86	1of		Bank/cash			

1 for voucher numbers

(21 marks)

QUESTION 4 CONTINUED

(b) (i)		Travelling Expenses Account	
		£	£
Jan	*Petty Cash Book 1of	32.85	
Feb	*Petty Cash Book 1of	35.65	

(b) (ii)		Office Expenses Account	
		£	£
Jan	*Petty Cash Book 1of	26.55	
Feb	*Petty Cash Book 1of	30.71	

* Will accept 'sundries' and 'total for the month' as alternative answers

(4 marks)

(Total 25 marks)

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