

Book-keeping Level 1



International
Qualifications from EDI

Model Answers Series 2 2012 (1017)

Book- Keeping Level 1

Series 2 2012

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

Lara's Cash Book showed a credit bank balance of £953.48, on 31 March 2012. A comparison with her Bank Statement showed the following:

- (1) The Bank Statement showed a debit balance of £196.77, at 31 March 2012
- (2) A cheque for £125.00, payable to Winston was incorrectly recorded in the Cash Book as £152.00. The bank had correctly charged the account with £125.00.
- (3) A cheque for £254.27, banked on 31 March, did not appear on the Bank Statement.
- (4) The transactions below appear on the Bank Statement, but have not been recorded in the Cash Book:

	£
March 15 – Credit Transfer from Mavis	687.43
19 – Bank charges	45.80
23 – Direct debit for gas	100.00

- (5) The following cheques recorded in the Cash Book during March, did not appear on the Bank Statement for March:

	£
Joyce	352.99
Zoe	89.36

REQUIRED

- (a) Prepare the:
 - (i) Cash Book update to reflect the items from above (6 marks)
 - (ii) Bank Reconciliation Statement at 31 March 2012. (6 marks)

Peter's Balance Sheet at 31 December 2009 shows:

	£
Motor vehicles at cost	15,000
Aggregate depreciation	<u>9,600</u>
	5,400

Peter purchased additional vehicles as follows:

	£
1 January 2010	6,500
1 April 2011	8,000

Peter calculates depreciation using the reducing balance method, at 40% per annum on all motor vehicles owned at the end of the year.

REQUIRED

- (b) Prepare the:
 - (i) Motor Vehicles Account for the years ended 31 December 2010 and 31 December 2011 (5 marks)
 - (ii) Provision for Depreciation – Motor Vehicles Account for the years ended 31 December 2010 and 31 December 2011 (6 marks)
 - (iii) Balance Sheet extract at 31 December 2011. (2 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 1
Syllabus topic 9: Bank Reconciliation (9.2) (9.4)

(a) (i) **Lara – Cash Book update**

		£			£	
2012			2012			
Mar	31		Mar	31	Balance b/f	953.48 1
	Winston (error)	27.00				1
	CT Mavis	687.43				1
					Charges	45.80 1
					DD Gas	100.00 1
	Bal c/d	<u>384.85</u>				
		<u>1,099.28</u>				
			Apr	1	Balance b/d	<u>384.85</u> 1of

(6 marks)

(ii) **Lara – Bank Reconciliation Statement at 31 March 2012**

	£	£	
Balance as per Bank Statement		(196.77)	O/D 1
Less: unrepresented cheques			
Joyce	352.99		1
Zoe	<u>89.36</u>		1
		(442.35)	
		(639.12)	
Add: banking credited after date		<u>254.27</u>	1
Balance as per Cash Book		<u>(384.85)</u>	1+1of
(Alternative layouts accepted)			

(6 marks)

Syllabus topic 13: Depreciation of Fixed Assets (13.5), (13.6) and (13.8)

(b) (i) **Motor Vehicles Account**

		£			£	
2010			2010			
Jan	1	Balance b/d				1
		Bank/cash/creditor				1
			Dec	31	Balance c/d	<u>21,500</u>
						<u>21,500</u>
		<u>21,500</u>				
2011			2011			
Jan	1	Balance b/d				1 of
Apr	1	Bank/cash/creditor				1
			Dec	31	Balance c/d	<u>29,500</u>
						<u>29,500</u>
		<u>29,500</u>				
2012						
Jan	1	Balance b/d				1 of
		29,500				

(5 marks)

MODEL ANSWER TO QUESTION 1 CONTINUED

(b) (ii)		Provision for Depreciation – Motor Vehicles Account			
2010		£	2010		£
			Jan 1	Balance b/d	9,600
			Dec 31	P & L A/c	4,760
Dec 31	Balance c/d	<u>14,360</u>			
		<u>14,360</u>			<u>14,360</u>
2011			2011		
			Jan 1	Balance b/d	14,360
			Dec 31	P & L A/c	6,056
Dec 31	Balance c/d	<u>20,416</u>			
		<u>20,416</u>			<u>20,416</u>
			2012		
			Jan 1	Balance b/d	20,416

1
1 + 1 of
1 + 1 of
1 of

(6 marks)

Peter – Balance Sheet extract at 31 December 2011

(iii)		£	£	
	Motor vehicles at cost	29,500		1
	Aggregate depreciation	<u>20,416</u>		1 of
			9,084	(2 marks)

(Total 25 marks)

QUESTION 2

Eric started in business on 1 April 2012, paying £2,500 into a business bank account. The following transactions took place during the first week of April:

Purchased goods on credit from:			£
April	1	Joe	250
	3	Steve	325
	4	Joe	490
	5	Steve	185

Goods returned to:			
April	3	Joe	20
	5	Steve	14

Sold goods on credit to:			
April	2	Enid	120
	3	Gerry	45
	5	Enid	264

Goods returned by:			
April	3	Enid	13
	5	Gerry	6

Bankings:			
April	2	Cash sales	55
	3	Cash sales	90
	4	Enid	107
		Cash sales	123
	5	Gerry	39
		Cash sales	86

Cheques paid:			
April	2	Joe	230
	3	Office equipment	425
	4	Steve	250

REQUIRED

- (a) Prepare the following ledger accounts for the week ended 5 April 2012, balance the accounts and carry down the balances where required

Day Books are not required.

- (i) Capital
- (ii) Bank
- (iii) Joe
- (iv) Steve
- (v) Enid
- (vi) Gerry
- (vii) Purchases
- (viii) Purchases returns
- (ix) Sales
- (x) Sales returns
- (xi) Office equipment.

(15 marks)

- (b) Prepare Eric's Trial Balance at 5 April 2012.

(10 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 2

Syllabus topic 2: Record transactions through double entry (2)

(a) (i)		Capital Account			
2012			£	2012	£
April	5	Balance	<u>2,500</u>	April	1 Bank
				April	6 Balance c/d
					<u>2,500</u>
					1

(ii)		Bank Account			
2012			£	2012	£
April	1	Capital	2,500	April	
	2	Cash sales	55		2 Joe
	3	Cash sales	90		3 Office equipment
	4	Enid	107		4 Steve
		Cash sales	123		5 Balance c/d
	5	Gerry	39		<u>2,095</u>
		Cash sales	86		<u>3,000</u>
			<u>3,000</u>		1
April	6	Balance b/d	2,095		1 Of

(iii)		Joe Account			
2012			£	2012	£
April	2	Bank	230	April	1 Purchases
	3	Returns	20		4 Purchases
April	5	Balance c/d	<u>490</u>		<u>740</u>
			<u>740</u>	April	6 Balance b/d
					490
					1 Of

(iv)		Steve Account			
2012			£	2012	£
April	4	Bank	250	April	3 Purchases
	5	Returns	14		5 Purchases
April		Balance c/d	<u>246</u>		<u>510</u>
			<u>510</u>	April	6 Balance b/d
					246
					1 Of

(v)		Enid Account			
2012			£	2012	£
April	2	Sales	120	April	3 Returns
	5	Sales	264		4 Bank
			<u>384</u>	April	5 Balance c/d
April	6	Balance b/d	264		<u>264</u>
					<u>384</u>
					1
					1 Of

MODEL ANSWER TO QUESTION 2 CONTINUED

(vi)				Gerry Account			
2012			£	2012			£
April	3	Sales	<u>45</u>	April	5	Returns	6
			—			Bank	<u>39</u>
			<u>45</u>				<u>45</u>

1

(vii)				Purchases Account			
2012			£	2012			£
April	1	Joe	250				
	3	Steve	325				
	4	Joe	490				
	5	Steve	<u>185</u>	April	5	Balance c/d	<u>1,250</u>
			<u>1,250</u>				<u>1,250</u>
April	6	Balance b/d	1,250				

1 for all

(viii)				Purchases Returns Account			
2012			£	2012			£
April	5	Balance c/d	<u>34</u>	April	3	Joe	20
			<u>34</u>		5	Steve	14
					6	Balance b/d	<u>34</u>
							<u>34</u>

1

(ix)				Sales Account			
2012			£	2012			£
April	5	Balance c/d	<u>783</u>	April	2	Enid	120
			<u>783</u>			Cash sales	55
					3	Gerry	45
						Cash sales	90
					4	Cash sales	123
					5	Cash sales	86
						Enid	<u>264</u>
							<u>783</u>
				April	6	Balance b/d	783

1 mark for all

(x)				Sales Returns Account			
2012			£	2012			£
April	3	Enid	13	April	5	Balance c/d	<u>19</u>
	5	Gerry	<u>6</u>				<u>19</u>
			<u>19</u>				
April	6	Balance b/d	19				

1

(x)				Office Equipment Account			
2012			£	2012			£
April	3	Enid	<u>425</u>	April	5	Balance c/d	<u>425</u>
April	6	Gerry	425				

1

MODEL ANSWER TO QUESTION 2 CONTINUED
Syllabus topic 11: Trial balance (11.2)

(b)

Eric – Trial Balance at 5 April 2012

	Dr £	Cr £	
Capital		2,500	1Of
Purchases	1,250		1Of
Purchases returns		34	1Of
Sales		783	1Of
Sales returns	19		1Of
Bank	2,095		1Of
Joe		490	1Of
Steve		246	1Of
Enid	264		1Of
Gerry	-		
Office equipment	425		1Of
	<u>4,053</u>	<u>4,053</u>	(10 marks)

(Total 25 marks)

QUESTION 3

John's Trial Balance at 30 June 2011 was listed after a provisional Trading and Profit & Loss Account for the year had been prepared:

	Dr £	Cr £
Provisional net profit for the year		18,921
Cash	550	
Equipment	35,000	
Provision for depreciation of equipment		14,000
Premises	100,000	
Provision for depreciation of premises		18,000
Debtors and Creditors	23,895	12,548
Drawings	12,000	
Bank		2,476
Capital at 1 July 2010		120,000
Stock	<u>14,500</u>	
	<u>185,945</u>	<u>185,945</u>

Your enquiries have identified the followings errors in calculating the provisional net profit for the year

- (1) A stock sheet was undercast by £100
- (2) A debt of £150 was bad and should be written off
- (3) £245 motor expenses should be accrued
- (4) During the year, John has taken goods valued at £600, from stock for his private use
- (5) Bank interest to 30 June 2011, £130 was debited to the bank account on 6 July. This had not been recorded when calculating the provisional net profit.
- (6) In arriving at the provisional net profit, the amount charged for insurance included a payment of £360 for the year to 31 December 2011.

REQUIRED

(a) Prepare for John a:

- (i) Calculation of the revised Net Profit for the year ended 30 June 2011 (9 marks)
- (ii) Balance Sheet at 30 June 2011. (10 marks)

Carol made the following payments for:

- (1) A new computer network
- (2) 3 year maintenance contract for the new computers
- (3) A second hand delivery vehicle
- (4) Signwriting on the above delivery vehicle
- (5) Loan interest to Arnold
- (6) A loan repayment to Arnold

REQUIRED

(b) Make a list identifying whether each payment is:

- capital expenditure
- revenue expenditure
- neither.

(6 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 3

Syllabus topic 17: Errors in the accounts (17.5.3) and (17.5.4)

(a) (i) **John - Calculation of revised net profit for the year ended 30 June 2011**

	£	£	£	
Provisional Net Profit			18,921	1
	Decrease	Increase		
Stock adjustment		100		1
Bad debt	150			1
Motor expense accrual	245			1
Own consumption/drawings		600		1
Accrual (bank interest)	130			1
Prepayment (insurance)		<u>180</u>		1
	<u>525</u>	<u>880</u>		
Net increase			<u>355</u>	
Revised net profit			<u>19,276</u>	1+1of

(9 marks)

(ii) **John – Balance Sheet at 30 June 2011**

	£	£	£	
Fixed assets	Cost	Aggregate Depreciation	NBV	
Premises	100,000	18,000	82,000	
Equipment	<u>35,000</u>	<u>14,000</u>	<u>21,000</u>	
	<u>135,000</u>	<u>32,000</u>	103,000	1+1of
Current assets				
Stock (14,500 + 100)		14,600		1
Debtors (23,895 – 150)		23,745		1
Prepayment		180		1
Cash		<u>550</u>		
		39,075		
Current liabilities				
Creditors 1 1	12,548			
Accruals (130+245)	375			
Bank overdraft	<u>2,476</u>			1
		<u>15,399</u>		
Net current assets			<u>23,676</u>	
			<u>126,676</u>	
Capital 1 July 2010		120,000		
Add Net Profit		<u>19,276</u>		1of
		139,276		
Less Drawings (12,000 + 600)		<u>12,600</u>		1
Capital 30 June 2011			<u>126,676</u>	

(10 marks)

Syllabus topic 16: Capital and revenue expenditure (16.2)

(b)

(1)	Capital	1	
(2)	Revenue	1	
(3)	Capital	1	
(4)	Capital	1	
(5)	Revenue	1	
(6)	Neither	1	

(6 marks)

(Total 25 marks)

QUESTION 4

Alfred keeps his Petty Cash Book on the imprest system. The imprest, £200.00, is restored on the first day of each month. Alfred uses three analysis columns, "Travel Expenses", "Office Expenses" and "Postage and Stationery". The following transactions took place in June 2011 and July 2011:

			Voucher	£
June	1	Balance brought down		55.48
		Restored Imprest		
	5	Petrol	34	35.38
	6	Postage	35	10.50
	8	Coffee	36	3.49
	14	Postage	37	12.60
		Cash sale		18.50
	19	Rail tickets	38	55.00
	22	Postage	39	9.60
	23	Tea	40	3.50
	26	Petrol	41	28.45
	28	Envelopes	42	8.72
July	1	Restored Imprest		
		Postage	43	8.56
	2	Coffee	44	3.52
		Rail ticket	45	28.50
	8	Petrol	46	28.89
		Postage	47	12.35
	11	Tea	48	3.50
	15	Postage	49	6.50
	29	Postage	50	8.95

REQUIRED

- (a) Write up Alfred's Petty Cash Book for June and July using the detachable proforma, carrying forward the balance at the end of each month.

(Remove and use the sheet(s) on page 7 to present your answer)

(21 marks)

- (b) Prepare the following accounts for June and July:

(i) Travel Expenses

(2 marks)

(ii) Postage and Stationery.

(2 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 4

Syllabus topic 10: Petty cash book and the imprest system (10.5, (10.6) and (10.7)

		Alfred – Petty Cash Book					
Receipts		Voucher	Total	Travel Expenses	Office Expenses	Postage & Stationery	
£			£	£	£	£	
	2011						
55.48	June	1	Balance b/d				
144.52			Bank/cash				1
		5	Petrol	35.38	35.38		1
		6	Postage	10.50		10.50	1
		8	Coffee	3.49		3.49	1
		14	Postage	12.60		12.60	1
18.50			Cash sale				1
		19	Rail ticket	55.00	55.00		1
		22	Postage	9.60		9.60	1
		23	Tea	3.50		3.50	1
		26	Petrol	28.45	28.45		1
		28	Envelopes	8.72		8.72	1
				<u>167.24</u>	<u>118.83</u>	<u>6.99</u>	<u>41.42</u>
		30	Balance c/d	51.26			
<u>218.50</u>				<u>218.50</u>			
51.26	July	1	Balance b/d				
148.74			Bank/cash				1
			Postage	8.56		8.56	1
		2	Coffee	3.52		3.52	1
			Rail ticket	28.50	28.50		1
		8	Petrol	28.89	28.89		1
			Postage	12.35		12.35	1
		11	Tea	3.50		3.50	1
		15	Postage	6.50		6.50	1
		29	Postage	8.95		8.95	1
				<u>100.77</u>	<u>57.39</u>	<u>7.02</u>	<u>36.36</u>
		31	Balance c/d	99.23			
<u>200.00</u>				<u>200.00</u>			
99.23	August	1	Balance b/d				1of

(21 marks)

MODEL ANSWER TO QUESTION 4 CONTINUED

(b)

Travel Expenses Account

2011		£
June	PCB/Sundries	118.83
July	PCB/Sundries	57.39

1of

1of

(2 marks)

Postage and Stationery Account

2011		£
June	PCB/Sundries	41.42
July	PCB/Sundries	36.36

1of

1of

(2 marks)

(Total 25 marks)

For Question 4 (a)

Candidate No:.....

Centre No:.....

Petty Cash Book

Receipts	Date	Details	Voucher number	Total	Analysis Columns				
£				£	£	£	£	£	£

Please staple the completed sheet into your answer book

EDI

International House
Siskin Parkway East
Middlemarch Business Park
Coventry CV3 4PE
UK

Tel. +44 (0) 8707 202909

Fax. +44 (0) 2476 516505

Email. enquiries@ediplc.com

www.ediplc.com