

Book-keeping Level 1



International
Qualifications from EDI

Model Answers Series 3 2011 (1017)

Book- Keeping Level 1

Series 3 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

Helen had £600.00 cash and a bank overdraft of £843.27 on 31 January 2011.

She made the following cash and bank transactions during February 2011:

February	3	Banked £250.00 cash
	7	Paid wages in cash £275.00
	8	Banked John's cheque for £943.85
	12	Cash sales £450.00
	14	Paid wages in cash £285.00
	17	Banked a cheque from Fran, for £354.00, who had deducted £6.00 discount.
	18	Paid the balance on Colin's account £400.00, by cheque after deducting 2% discount
	21	Withdrew £300.00 from the bank for office use Paid wages in cash £280.00
	25	Paid James by cheque £138.67
	28	Banked Gill's cheque for 284.84.

REQUIRED

(a) Prepare Helen's Three Column Cash Book for the month of February 2011.

(15 marks)

Helen's Bank Statement shows:

		Dr £	Cr £	Balance £	
February	1			843.27	Dr
	7		250.00	593.27	Dr
	8		943.85	350.58	Cr
	12	25.00		325.58	Cr
	17		354.00	679.58	Cr
		150.00		529.58	Cr
	19		85.64	615.22	Cr
	21	300.00		315.22	Cr

REQUIRED

(b) Prepare the:

(i) Cash Book update (bank columns only)

(5 marks)

(ii) Bank Reconciliation Statement at 28 February 2011.

(5 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 1

Syllabus Topic 3: Balancing accounts

Syllabus Topic 8: Cash book, discount

Syllabus Topic 9: Bank reconciliation

(a)

Helen – Cash Book

2011			Discount Allowed	Cash	Bank	2011			Discount Received	Cash	Bank	
			£	£	£				£	£	£	
February	1	Balance b/d		600.00		February	1	Balance b/d			843.27	1
	3	Cash			250.00	1	3	Bank		250.00		1
	8	John			943.85	1	7	Wages		275.00		1
	12	Cash Sales		450.00			14	Wages		285.00		1
	17	Fran	6.00		354.00	1	18	Colin	8.00		392.00	1
	21	Bank		300.00			21	Cash			300.00	1
	28	Gill			284.84	1		Wages		280.00		1
							25	James			138.67	1
							28	Balance c/d		260.00	158.75	
			<u>6.00</u>	<u>1,350.00</u>	<u>1,832.69</u>				<u>8.00</u>	<u>1,350.00</u>	<u>1,832.69</u>	
March	1	Balance b/d		260.00	158.75	1OF						

(15 marks)

QUESTION 1 CONTINUED

(b)

(i)

Helen – Cash Book update (Bank columns)

2011			Bank	2011			Bank		
			£				£		
February	28	Balance b/d	158.75	1	February	28	Charges	25.00	1
		CT - Ella	85.64	1			Electricity	150.00	1
							Balance c/d	<u>69.39</u>	
			<u>244.39</u>					<u>244.39</u>	
March	1	Balance b/d	69.39	1of					

(5 marks)

(ii)

Helen - Bank Reconciliation Statement at 28 February 2011

	£	£	
Balance as Bank Statement		315.22	1
Add Late lodgements - Gill		<u>284.84</u>	1
		600.06	
Less Unpresented cheques:			
Colin	392.00		1of
James	<u>138.67</u>		1
		(530.67)	
Balance as per Cash Book		<u>69.39</u>	1of

(5 marks)

Alternative layouts are acceptable

(Total 25 marks)

QUESTION 2

Alison had the following balances at 31 March 2011:

	£
Capital	12,356
Office expenses	1,845
Equipment	5,200
Stock	4,950
Purchases	25,489
Sales	81,375
Provision for depreciation on motor vehicles	7,360
Travelling expenses	4,831
Sales returns	244
Debtors	14,580
Bad debts	620
Provision for depreciation on equipment	2,080
Premises	27,500
Rent receivable	2,400
Bank charges	480
Motor vehicles	18,400
Discount received	748
Creditors	4,267
Discount allowed	843
Wages	12,500
Bank	?

REQUIRED

- (a) Prepare the Trial Balance at 31 March 2011, recording the balancing figure as her Bank balance.
- (b) State **two** reasons why Alison would prepare a trial balance.

(21 marks)

(4 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 2

Syllabus Topic 11: Trial balance

(a) Alison – Trial Balance at 31 March 2011

	Dr £	Cr £	
Capital		12,356	1
Office expenses	1,845		1
Equipment	5,200		1
Stock	4,950		1
Purchases	25,489		1
Sales		81,375	1
Provision for depreciation on motor vehicles		7,360	1
Travelling expenses	4,831		1
Sales returns	244		1
Debtors	14,580		1
Bad debts	620		1
Provision for depreciation on equipment		2,080	1
Premises	27,500		1
Rent receivable		2,400	1
Bank charges	480		1
Motor vehicles	18,400		1
Discount received		748	1
Creditors		4,267	1
Discount allowed	843		1
Wages	12,500		1
Bank		6,896	1 of
	<u>117,482</u>	<u>117,482</u>	

(21 marks)

(b)

- (i) To check on the arithmetic accuracy of the Double Entry system.
- (ii) If a Trial Balance does not balance, it shows there is at least 1 error in the books.
- (iii) Once a Trial Balance is balanced, final accounts can be prepared.

2 marks per reason
Maximum 2 reasons

Any other reasonable answer

(4 marks)

(Total 25 marks)

QUESTION 3

Harold purchased the following vehicles and equipment. All payments were made by cheque.

2009			£
January	1	Vehicle A	12,000
April	14	Equipment	6,500
September	16	Vehicle B	15,000
2010			
February	4	Equipment	5,200
July	1	Vehicle C	13,500
November	26	Equipment	4,000

Harold's depreciation policy is:

- (1) A full year's depreciation is charged in the year of purchase
- (2) Vehicles depreciation is 20% per annum, reducing balance
- (3) Equipment depreciation is 10% per annum, straight line.

REQUIRED

- (a) Prepare for the years ended 31 December 2009 and 31 December 2010 the:
- (i) Vehicles Account (5 marks)
 - (ii) Equipment Account (5 marks)
 - (iii) Provision for Depreciation on Vehicles Account (6 marks)
 - (iv) Provision for Depreciation on Equipment Account. (5 marks)

REQUIRED

- (b) Prepare the Balance Sheet extract showing the fixed assets owned by Harold at 31 December 2010. (4 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 3

Syllabus Topic 2: Recording transactions

Syllabus Topic 3: Balancing accounts

Syllabus Topic 13: Depreciation

Syllabus Topic 20: Balance sheet

(a)

(i)

Vehicles Account

2009		£	2009		£
January	1	Bank (A)	12,000	1	
September	16	Bank (B)	15,000	1	
			<u>27,000</u>		
				December	31
				Balance c/d	<u>27,000</u>
					<u>27,000</u>
2010					
January	1	Balance b/d	27,000	1of	
July	1	Bank (C)	13,500	1	
			<u>40,500</u>		
				December	31
				Balance c/d	<u>40,500</u>
					<u>40,500</u>
2011					
January	1	Balance b/d	40,500	1of	

(5 marks)

(ii)

Equipment Account

2009		£	2009		£
April	14	Bank	6,500	1	
			<u>6,500</u>		
				December	31
				Balance c/d	<u>6,500</u>
					<u>6,500</u>
2010					
January	1	Balance b/d	6,500	1of	
February	4	Bank	5,200	1	
November	26	Bank	4,000	1	
			<u>15,700</u>		
				December	31
				Balance c/d	<u>15,700</u>
					<u>15,700</u>
2011					
January	1	Balance b/d	15,700	1of	

(5 marks)

(iii)

Provision for Depreciation on Vehicles Account

2009		£	2009		£
December	31	Balance c/d	<u>5,400</u>		
			<u>5,400</u>		
				December	31
				Profit & Loss	5,400 1
					<u>5,400</u>
2010					
January	1	Balance b/d	5,400	1of	
December	31	Profit & Loss	7,020	2+1of	
			<u>12,420</u>		
				December	31
				Balance c/d	<u>12,420</u>
					<u>12,420</u>
2011					
January	1	Balance b/d	12,420	1of	

(6 marks)

Reducing Balance calculation

2009	Cost £27,000	Aggregate Depreciation £0	Net £27,000	Depreciation expense 20% = £5,400
2010	Cost £40,500	Aggregate Depreciation £5,400	Net £35,100	Depreciation expense 20% = £7,020

QUESTION 3 CONTINUED

(iv) **Provision for Depreciation on Equipment Account**

		£	2009			£	
2009				Dec	31	Profit & Loss	650 1
Dec	31	Balance c/d	<u>650</u>				<u>650</u>
			<u>650</u>				
2010				2010			
				Jan	1	Balance b/d	650 1of
Dec	31	Balance c/d	<u>2,220</u>	Dec	31	Profit & Loss	1,570 1+1of
			<u>2,220</u>				<u>2,220</u>
				2011			
				Jan	1	Balance b/d	2,220 1of

(5 marks)

(b)

	Cost	Aggregate Depreciation	Net Book Value	
	£	£	£	
Fixed Assets				
Vehicles	40,500	12,420	28,080	1+1of
Equipment	<u>15,700</u>	<u>2,220</u>	<u>13,480</u>	1+1of
	<u>56,200</u>	<u>14,640</u>	41,560	

(4 marks)

(Total 25 marks)

QUESTION 4

John keeps his Petty Cash Book on the imprest system. The imprest on 1 April 2011 was £250.00. The petty analysis columns used by John are:

- Travelling expenses
- General expenses
- Stationery and Postage expenses

The last voucher used in March was number 683.

The following transactions took place during May and June:

2011		£
April	1 Balance brought forward	112.63
	Restored imprest to £250.00	?
	6 Petrol	22.54
	8 Tea	5.48
	10 Rail fares	14.65
	Stationery	18.24
	15 Milk and coffee	7.89
	27 Petrol	23.47
	30 Postage	20.00
May	1 Drew cash to permanently reduce the imprest to £200	?
	4 Milk	2.40
	7 Coffee	6.47
	11 Stationery	15.41
	16 Petrol	26.87
	19 Rent received in cash	30.00
	24 Postage	25.00
	28 Rail fares	37.95

REQUIRED

- (a) Write up and balance the Petty Cash Book for the months of April and May 2011.

(21 marks)

Remove and use the sheet(s) on page(s) (13/14) to present your answer

- (b) Prepare for April and May 2011 the:

(i) Stationery and Postage Account

(2 marks)

(ii) Travelling Expenses Account.

(2 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 4

Syllabus Topic 2: Recording transaction
Syllabus Topic 10: Petty cash book

(a)

John – Petty Cash Book

Receipts £		2011	No.	Total £	Travelling expenses £	General expenses £	Stationery and postage £	
112.63	1	April	1	Balance b/d				
137.37	1			Bank				
<u>250.00</u>			6	Petrol	684	22.54		1
			8	Tea	685	5.48	5.48	1
			10	Rail fares	686	14.65		1
				Stationery	687		18.24	1
			15	Milk and coffee	688	7.89		1
			27	Petrol	689	23.47		1
			30	Postage	690	<u>20.00</u>	<u>20.00</u>	1
						<u>112.27</u>	<u>38.24</u>	
						<u>60.66</u>	<u>13.37</u>	
			31	Balance c/d		<u>137.73</u>		
<u>250.00</u>						<u>250.00</u>		
137.73	1of	May	1	Balance b/d				
62.27	1of			Bank				
<u>200.00</u>			4	Milk	691	2.40	2.40	1
			7	Coffee	692	6.47	6.47	1
			11	Stationery	693	15.41	15.41	1
			16	Petrol	694	26.87		1
30.00	1		19	Rent receivable				
			24	Postage	695	25.00	25.00	1
			28	Rail fares	696	<u>37.95</u>		1
						<u>114.10</u>	<u>64.82</u>	
						<u>8.87</u>	<u>40.41</u>	
			30	Balance c/d		<u>115.90</u>		
<u>230.00</u>						<u>230.00</u>		
115.90	1+1of	June	1	Balance b/d				

Voucher numbers 1

(21 marks)

QUESTION 4 CONTINUED

(b) (i)

Stationery and Postage Account			
2011		£	£
April 30	*Petty Cash Book	38.24	1of
May 31	Petty Cash Book	40.41	1of

(2 marks)

(ii)

Travelling Expenses Account			
2011		£	£
April 30	Petty Cash Book	60.66	1of
May 31	Petty Cash Book	64.82	1of

(2 marks)

*Accept:

Sundries
Total for the month

(Total 25 marks)

For Question 4 (a)

Candidate No:.....
Centre Code:.....

Petty Cash Book									
Receipts	Date	Details	Voucher number	Total	Analysis Columns				
£				£	£	£	£	£	£

Please staple the completed sheet into your answer book

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