

Book-keeping Level 1



International
Qualifications from EDI

Model Answers Series 3 2012 (1017)

Book- Keeping Level 1

Series 3 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

The list of balances from Ari's books at 31 December 2011 was as follows:

	£
Equipment	25,000
Motor vehicle expenses	5,467
Sales	145,000
Cash	250
Stock at 1 January 2011	9,250
Capital	59,850
General expenses	48,413
Returns inwards	2,410
Provision for depreciation - Motor vehicles	11,400
Debtors	24,680
Purchases	55,400
Bank loan	10,000
Motor vehicles	28,500
Returns outwards	1,745
Carriage inwards	925
Drawings	2,400
Provision for depreciation - equipment	10,000
Wages and salaries	44,350
Carriage outwards	1,650
Creditors	8,461
Bank (to balance)	?

REQUIRED

- (a) Prepare the Trial Balance at 31 December 2011. (21 marks)
- (b) List **four** items of additional information that you would need to know to be able to prepare the final accounts for 2011. (4 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 1

Syllabus topic 11: 11.2 Prepare a Trial Balance and identify the need for adjustments

(a) **Ari – Trial Balance at 31 December 2011**

	Debit £	Credit £	
Equipment	25,000		1
Motor vehicle expenses	5,467		1
Sales		145,000	1
Cash	250		1
Stock at 1 January 2011	9,250		1
Capital		59,850	1
General expenses	48,413		1
Returns inwards	2,410		1
Provision for depreciation - Motor vehicles		11,400	1
Debtors	24,680		1
Purchases	55,400		1
Bank loan		10,000	1
Motor vehicles	28,500		1
Returns outwards		1,745	1
Carriage inwards	925		1
Drawings	2,400		1
Provision for depreciation - equipment		10,000	1
Wages and salaries	44,350		1
Carriage outwards	1,650		1
Creditors		8,461	1
Bank		<u>2,239</u>	1 of
	<u>248,695</u>	<u>248,695</u>	

(21 marks)

- (b) Accruals
Prepayments
Closing stock
Depreciation methods and rates
Debts to be treated as bad

1 mark each to a maximum of 4

(4 marks)

(Marks should be awarded for other valid items)

(Total 25 marks)

QUESTION 2

On 1 May 2011 Bhanee had a cash balance of £245.00 and a balance at bank of £62.77Dr. The following cash and bank transactions took place during May 2011:

May		Cheque N ^o	£
5	Cash sales		385.00
6	Wages, paid by cash		216.50
	Banked cash		200.00
8	Banked cheque from Bjorn who claimed £1.50 cash discount		148.50
10	Paid Kai's account of £750.00, less 2% cash discount	168	?
	Paid Zeno by cheque	169	75.46
19	Cash sales		155.00
20	Wages, paid by cash		236.25
23	Banked cheque from lola		367.81
25	Drawings	170	150.00
	Travelling expenses, paid by cash		54.80
	Paid Ella's account of £440, less cash discount	171	431.20
30	Cash sales		250.00

REQUIRED

- (a) Prepare the Three-column Cash Book for May 2011.

(16 marks)

Bhanee's bank statement for May 2011 was as follows:

May		Debit £	Credit £	Balance £	
1	Balance			62.77	Cr
6	Sundries		200.00	262.77	Cr
8	D.D. Gas	55.00		207.77	Cr
	Banking		148.50	356.27	Cr
15	C.T. Yaffa		580.00	936.27	Cr
18	168	735.00		201.27	Cr
23	Banking		367.81	569.08	Cr
	Charges	20.00		549.08	Cr
28	170	150.00		399.08	Cr

REQUIRED

- (b) Update the bank columns of the Cash Book.

(5 marks)

- (c) Prepare the Bank Reconciliation Statement at 31 May 2011.

(4 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 2

Syllabus topics: 8.2 Prepare a three-column Cash Book, 9.2 Update the Cash Book, 9.4 Prepare a Bank Reconciliation Statement

(a) **Bhanee - Cash Book**

May	Disc't £	Cash £	Bank £	May	Nº	Disc't £	Cash £	Bank £
1 Balance b/d		245.00	62.77	6 Wages			216.50	1
5 Sales		385.00	1	Bank			200.00	1
6 Cash			200.00	10 Kai	168	15.00		735.00
8 Bjorn	1.50		148.50	Zeno	169			75.46
19 Sales		155.00	1	20 Wages			236.25	1
23 lola			367.81	25 Drawings	170			150.00
30 Sales		250.00	1	Travelling			54.80	1
				Ella	171	8.80		431.20
31 Balance c/d			612.58	31 Balance c/d			327.45	1
	<u>1.50</u>	<u>1,035.00</u>	<u>1,391.66</u>			<u>23.80</u>	<u>1,035.00</u>	<u>1,391.66</u>
June				June				
1 Balance b/d		327.45		1 Balance b/d				612.58

(16 marks)

(b) **Bhanee – Cash Book update**

May	Bank £	June	Bank £
15 Yaffa	580.00	1 Balance b/d	612.58
		May	
		8 DD - Gas	55.00
31 Balance c/d	<u>107.58</u>	23 Charges	<u>20.00</u>
	<u>687.58</u>		<u>687.58</u>
		June	
		1 Balance b/d	107.58

(5 marks)

(c) **Bhanee – Bank Reconciliation Statement at 31 May 2011**

Balance as per Bank Statement	£	£	
		399.08	1
Less unpresented cheques			
169 Zeno		75.46	1
171 Ella		<u>431.20</u>	1
		506.66	
Balance as per Cash Book		<u>107.58</u>	O/d 1

(4 marks)

(Total 25 marks)

QUESTION 3

Greta's provisional accounts for the year ended 30 September 2010 show a gross profit of £45,327 and a net profit of £12,468.

On checking the financial statements Greta has found several errors:

- (1) An invoice for goods supplied to Amir, £326, has been recorded as £362
- (2) A credit note for goods returned to Bluze, £247, has not been recorded
- (3) An invoice, £1,853, for redecorating the offices has been posted to the Land and Buildings Account
- (4) A payment of £800 for insurance has been debited to the Purchases Account.

REQUIRED

- (a) Identify the types of error in (1) to (4) above (4 marks)
- (b) Prepare the journal entries to correct the errors in (1) to (4) above. Narratives are not required. (8 marks)
- (c) Prepare a table to show the effect, on Gross Profit and Net Profit, of the correction of each of the above errors. The format of this table is set out below: (13 marks)

	Gross Profit		Net Profit	
	£	£	£	£
From provisional accounts			45,327	12,468
Adjustments:	£	£	£	£
	Increase	Decrease	Increase	Decrease
(1)				
(2)				
(3)				
(4)				
Net effect on profits				
Revised profits				

(Total 25 marks)

MODEL ANSWER TO QUESTION 3

Syllabus topics: 17.3 Select the type of error, 17.4 Record adjusting Journal entries, 17.5 Show the effect of errors on Gross and Net Profit

- | | | | |
|-----|-----|----------------|---|
| (a) | (1) | Original entry | 1 |
| | (2) | Omission | 1 |
| | (3) | Principle | 1 |
| | (4) | Commission | 1 |
- (4 marks)

		Greta - Journal		
		Dr	Cr	
		£	£	
(1)	Amir Sales	36	36	1 1
(2)	Bluze Purchases returns	247	247	1 1
(3)	Property expenses Land and buildings	1,853	1,853	1 1
(4)	Insurance Purchases	800	800	1 1

(8 marks)

(c)		£	£	Gross Profit		£	£	Net Profit	
	From provisional accounts			£		£		£	
				45,327				12,468	1 (both)
	Adjustments:	Increase	Decrease			Increase	Decrease		
(1)			36				36		2
(2)		247				247			2
(3)		-	-				1,853		2
(4)		800				-	-		2
		<u>1,047</u>	<u>36</u>			<u>247</u>	<u>1,889</u>		
	Net effect on profits			1,011				(1,642)	1+1of
	Revised profits			<u>46,338</u>				<u>10,826</u>	1+1of

(13 marks)

(Total 25 marks)

QUESTION 4

Saul keeps his Petty Cash book on the imprest system. The imprest, £150.00, is restored on the first day of each month.

Saul uses **three** analysis columns, these being:

- Postage and stationery
- Office expenses
- Travelling expenses

The following transactions took place in May and June 2011:

		Voucher Number	£
May	1 Balance brought forward		83.25
	Restored Imprest		
	4 Postage	24	25.00
	10 Stationery	25	10.54
	11 Rail fare	26	36.85
	Cash sale		35.00
	18 Coffee	27	3.65
	19 Postage	28	25.00
	26 Tea	29	3.25
June	1 Restored Imprest		?
	4 Stationery	30	24.30
	11 Postage	31	27.50
	14 Ink jet refills	32	14.76
	18 Tea	33	3.26
	19 Rail fare	34	47.12
	25 Sale of stationery		5.00
	28 Coffee	35	3.75

REQUIRED

- (a) Write up Saul's Petty Cash Book for May and June 2011, carrying forward the balance at the end of each month. (Remove and use the petty cash sheet from the next page) (21 marks)
- (b) Prepare the Postage and Stationery account and balance the accounts for May and June 2011. (4 marks)

(Total 25 marks)

MODEL ANSWER TO QUESTION 4

Syllabus topics: 10 Prepare a Petty Cash Book, 2.2 Prepare a "T" Account for expenses

(a) **Saul – Petty Cash Book**

Receipts £	2011		N ^o	Total £	Postage and Stationery £	Office Expenses £	Travelling Expenses £	
83.25	May	1						
66.75								
		4						
		10	24	25.00	25.00			1
		11	25	10.54	10.54			1
			26	36.85			36.85	1
35.00	1							
		18	27	3.65		3.65		1
		19	28	25.00	25.00			1
		26	29	3.25		3.25		1
				<u>104.29</u>	<u>60.54</u>	<u>6.90</u>	<u>36.85</u>	
		31		80.71				1
<u>185.00</u>				<u>185.00</u>				
80.71	June	1						of 1
69.29								of 1
		4	30	24.30	24.30			1
		11	31	27.50	27.50			1
		14	32	14.76	14.76			1
		18	33	3.26		3.26		1
		19	34	47.12			47.12	1
5.00	1	25						
		28	35	3.75		3.75		1
				<u>120.69</u>	<u>66.56</u>	<u>7.01</u>	<u>47.12</u>	1
		30		34.31				
<u>155.00</u>				<u>155.00</u>				
34.31	July	1						of 1

1 mark for voucher numbers

(21 marks)

(b) **Postage and Stationery Account**

2011	£	2011	£
May 31 PCB*	<u>60.54</u>	May 31 Balance c/d	<u>60.54</u>
June 1 Balance b/d	60.54	June 30 PCB*	5.00
June 30 PCB*	<u>66.56</u>	June 30 Balance c/d	<u>122.10</u>
	<u>127.10</u>		<u>127.10</u>
July 1 Balance b/d	122.10	Of	

* Accept sundries total for month

(4 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

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