

## **Book-keeping Level 1**



International  
Qualifications from EDI

### **Model Answers** Series 4 2011 (1017)

# Book- Keeping Level 1

## Series 4 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.

© Education Development International plc 2011

All rights reserved; no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the Publisher. The book may not be lent, resold, hired out or otherwise disposed of by way of trade in any form of binding or cover, other than that in which it is published, without the prior consent of the Publisher.

## QUESTION 1

The following Trial Balance was extracted from Lucy's books at 28 February 2011:

	Dr £	Cr £
Capital at 1 March 2010		14,880
Equipment	9,000	
Vehicles	11,000	
Stock at 1 March 2010	5,450	
Provisions for depreciation:		
equipment		4,200
vehicles		4,600
Sales		94,827
Purchases	32,849	
Returns	217	628
General expenses	18,647	
Vehicle expenses	4,852	
Wages	26,214	
Drawings	3,600	
Discounts	746	233
Bank		4,592
Cash	250	
Debtors and Creditors	<u>16,782</u>	<u>5,647</u>
	<u>129,607</u>	<u>129,607</u>

Additional information at 28 February 2011:

	£
(1) Stock	5,780
(2) Included in General expenses is the cost of decorating Lucy's house	650
(3) Wages accrued	520
(4) Vehicle expenses prepaid	175
(5) Depreciation is calculated as follows: equipment - 20% per annum on cost vehicles – 20% per annum reducing balance	
(6) A bad debt of £286 to be written off.	

### REQUIRED

Prepare the:

- (a) Trading and Profit & Loss Account for the year ended 28 February 2011 (12 marks)
- (b) Balance Sheet at 28 February 2011. (13 marks)

**(Total 25 marks)**

**MODEL ANSWER TO QUESTION 1**  
**Syllabus Topic 19: Profit and Loss Accounts**  
**Syllabus Topic 20: Balance Sheet**

(a) **Lucy – Trading and Profit & Loss Account for the year ended 28 February 2011**

	£	£	
Sales	94,827		
Sales returns	( 217)	94,610	1
<b>Less : Cost of Sales</b>			
Opening stock	5,450		
Purchases	32,849		1
Purchase returns	(628)		
	<u>37,671</u>		
Closing stock	<u>5,780</u>	<u>31,891</u>	
<b>Gross profit</b>		62,719	1Of
<b>Add:</b> Discount received		<u>233</u>	1
		62,952	
<b>Less:</b> General expenses (18,647-650)	17,997		1
Vehicle expenses (4,852-175)	4,677		1
Wages (26,214+520)	26,734		1
Depreciation:			
equipment (9,000x20%)	1,800		1
vehicles (6,400x20%)	1,280		1
Discount allowed	746		1
Bad debts	<u>286</u>	<u>53,520</u>	1
<b>Net profit</b>		<u>9,432</u>	1Of

(12 marks)

(b) **Lucy – Balance Sheet at 28 February 2011**

		Cost £	Aggregate Depreciation £	Net Book Value £	
<b>Fixed assets</b>	Equipment	9,000	6,000	3,000	1+1Of
	Vehicles	<u>11,000</u>	<u>5,880</u>	<u>5,120</u>	1+1Of
		<u>20,000</u>	<u>11,880</u>	8,120	
<b>Current assets</b>	Stock		5,780		1
	Debtors		16,496		1
	Prepayment		175		1
	Cash		<u>250</u>		1
			<u>22,701</u>		
<b>Current liabilities</b>	Bank overdraft	4,592			1
	Creditors	5,647			1
	Accrual	<u>520</u>			1
			<u>10,759</u>		
<b>Net current assets</b>				<u>11,942</u>	
<b>Net assets</b>				<u>20,062</u>	
<b>Capital 1 March 2010</b>				14,880	
Add Net profit				<u>9,432</u>	1Of
				24,312	
Less Drawings (3,600+650)				<u>4,250</u>	1
<b>Capital 28 February 2011</b>				<u>20,062</u>	

(13 marks)

**(Total 25 marks)**

**QUESTION 2**

Ken's Trading and Profit & Loss Account for the year ended 31 December 2010 showed a gross profit of £32,400 and net profit of £7,820. Subsequently the following errors were found in the books:

- (1) Petrol purchased on credit from Jim's Garage, £150, had not been recorded in the books
- (2) Stationery, £45, had been debited to the Purchases Account
- (3) No record had been made of stock, cost £520, taken by Ken for his personal use
- (4) Ken introduced capital during the year, £2,000, this has been credited to Sales Account
- (5) The stock sheets at 31 December 2010 totalled £8,530, the stock figure included in the final accounts was £5,830
- (6) Discount allowed to Ethel, £13, had been debited to her personal account and credited to the Discount Allowed Account.

**REQUIRED**

- (a) Prepare the Journal entries to correct each of the items, (1) to (6) above. Narratives are **not** required. (14 marks)
- (b) Prepare a table, **as below**, and show the effect of correcting each of the above items (1) to (6) on both the gross profit and the net profit. Item (1) has been adjusted as an example. (11 marks)

	Gross Profit		£ 32,400	Net Profit		£ 7,820
	Plus	Minus		Plus	Minus	
Profit as per accounts	£	£		£	£	
Effect on profit						
(1)	-	-		-	150	
(2)						
(3)						
(4)						
(5)						
(6)						
Net effect	_____	_____		_____	_____	
Revised profit			_____		_____	

**(Total 25 marks)**

**MODEL ANSWER TO QUESTION 2**  
**Syllabus Topic 17: Errors in the Accounts**

(a) **Ken – Journal**

		Dr £	Cr £	
(1)	Vehicle Expenses Jim's Garage	150	150	1 1
(2)	Stationery Purchases	45	45	1 1
(3)	Drawings Purchases	520	520	1 1
(4)	Sales Capital	2,000	2,000	1 1
(5)	Stock Trading	2,700	2,700	1 1
(6)	Discount Allowed (2 x £13) Ethel (2 x £13)	26	26	1+1Of 1+1Of

(14 marks)

(b) **Ken – Correction of Gross and Net Profit for the year ended  
31 December 2010**

	Gross Profit			Net Profit		£	
	Plus £	Minus £	£	Plus £	Minus £		
Profit as per accounts			32,400			7,820	
Effect on profit							
(1)	-	-		-	150		1
(2)	45						1
(3)	520			520			2
(4)		2,000			2,000		2
(5)	2,700			2,700			2
(6)					26		1
Net effect	<u>3,265</u>	<u>2,000</u>	<u>1,265</u>	<u>3,220</u>	<u>2,176</u>	1,044	
Revised profits			<u>33,665</u>			<u>8,864</u>	2Of

(11 marks)

**(Total 25 marks)**

### QUESTION 3

Jayne keeps her Petty Cash Book on the imprest system. The imprest was restored to £100.00 on 1 March 2011. Jayne uses three analysis columns:

- Travelling expenses
- General expenses
- Postage and Stationery expenses.

The last voucher used in February was number 342.

The following transactions took place during March and April:

<b>2011</b>			<b>£</b>
March	1	Balance brought down	8.34
		Restored imprest to £100	?
	5	Stationery	6.42
	7	Petrol	32.68
	12	Postage	12.00
		Coffee	6.23
	17	Milk and tea	8.46
	23	Rail fares	25.15
28	Stationery	7.29	
April	1	Restored imprest to £150	?
	8	Rail fares	45.20
		Milk	2.55
	13	Postage	15.00
	15	Cash sales	25.00
	20	Milk and sugar	5.46
	21	Petrol	38.64
25	Stationery	13.55	

### REQUIRED

- (a) Prepare the Petty Cash Book for March and April and carry the balance forward at the end of each month. (21 marks)

**Remove and use the sheet(s) on page (6) to present your answer**

- (b) Prepare for March and April 2011 the:
- (i) General Expenses Account (2 marks)
  - (ii) Postage and Stationery Account. (2 marks)

**(Total 25 marks)**

**MODEL ANSWER TO QUESTION 3**  
**Syllabus Topic 10: Petty Cash Book and Imprest System**

(a) **Jayne - Petty Cash Book**

Receipts £	2011		No.	Total £	Travelling expenses £	General expenses £	Postage and Stationery £	
8.34	Mar	1						1
<u>91.66</u>								1
100.00								
		5	343	6.42			6.42	1
		7	344	32.68	32.68			1
		12	345	12.00			12.00	1
			346	6.23		6.23		1
		17	347	8.46		8.46		1
		23	348	25.15	25.15			1
		28	349	<u>7.29</u>			<u>7.29</u>	1
				98.23	<u>57.83</u>	<u>14.69</u>	<u>25.71</u>	
				<u>1.77</u>				
<u>100.00</u>				<u>100.00</u>				
1.77	Apr	1						10f
<u>148.23</u>								1
150.00								
		8	350	45.20	45.20			1
			351	2.55		2.55		1
		13	352	15.00			15.00	1
25.00		15						1
		20	353	5.46		5.46		1
		21	354	38.64	38.64			1
		25	355	<u>13.55</u>			<u>13.55</u>	1
				120.40	<u>83.84</u>	<u>8.01</u>	<u>28.55</u>	
				<u>54.60</u>				
<u>175.00</u>				<u>175.00</u>				
54.60	May	1						1+10f
								1

Voucher numbers

(21 marks)

(b)(i) **General Expenses Account**

2011		£	£	
Mar 31	*Petty Cash Book	14.69		1 Of
Apr 30	Petty Cash Book	8.01		1 Of

(2 marks)

(b)(ii) **Postage and Stationery Account**

2011		£	£	
Mar 31	Petty Cash Book	25.71		1 Of
Apr 30	Petty Cash Book	28.55		1 Of

(2 marks)

\*Accept: Sundries  
 Total for the month

**(Total 25 marks)**



#### QUESTION 4

At 31 January 2011 Ann's books had the following balances:

	£
Capital	682
Cash	500
John (a supplier)	417
Jean (a customer)	599

During February 2011, the following transactions took place:

		£	
February	2	Paid John in cash	120
	12	Received from Jean in cash	241
	18	Purchased goods on credit from John	121
		Sold goods on credit to Jean	288
	27	Cash sale	50

#### REQUIRED

Prepare the:

- (a) Ledger accounts in the books of Ann for the month of February 2011.  
Balance the accounts and carry down the balances

Day books are **not** required. (19 marks)

- (b) Trial Balance at 28 February 2011. (6 marks)

**(Total 25 marks)**

**MODEL ANSWER TO QUESTION 4**

**Syllabus Topic 2: Recording Transaction through Double Entry**

**Syllabus Topic 3: Balancing Accounts**

**Syllabus Topic 11: Trial Balance**

**Ann - Capital Account**

2011		£	2011		£		
Feb	28	Balance c/d	682	Feb	1	Balance b/d	682
			<u>682</u>				<u>682</u>
				Mar	1	Balance b/d	682

**Cash Account**

2011		£	2011		£		
Feb	1	Balance b/d	500	Feb	2	John	120
	12	Jean	241				
	27	Sales	50		28	Balance c/d	671
			<u>791</u>				<u>791</u>
Mar	1	Balance b/d	671				

**John Account**

2011		£	2011		£		
Feb	2	Cash	120	Feb	1	Balance b/d	417
	28	Balance c/d	418		18	Purchases	121
			<u>538</u>				<u>538</u>
Mar	1	Balance b/d	418	Mar	1	Balance b/d	418

**Jean Account**

2011		£	2011		£		
Feb	1	Balance b/d	599	Feb	12	Cash	241
	18	Sales	288		28	Balance c/d	646
			<u>887</u>				<u>887</u>
Mar	1	Balance b/d	646				

**Purchases Account**

2011		£	2011		£		
Feb	18	John	121	Feb	28	Balance c/d	121
			<u>121</u>				<u>121</u>
Mar	1	Balance b/d	121				

**Sales Account**

2011		£	2011		£		
Feb	28	Balance c/d	338	Feb	18	Jean	288
			<u>338</u>		27	Cash	50
				Mar	1	Balance b/d	338

(19 marks)

(b)

**Ann – Trial Balance at 28 February 2011**

	<b>Dr</b>	<b>Cr</b>	
	<b>£</b>	<b>£</b>	
Capital		682	1
Cash	671		1
John		418	1
Jean	646		1
Purchases	121		1
Sales		<u>338</u>	1
	<u>1,438</u>	<u>1,438</u>	(6 marks)

**(Total 25 marks)**





**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](mailto:enquiries@ediplc.com)  
[www.ediplc.com](http://www.ediplc.com)



International  
Qualifications from EDI