

*Certificate in*

# **Book-keeping**



*Level 1*

*Series 2 2003*

*(Code 1006)*

## **Model Answers**



# **Certificate in Book-keeping Level 1**

## **Series 2 2003**

### **How to use this booklet**

Model Answers have been developed by LCCIEB to offer additional information and guidance to Centres, teachers and candidates as they prepare for LCCIEB examinations. 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.

The London Chamber of Commerce and Industry Examinations Board provides Model Answers to help candidates gain a general understanding of the standard required. The Board accepts that candidates may offer other answers that could be equally valid.

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# Certificate in Book-keeping Level 1

## Series 2 2003

### QUESTION 1

Alan Peters, a retailer of toys, prepares final accounts at the end of each six-month period. On the 1 January 2002, the following balances appeared in his books:

	£
Telephone	150 credit
Insurance	250 debit
Rent Payable	400 debit
Interest Receivable	600 debit

During the six months ended 30 June 2002, the following transactions took place. All receipts and payments were made by cheque:

		£
15 January	Paid telephone expenses	220
29 January	Paid rent for the three months ending 30 April 2002	1,200
27 February	Paid insurance for the three months ending 31 May 2002	375
16 March	Reimbursed employee for sundry telephone costs	45
1 April	Received 8% interest on Deposit Account in respect of the year ended 31 March 2002	800
18 April	Paid sundry insurances for the period ended 30 June 2002	310
15 June	Paid rent for the three months ended 31 July 2002	1,500

Additional information:

- (1) At 30 June 2002, Alan Peters owed £135 for telephone and the insurance premium of £375 in respect of the three months ended 31 August remained unpaid.
- (2) The amount in the Deposit Account and the annual interest rate remained unaltered.

### REQUIRED

- (a) Open the four ledger accounts listed above and enter the stated balances. Post all payments and adjustments, and balance the accounts at 30 June 2002 at the same time making the appropriate transfers to the Profit & Loss Account.
 

(20 marks)

On 1 July 2002, Alan Peters' stationery stock was valued at £500. On 16 July he purchased additional supplies for £180 cash and on 25 July took, for his own use, some stationery costing £80.

### REQUIRED

- (b) Write up the stationery account from the above details and balance the account at 31 July 2002.
 

(5 marks)

**(Total 25 marks)**

**Model Answer to Question 1**

(a)

**Telephone Account**

2002		£	2002		£
15.1	Bank	220	1.1	Bal b/d	150
16.3	Bank	45	30.6	P&L A/C	250
30.6	Bal c/d	<u>135</u>			
		<u>400</u>			<u>400</u>
			1.7	Bal b/d	135

**Insurance Account**

2002		£	2002		£
1.1	Bal b/d	250	30.6	P&L A/C	1,060
27.2	Bank	375			
18.4	Bank	310			
30.6	Bal c/d	<u>125</u>			
		<u>1,060</u>			<u>1,060</u>
			1.7	Bal b/d	125

**Rent Payable Account**

2002		£	2002		£
1.1	Bal b/d	400	30.6	Bal c/d	500
29.1	Bank	1,200	30.6	P&L A/C	2,600
15.6	Bank	<u>1,500</u>			
		<u>3,100</u>			<u>3,100</u>
1.7	Bal b/d	500			

**Interest Receivable**

2002		£	2002		£
1.1	Bal b/d	600	1.4	Bank	800
30.6	P&L A/C	<u>400</u>	30.6	Bal c/d	<u>200</u>
		<u>1,000</u>			<u>1,000</u>
1.7	Bal b/d	200			

**Model Answer to Question 1 continued**

(b)

<b>Stationery Account</b>					
<b>2002</b>		<b>£</b>		<b>2002</b>	<b>£</b>
1.7	Bal b/d	500		25.7	Drawings      80
16.7	Cash	<u>180</u>		31.7	Bal c/d <u>600</u>
		<u>680</u>			<u>680</u>
1.8	Bal b/d	600			

**QUESTION 2**

The following information related to the banking transactions of Monty Parsons for the month of April 2002:

<b>Cash Book (bank columns only)</b>					
£			£		
April			April	Cheque No	
1	Bal b/d	3,540	1	Transfer to Deposit Account	4,000
			2	Wages (420)	800
4	Sales	3,800	9	Wages (421)	800
21	B Brush	700	12	Purchases (422)	943
28	J Allen	1,500	15	Drawings (423)	500
30	Sales	1,600	16	Wages (424)	800
			22	Stationery (425)	90
			23	Wages (426)	850
			30	Wages (427)	900

<b>Bank Statement</b>					
		Dr			Balance
		£	Cr		
				£	
April					
1	Balance b/d			3,540	Cr
	Transfer to Deposit	4,000		460	Dr
2	P Hamper: refer to drawer	150		610	Dr
5	Credit		3,800		
	420	800		2,390	Cr
12	421	800		1,590	Cr
15	422	943			
	P Jacks C/T		2,100	2,747	Cr
18	423	500		2,247	Cr
19	424	800		1,447	Cr
23	Bank charges B Brush	450	700	1,697	Cr
25	Insurance D/D	200		1,497	Cr
26	426	850		647	Cr
29	Rent - S/O	300		347	Cr

**REQUIRED**

- (a) Calculate the provisional cash book balance on 30 April 2002 and enter this balance in your answer book. Update the cash book by entering any relevant additional items from the bank statement. (8 marks)
- (b) Prepare a bank reconciliation statement at 30 April 2002. (12 marks)

The Deposit Account opened on the 1 April 2002 with the transfer of £4,000, earns interest at the rate of 10% per annum. This interest is added to the account on the 30 September and 31 March each year and is calculated on the Deposit Account balance at the time the interest is due.

**REQUIRED**

- (c) Write up the Deposit Account for the year ended 31 March 2003, as it would appear in the books of Monty Parsons. (5 marks)

**(Total 25 marks)**





### QUESTION 3

Francis Kelvin owns a business that makes and sells china animals. During the financial year ended 31 December 2002 he incurred the following items of expenditure:

- (i) Clay for making the china animals
- (ii) Wages of sales staff
- (iii) Purchase of a potters wheel for use in the business
- (iv) Installation costs for the potters wheel
- (v) Wages of staff operating the potters wheel
- (vi) Redecoration of store-room
- (vii) Purchase of a burglar alarm for the store-room
- (viii) Payment of extra wages to own staff for fitting the burglar alarm
- (ix) Payment of architects fees for designing the proposed new shop
- (x) Purchase of a new telephone system for the business

### REQUIRED

- (a) List the above numbers (i) to (x) in your answer book and against each number state whether the related expenditure is **either** revenue or capital. (13 marks)

On 5 July 2000, Francis Kelvin purchased on credit from CFD, a new computer system for £16,000. Francis depreciates all of his equipment at 25% per annum using the reducing balance method. He provides a full years depreciation in the year of purchase but no depreciation in the year of sale. On 1 September 2002, Francis sold the computer system for £5,000 cash.

### REQUIRED

- (b) In the books of Francis Kelvin, prepare the following ledger accounts to record the above information:
- (i) Computer Asset Account (4 marks)
  - (ii) Computer Provision for Depreciation Account (4 marks)
  - (iii) Disposal of Computer Account. (4 marks)
- (Total 25 marks)**

**Model Answer to Question 3**

- (a) (i) Revenue
- (ii) Revenue
- (iii) Capital
- (iv) Capital
- (v) Revenue
- (vi) Revenue
- (vii) Capital
- (viii) Capital
- (ix) Capital
- (x) Capital

(b) (i)

<b>Computer Asset Account</b>				
<b>2000</b>		<b>£</b>	<b>2002</b>	<b>£</b>
5.7	CFD	<u>16,000</u>	1.9	Disposals Account <span style="float: right;"><u>16,000</u></span>

(ii)

<b>Provision for Depreciation Account</b>				
<b>2000</b>		<b>£</b>	<b>2000</b>	<b>£</b>
31.12	Bal c/d	<u>4,000</u>	31.12	P&L A/C <span style="float: right;"><u>4,000</u></span>
<b>2001</b>			<b>2001</b>	
31.12	Bal c/d	7,000	1.1	Bal b/d <span style="float: right;">4,000</span>
		<u>7,000</u>	31.12	P&L A/C <span style="float: right;"><u>3,000</u></span>
				<u>7,000</u>
<b>2002</b>			<b>2002</b>	
1.9	Disposals Account	<u>7,000</u>	1.1	Bal b/d <span style="float: right;"><u>7,000</u></span>

(iii)

<b>Disposals Account</b>				
<b>2002</b>		<b>£</b>	<b>2002</b>	<b>£</b>
1.9	Computer Asset	16,000	1.9	Cash <span style="float: right;">5,000</span>
			1.9	Provision for Dep'n <span style="float: right;">7,000</span>
		<u>16,000</u>	31.12	P&L A/C <span style="float: right;"><u>4,000</u></span>
				<u>16,000</u>

#### QUESTION 4

The following list of balances was extracted from the books of W Eastern at 31 March 2003:

	£
Carriage in	1,520
Carriage out	800
Purchases	125,600
Office equipment	20,000
Motor vehicle	17,000
Sales	235,700
Wages and salaries	61,000
Lighting and heating	8,400
Rent payable	6,200
Vehicle running costs	4,000
Telephone expenses	7,650
General office expenses	3,180
Debtors	36,200
Creditors	22,440
Provision for Depreciation:	
Motor vehicle	6,800
Office equipment	10,000
Drawings	15,900
Bank (credit balance)	7,070
Cash	300
Stock (1 April 2002)	8,000
Returns inwards	3,300
Returns outwards	1,800
Owners Capital	35,240

#### Additional information at 31 March 2003:

- (1) Stock on hand was valued at £10,920
- (2) Rent prepaid £850
- (3) General expenses accrued £454
- (4) Depreciation is to be provided for as follows:
  - Motor vehicle – 40% reducing balance
  - Office equipment – 25% straight line
- (5) A doubtful debts provision is to be created at 3% of closing debtors

#### REQUIRED

Prepare for W Eastern:

- (a) A Trading, Profit & Loss Account for the year ended 31 March 2003

(16 marks)

- (b) A Balance Sheet at 31 March 2003.

(9 marks)

**(Total 25 marks)**

**Model Answer to Question 4**

(a)

**W Eastern  
Trading, Profit & Loss Account  
year ended 31 March 2003**

	£	£	£
Sales			235,700
Less: Returns in			<u>3,300</u>
			232,400
<b>Cost of Sales:</b>			
Opening stock		8,000	
Purchases	125,600		
Less: Returns out	<u>1,800</u>		
	123,800		
Add: Carriage in	<u>1,520</u>		
		<u>125,320</u>	
		133,320	
Less: Closing stock		<u>10,920</u>	
			<u>122,400</u>
<b>Gross Profit</b>			110,000
Less:			
Carriage out		800	
Wages and salaries		61,000	
Vehicle running costs		4,000	
Telephone expenses		7,650	
Lighting & heating		8,400	
Rent (6,200 - 850)		5,350	
Doubtful debts provision (36,200 x 3%)		1,086	
General expenses (3,180 + 454)		3,634	
Depreciation:			
Office equipment (20,000 x 25%)		5,000	
Motor vehicles ([17,000 - 6,800] x 40%)		<u>4,080</u>	
			<u>101,000</u>
<b>Net Profit</b>			<u><u>9,000</u></u>

**Model Answer to Question 4 continued**

(b)

**Balance Sheet at 31 March 2003**

<b>Fixed Assets</b>	<b>Cost</b>	<b>Depreciation</b>	<b>Net</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Office equipment	20,000	15,000	5,000
Motor vehicle	<u>17,000</u>	<u>10,880</u>	<u>6,120</u>
	<u>37,000</u>	<u>25,880</u>	11,120
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Current Assets</b>			
Stock	10,920		
Debtors	36,200		
Less: Provision	<u>1,086</u>		
	35,114		
Prepayment	850		
Cash	<u>300</u>		
		47,184	
<b>Current Liabilities (Creditors due within 1 year)</b>			
Creditors	22,440		
Accruals	454		
Bank overdraft	<u>7,070</u>		
		<u>29,964</u>	
<b>Working Capital (Net Current Assets)</b>			<u>17,220</u>
			<u>28,340</u>
<b>Represented by:</b>			
Opening capital			35,240
Profit for year		9,000	
Less: Drawings		<u>15,900</u>	
			<u>-6,900</u>
			<u>28,340</u>



**EXAMINATIONS  
BOARD**

**London Chamber of Commerce and Industry Examinations Board**

**Athena House 112 Station Road**

**Sidcup Kent DA15 7BJ United Kingdom**

**Facsimile: +44 (0) 20 8302 4169/+44 (0) 20 8309 5169**

**Website: [www.lccieb.com](http://www.lccieb.com)**

**Customer Service Team Tel: +44 (0) 20 8309 3000 email: [custserv@lccieb.org.uk](mailto:custserv@lccieb.org.uk)**

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