



**EXAMINATIONS  
BOARD**

*Certificate in*

# **Book-keeping**



***Level 1***

*Series 2 2004*

*(Code 1006)*

## **Model Answers**

(UK Accreditation No: 100/1448/2)

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

## **Series 2 2004**

### **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 2004

### QUESTION 1

Patricia Blair records her bank and cash transactions in a 3-column cash book. On 31 May 2003, she had a cash balance of £110 and a bank overdraft of £745. The following transactions took place during June 2003:

#### June

- 2 Received cheque from S Petal in full settlement of a debt of £100. Petal deducted 4% settlement discount
- 5 Withdrew £200 cash from the bank for office use
- 9 Paid wages in cash £250
- 10 Made cash sales of £1,100
- 11 Paid £500 cash into bank
- 15 Patricia withdrew £150 by cheque for personal use
- 16 Received cheque for £300 from L Kane
- 18 Paid W Tell by cheque, £180, in full settlement of a debt of £190
- 19 L Kane's cheque returned by bank marked 'refer to drawer'
- 21 Made cash sales of £500 of which £400 was paid straight into bank
- 23 Received a cheque for £18 from T Green in full settlement of a debt for £20
- 24 Paid wages in cash £320
- 26 Purchased goods for cash, £400
- 27 Paid C Jones by cheque, his account of £150. Settlement discount of 2% was deducted
- 28 Paid salaries by cheque, £550
- 30 Advised by the bank that the business had been charged £65 in respect of overdraft interest

#### REQUIRED

- (a) Write up the Cash Book of Patricia Blair for the month of June 2003. Balance the Cash Book and bring down the balances at 1 July 2003.

(16 marks)

The balances on Patricia's Discount Allowed Account and Discount Received Account at 31 May 2003 were £1,300 and £1,790 respectively.

#### REQUIRED

- (b) Write up both the Discount Allowed Account and the Discount Received Account for the month of June 2003, in Patricia Blair's General Ledger. You are to assume that both balances had been correctly brought down on 1 June 2003.

(4 marks)

The cheque received from L Kane on 16 June 2003 represented the balance on his account in Patricia Blair's sales ledger at 1 June 2003.

#### REQUIRED

- (c) Write up the account of L Kane, in Patricia Blair's sales ledger, for the month of June 2003.

(5 marks)

**(Total 25 marks)**

(a)

Date	Details	Discount Allowed	Cash	Bank	Date	Details	Discount Received	Cash	Bank
June		£	£	£	June		£	£	£
1	Bal b/d		110		1	Bal b/d			745
2	S Petal	4		96	5	Cash			200
5	Bank		200		9	Wages		250	
10	Sales		1,100		11	Bank		500	
11	Cash			500	15	Drawings			150
16	L Kane			300	18	W Tell	10		180
21	Cash sales		100	400	19	L Kane (cheque returned)			300
23	T Green	2		18	24	Wages		320	
					26	Purchases		400	
					27	C Jones	3		147
					28	Salaries			550
					30	Overdraft interest			65
30	Bal c/d			1,023	30	Bal c/d		40	
		6	1,510	2,337			13	1,510	2,337

01 Jul Bal b/d

40

01 Jul Bal b/d

1,023

**Model Answer to Question 1 continued**

(b)

<b>Discount Allowed</b>				
<b>2003</b>		<b>£</b>	<b>2003</b>	<b>£</b>
01 Jun	Bal b/d	1,300		
30 Jun	Total for month	<u>6</u>		
		<u>1,306</u>		

<b>Discount Received</b>				
<b>2003</b>		<b>£</b>	<b>2003</b>	<b>£</b>
01 Jun	Bal b/d		1,790	
30 Jun	Total for month		<u>13</u>	
			<u>1,803</u>	

(c)

<b>L Kane</b>					
<b>2003</b>			<b>2003</b>		
01 Jun	Bal b/d	300	16 Jun	Bank	300
19 Jun	Bank	<u>300</u>	30 Jun	Bal c/d	<u>300</u>
		<u>600</u>			<u>600</u>
01 Jul	Bal b/d	300			

## QUESTION 2

The following Trial Balance was extracted from the books of G Western at 31 December 2003:

	Dr £	Cr £
Capital		30,000
Carriage out	2,720	
Carriage in	600	
Purchases and sales	143,500	260,200
Office equipment	20,000	
Motor vehicle	17,000	
Wages and salaries	62,500	
Lighting and heating	8,500	
Rent and rates	6,700	
Vehicle running costs	4,000	
Telephone expenses	11,000	
General office expenses	6,180	
Debtors	30,000	
Creditors		28,570
Provision for depreciation		
Motor vehicle		6,800
Office equipment		10,000
Drawings	10,000	
Bank	6,070	
Cash	300	
Stock (1 January 2003)	8,000	
Returns Inwards and Outwards	1,500	3,000
	<u>338,570</u>	<u>338,570</u>

The following errors and omissions were then discovered:

- (1) The owner had taken goods costing £600 for his own use but no entries had been made in the books.
- (2) Wages and salaries of £5,000 had been posted in error to telephone expenses.
- (3) Credit sales with a list price of £7,000 had been omitted from the books. All credit sales are subject to a trade discount of 15%.
- (4) Purchases included £10,000 relating to office equipment acquired during 2003.
- (5) A credit transfer of £400, received from P Eagle, a debtor, appeared on the bank statement at 31 December 2003, but had not been entered in the cash book.

### REQUIRED

- (a) Journal entries, including narratives, to correct the above errors and omissions. (15 marks)
  
- (b) Prepare the Trading and Profit & Loss Account of G Western for the year ended 31 December 2003, following the correction of the above errors and omissions. You are to take into account the following:
  - (i) Stock at 31 December 2003 was valued at £8,800.
  - (ii) Depreciation is to be provided on motor vehicles at 40% reducing balance and on office equipment at 25% straight line. A full year's depreciation is provided on all assets purchased during a year. (10 marks)

**(Total 25 marks)**

**Model Answer to Question 2**

		<b>G Western Journal</b>	
<b>2003</b>		<b>Dr</b>	<b>Cr</b>
31 Dec		<b>£</b>	<b>£</b>
(1)	Drawings Purchases	600	600
	<u>Goods taken by G Western for his own use</u>		
(2)	Wages and salaries Telephone expenses	5,000	5,000
	<u>Correction of wages and salaries posted in error to telephone expenses</u>		
(3)	Debtors (£7,000 x 85%) Sales	5,950	5,950
	<u>Credit sales originally omitted from the books</u>		
(4)	Office equipment Purchases	10,000	10,000
	<u>Purchase of office equipment originally posted to purchases for resale</u>		
(5)	Bank P Eagle	400	400
	<u>Credit transfer received from P Eagle originally omitted from the books</u>		

**Model Answer to Question 2 continued**

(b)

**G Western  
Trading and Profit & Loss Account  
for the year ended 31 December 2003**

	£	£	£
Sales (260,200 + 5,950)			266,150
Less: Returns			<u>1,500</u>
			264,650
<b>Less: Cost of Sales</b>			
Opening stock		8,000	
Purchases [143,500 - (600 + 10,000)]	132,900		
Less: Returns	<u>3,000</u>		
	129,900		
Add: Carriage in	<u>600</u>		
		130,500	
		<u>138,500</u>	
Less: Closing stock		8,800	
			<u>129,700</u>
<b>Gross Profit</b>			<u>134,950</u>
<b>Less:</b>			
Carriage out	2,720		
Wages and salaries (62,500 + 5,000)	67,500		
Lighting and heating	8,500		
Rent and rates	6,700		
Vehicle running costs	4,000		
Telephone expenses (11,000 – 5,000)	6,000		
General office expenses	6,180		
Depreciation:			
Motor vehicle (17,000 – 6,800) x 40%	4,080		
Office equipment (20,000 + 10,000) x 25%	<u>7,500</u>		
			<u>113,180</u>
<b>Net Profit</b>			<u><u>21,770</u></u>

### QUESTION 3

On 30 September 2002, Brian Jordan's stationery stock was valued at £500. At the same date, he also owed £150 for stationery supplies. During the year ended 30 September 2003, the following purchases of stationery were undertaken:

Date	Amount	Method of Payment
<b>2002</b>	<b>£</b>	
9 November	175	Cash
2 December	95	Cheque
<b>2003</b>		
19 July	150	Cheque

Brian's stationery stock at 30 September 2003 was valued at £350, which included computer supplies costing £80 that had yet to be paid for.

#### REQUIRED

- (a) Prepare Brian Jordan's Stationery Account for the year ended 30 September 2003, showing clearly the transfer to the Profit & Loss Account.

(10 marks)

Jane Summerbee produced the following trial balance after completing her Trading and Profit & Loss Account for the year ended 31 December 2003:

	Dr	Cr
	£	£
Net Loss	1,800	
Fixtures and fittings – cost	18,000	
Fixtures and fittings – provision for depreciation		13,500
Vehicles – cost	21,000	
Vehicles – provision for depreciation		14,000
Bank		350
Stock	5,750	
Cash	100	
Drawings	8,700	
Wages and salaries		2,500
Insurance	3,000	
Long term loan		11,000
Capital		20,000
Debtors and creditors	<u>9,000</u>	<u>6,000</u>
	<u>67,350</u>	<u>67,350</u>

#### REQUIRED

- (b) Prepare, in as much detail as possible, the Balance Sheet of Jane Summerbee at 31 December 2003.

(15 marks)

**(Total 25 marks)**

**Model Answer to Question 3**

(a)

**Brian Jordan – Stationery Account**

2002		£	2002		£
01 Oct	Bal b/d	500	01 Oct	Bal b/d	150
09 Nov	Cash	175	<b>2003</b>		
02 Dec	Bank	95	30 Sep	Bal c/d	350
<b>2003</b>			30 Sep	Profit & Loss	500
19 Jul	Bank	150			
30 Sep	Bal c/d	80			
		<u>1,000</u>			<u>1,000</u>
01 Oct	Bal b/d	350	01 Oct	Bal b/d	80

(b)

**Jane Summerbee  
Balance Sheet at 31 December 2003**

<b>Fixed Assets</b>	<b>Cost</b>	<b>Depreciation</b>	<b>NBV</b>
	£	£	£
Fixtures and fittings	18,000	13,500	4,500
Vehicles	21,000	14,000	7,000
	<u>39,000</u>	<u>27,500</u>	<u>11,500</u>
<b>Current Assets</b>			
Stock		5,750	
Debtors		9,000	
Prepayment		3,000	
Cash		100	
		<u>17,850</u>	
<b>Current Liabilities: due within one year</b>			
Creditors	6,000		
Accrual	2,500		
Bank overdraft	350		
		<u>8,850</u>	
Working Capital			<u>9,000</u>
Less: Long term loan			20,500
			<u>11,000</u>
			<u>9,500</u>
<b>Financed by:</b>			
Capital at 1 January 2003			20,000
Less:			
Net Loss		1,800	
Drawings		<u>8,700</u>	
			<u>-10,500</u>
			<u>9,500</u>

#### QUESTION 4

Georgina Aspland's financial year ends on 30 September. On 18 May 2000, Georgina purchased a computer, costing £16,000, for use in the business. Georgina provides for depreciation, using the reducing balance method, at 25% per annum. A full year's depreciation is provided on any assets purchased in the first six months of a financial year, but only a half-year's depreciation is provided on assets purchased during the second six months of a financial year. No depreciation is provided in the year that an asset is sold. On 31 March 2003, the computer was sold, on credit, to J Barnes for £7,000.

#### REQUIRED

- (a) Prepare Georgina Aspland's Computer Asset Disposal Account in respect of the year ended 30 September 2003. Show the resulting transfer to the Profit & Loss Account. (7 marks)

Georgina Aspland operated a club, called Fab Social Club, for the benefit of her employees. The club had the following assets and liabilities at 1 October 2002:

Equipment at valuation £10,000, cash at bank £2,100, bar stock £3,850, general expense creditors £700, subscriptions paid in advance £450, subscriptions in arrears £200.

#### REQUIRED

- (b) Calculate the value of the Accumulated Fund of Fab Social Club at 1 October 2002. Workings **MUST** be clearly shown. (7 marks)

The following figures were extracted from the Trial Balance of the club at 30 September 2003:

	Dr £	Cr £
Bar sales		35,600
Bar purchases	16,500	
Wages of bar steward	8,500	

#### Additional information at 30 September 2003:

- (1) Bar stock was valued at £4,200.
- (2) Accrued wages of the bar steward amounted to £750.
- (3) The rent paid by the club for the hire of premises during the year was £12,000. The social club management decided to charge 15% of this cost to the club bar.

#### REQUIRED

- (c) Prepare the Bar Trading Account of Fab Social Club for the year ended 30 September 2003. (11 marks)

**(Total 25 marks)**

**Model Answer to Question 4**

(a)

<b>Computer Asset Disposal Account</b>			
<b>2003</b>	<b>£</b>	<b>2003</b>	<b>£</b>
31 Mar Computer Asset	16,000	31 Mar J Barnes	7,000
		31 Mar Accum Depreciation [1]	8,125
		30 Sep Profit & Loss	875
	<u>16,000</u>		<u>16,000</u>

**Workings: [1]**

Depreciation	<b>30.9.00</b>	
	16,000 x 12.5% =	2,000
	<b>30.0.01</b>	
	14,000 x 25% =	3,500
	<b>30.9.02</b>	
	10,500 x 25%	2,625
		<u>8,125</u>

(b)

	<b>Assets</b>	<b>–</b>	<b>Liabilities</b>	<b>=</b>	<b>Accumulated Fund</b>
	<b>£</b>		<b>£</b>		<b>£</b>
Equipment	10,000				
Bank	2,100				
Stock	3,850				
Creditors			700		
Subs in advance			450		
Subs in arrears	200				
	<u>16,150</u>		<u>1,150</u>		15,000

(c)

**Fab Social Club  
Bar Trading Account for the year ended 30 September 2003**

Sales	<b>£</b>	<b>£</b>
		35,600
Opening stock	3,850	
Purchases	16,500	
	<u>20,350</u>	
Closing stock	4,200	
		<u>16,150</u>
		19,450
<i>Less:</i>		
Wages of Bar Steward (8,500 + 750)	9,250	
Rent (12,000 x 15%)	<u>1,800</u>	
		<u>11,050</u>
Bar Profit to Income & Expenditure Account		<u>8,400</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) 8707 202 909 email: [custserv@lccieb.org.uk](mailto:custserv@lccieb.org.uk)

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