

**EXAMINATIONS
BOARD**

Certificate in

Book-keeping



Level 1

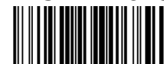
Series 4 2003

(Code 1006)

Model Answers

(UK Accreditation No: 100/1448/2)

ASP M 1570



Certificate in Book-keeping Level 1

Series 4 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 4 2003

QUESTION 1

Aldous Huxley is a local trader who operates his petty cash on the imprest system. He balances the Petty Cash Book at the end of each month and makes the float up to £250 on the first day of the following month. The following analysis columns are in use:

Travel, Cleaning, Postage and Stationery, Ledger

On 30 September 2003, £61.02 remained in the petty cash. Transactions during October 2003 were as follows:

October	£
1 Reimbursed imprest	
Cleaner's wages	80.00
4 Taxi fare	13.50
5 Postage stamps	6.00
8 Envelopes	7.50
H Parsons – creditor	13.00
11 Sold postage stamps and received	2.50
13 Window cleaning	18.90
18 Travel expenses	28.40
24 Rail fares	32.85
25 Bus fare	8.15
28 Received, from a member of staff, contribution towards taxi fare originally paid on 4 March	4.50
31 P Hanson – creditor	8.00

REQUIRED

- (a) Write up and balance the Petty Cash Book for the month of October 2003. Bring down the balance of cash-in-hand at 1 November 2003 and restore the imprest. The last voucher number used in September 2003 was number 312.

(19 marks)

On 1 October 2003, the balances on the Travel Account and the Postage and Stationery Account were £1,300 debit and £128 debit respectively.

REQUIRED

- (b) Write up and balance the Travel Account and the Postage and Stationery Account for the month of October 2003. You may assume that no transactions took place during the month, other than petty cash, which affected these two accounts.

(6 marks)

(Total 25 marks)

Model Answer to Question 1

Receipts	Date	Details	Voucher	Total	Travel	Cleaning	Postage & Stationery	Ledger
	Oct 2003							
61.02	1	Balance b/d						
188.98		Bank						
	1	Cleaners wages	313	80.00		80.00		
	4	Taxi fare	314	13.50	13.50			
	5	Postage stamps	315	6.00			6.00	
	8	Envelopes	316	7.50			7.50	
	8	H Parsons - creditor	317	13.00				13.00
2.50	11	Postage stamps						
	13	Window cleaning	318	18.90		18.90		
	18	Travel expenses	319	28.40	28.40			
	24	Rail fare	320	32.85	32.85			
	25	Bus fare	321	8.15	8.15			
4.50	28	Taxi fare						
	31	P Hanson - creditor	322	8.00				8.00
	31	Bal c/d		216.30	82.90	98.90	13.50	21.00
				40.70				
				<u>257.00</u>				
	Nov 2003							
40.70	1	Bal b/d						
209.30		Bank						

(a)

Model Answer to Question 1 continued

(b)

Travel Account					
		£			£
1.10	Bal b/d	1,300.00	31.10	Petty Cash	4.50
31.10	Petty Cash	82.90		Bal c/d	1,378.40
		<u>1,382.90</u>			<u>1,382.90</u>
1.11	Bal b/d	1,378.40			
Postage & Stationery					
		£			£
1.10	Bal b/d	128.00	31.10	Petty Cash	2.50
31.10	Petty Cash	13.50		Bal c/d	139.00
		<u>141.50</u>			<u>141.50</u>
1.11	Bal b/d	139.00			

QUESTION 2

Copy the following table into your answer book:

Name of Account	Type of Account	Usual Balance
Sales	Nominal	Credit
Office equipment		
Stationery		
Drawings		
F Clam (supplier)		
Discount allowed		
J Kimberley (customer)		
Cash		
Loan from Paston Merchant Bank		

REQUIRED

- (a) State, under the column headed **Type of Account**, whether each of the above accounts is real, personal or nominal.

State, under the column headed **Usual Balance**, whether each of the above accounts normally has a debit balance or a credit balance.

The following is an example of what is required:

Name of Account	Type of Account	Usual Balance
Sales	Nominal	Credit

(8 marks)

You were recently asked to review the books of Charles Dickens, a local trader and discovered the following errors and omissions:

- (1) J Bramble had been made bankrupt, but his sales ledger balance of £1,500 had still to be written off as a bad debt.
- (2) Charles Dickens had taken goods costing £500 for his personal use but no entries had yet been made in the books of the business.
- (3) A payment of £400 to F Thorn had been debited to the bank account and credited to F Thorn's account.
- (4) A wages payment of £1,600 was debited in error to the stationery account.
- (5) M Python, a debtor, paid £475 in full settlement of his outstanding balance of £500. The difference had yet to be written off as settlement discount.

REQUIRED

- (b) Prepare journal entries to correct the above errors and omissions. Suitable narratives **are** required.

(17 marks)

(Total 25 marks)

Model Answer to Question 2

(a)

Name of Account	Type of Account	Usual Balance
Sales	Nominal	Credit
Office equipment	Real	Debit
Stationery	Nominal	Debit
Drawings	Personal	Debit
F Clam (supplier)	Personal	Credit
Discount allowed	Nominal	Debit
J Kimberley (customer)	Personal	Debit
Cash	Real	Debit
Loan from Paston Merchant Bank	Personal	Credit

(b)

	Dr £	Cr £
Bad Debts J Bramble	1,500	
Writing off of J Bramble's account balance		1,500
<hr/>		
Drawings Purchases	500	
Charles Dickens took goods for personal use		500
<hr/>		
F Thorn Bank	800	
Correction of error - £400 was posted to wrong side of accounts		800
<hr/>		
Wages Stationery	1,600	
Wages incorrectly posted to stationery account		1,600
<hr/>		
Discount allowed M Python	25	
Settlement discount previously overlooked		25
<hr/>		

QUESTION 3

On 1 July 2000, Brad Meltzer purchased a computer for use in his business. The list price of the computer was £20,000 less 10% trade discount. At the same time, Brad paid the following additional expenses relating to the computer:

	£
Delivery	1,200
Insurance premium for the year ending 30 June 2001	750
Installation	2,800
Computer stationery	550

REQUIRED

- (a) Calculate the total amount that should have been debited to the Computer Asset Account. (4 marks)

Brad decided to provide for depreciation using the reducing balance method at 20% per annum. A full year's depreciation is provided in the year of purchase but no depreciation is provided in the year of sale. Brad's financial year-end is 31 December.

REQUIRED

- (b) Write up the Computer Provision for Depreciation Account for each of the three years ended 31 December 2000, 2001 and 2002. (12 marks)

On 1 January 2003, Brad sold the computer, on credit, for £11,500.

REQUIRED

- (c) (i) Prepare the Computer Asset Disposal Account to reflect the sale of the computer. The resulting profit or loss was transferred to the Profit & Loss Account on 31 January 2003. (4 marks)
- (ii) State whether the amount transferred to the Profit & Loss Account from the Computer Asset Disposal Account was a profit or a loss. (1 mark)
- (d) State 2 causes of depreciation. (4 marks)

(Total 25 marks)

Model Answer to Question 3

(a)		£
	£20,000 less trade discount of £2,000	18,000
	Delivery	1,200
	Installation	<u>2,800</u>
		<u><u>22,000</u></u>

(b)

Provision for Depreciation - Computer

	£		£
2000		2000	
31 Dec Bal c/d	<u>4,400</u>	31 Dec Profit & Loss	<u>4,400</u>
2001		2001	
31 Dec Bal c/d	7,920	01 Jan Bal b/d	4,400
		31 Dec Profit & Loss	<u>3,520</u>
	<u>7,920</u>		<u><u>7,920</u></u>
2002		2002	
31 Dec Bal c/d	10,736	01 Jan Bal b/d	7,920
		31 Dec Profit & Loss	<u>2,816</u>
	<u>10,736</u>		<u><u>10,736</u></u>
		2003	
		01 Jan Bal b/d	10,736

(c) (i)

Disposals Account

	£		£
2003		2003	
01 Jan Computer	22,000	01 Jan Prov for Depreciation	10,736
		01 Jan Debtors	11,500
31 Jan Profit & Loss	<u>236</u>		
	<u><u>22,236</u></u>		<u><u>22,236</u></u>

(ii) The transfer to Profit & Loss represented a **profit**

(d) Any **two** reasonable answers, for example

Wear and tear

Obsolescence

Asset no longer suitable for the purpose for which it was bought

QUESTION 4

The following Trial Balance was extracted from the books of Spa Common Social Club at 30 June 2003:

	£	£
Accumulated Fund		20,700
Stock of refreshments 1 July 2002	4,750	
Rent of clubhouse	6,000	
Fixtures and fittings, at cost	8,000	
Provision for depreciation – fixtures and fittings		2,400
Subscriptions received		11,000
Refreshment sales		29,500
Refreshment purchases	14,900	
Wages of refreshment staff	8,750	
Insurance	2,000	
Lighting and heating	4,800	
Postage and stationery	3,000	
Private donation to club		1,800
Club Secretary's salary	10,000	
Balance at bank	1,900	
Cash in hand	70	
Telephone expenses	550	
Sundry expenses	380	
Debtors and creditors	<u>1,300</u>	<u>1,000</u>
	<u>66,400</u>	<u>66,400</u>

Additional information:

- (1) Stock of refreshments at 30 June 2003 was valued at cost £5,930.
- (2) The club membership had remained at 250 for a number of years. Each member was required to pay an annual subscription of £50. No subscriptions were either outstanding or pre-paid at 1 July 2002 and no subscriptions were pre-paid at 30 June 2003.
- (3) Rent pre-paid at 30 June 2003 amounted to £1,000.
- (4) Lighting accrued at 30 June 2003 amounted to £400.
- (5) Depreciation for the year was to be provided on fixtures and fittings at 15% on cost.
- (6) In addition to refreshment bar wages, 25% of the adjusted balance on the clubhouse rent account and 15% of the adjusted balance on the lighting and heating account, are to be charged to the Refreshments Trading Account.

REQUIRED

Prepare for Spa Common Social Club:

- (a) Refreshments Trading Account for the year ended 30 June 2003 (5 marks)
- (b) Income and Expenditure Account for the year ended 30 June 2003 (9 marks)
- (c) Balance Sheet at 30 June 2003. (11 marks)

(Total 25 marks)

Model Answer for Question 4

(a)

**Spa Common Social Club
Refreshments Trading Account
for the year ended 30 June 2003**

	£	£
Sales		29,500
Less: Cost of sales		
Opening stock	4,750	
Purchases	<u>14,900</u>	
	19,650	
Closing stock	<u>5,930</u>	
		<u>13,720</u>
Gross Profit		15,780
Expenses		
Wages	8,750	
Rent ([6,000 - 1,000] x 25%)	1,250	
Lighting and heating ([4,800 + 400] x 15%)	<u>780</u>	
		<u>10,780</u>
Profit on refreshments		<u>5,000</u>

(b)

**Spa Common Social Club
Income and Expenditure Account
for the year ended 30 June 2003**

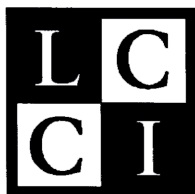
	£	£
Income		
Profit from Refreshments Account		5,000
Donation		1,800
Subscriptions (250 x £50)		<u>12,500</u>
		19,300
Expenditure		
Rent ([6,000 - 1,000] x 75%)	3,750	
Lighting and heating ([4,800 + 400] x 85%)	4,420	
Insurance	2,000	
Postage and stationery	3,000	
Salary	10,000	
Telephone	550	
Sundry expenses	380	
Depreciation:		
Fixtures (8,000 x 15%)	<u>1,200</u>	
		<u>25,300</u>
Deficit		<u>6,000</u>

Model Answer to Question 4 continued

(c)

**Balance Sheet
at 30 June 2003**

	Cost £	Depreciation £	Net £
Fixed Assets			
Fixtures and fittings	<u>8,000</u>	<u>3,600</u>	4,400
 Current Assets			
Stock		5,930	
Debtors		1,300	
Prepayment (rent)		1,000	
Unpaid subscriptions (12,500 - 11,000)		1,500	
Bank		1,900	
Cash		70	
		<u>11,700</u>	
 Current liabilities			
Creditors	1,000		
Accrual (Lighting and heating)	<u>400</u>		
		<u>1,400</u>	
			<u>10,300</u>
			<u>14,700</u>
 Represented by:			
Accumulated Fund - opening balance			20,700
Less: Deficit for year			<u>6,000</u>
			<u>14,700</u>



**EXAMINATIONS
BOARD**

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