

Chapter 7

Answers

If you find an answer in this revision book that you think is incorrect, please contact us at support@qvllearning.net. State the exercise number and be as precise as you can about the perceived error.

Chapter 1 – Sales and Purchases Documents

Exercise 1

Net (£)	VAT (£)	Gross (£)
28.50	5.70	34.20
196.35	39.27	235.62
47.87	9.57	57.44
789.33	157.86	947.19
280.50	56.10	336.60
456.31	91.26	547.57

Exercise 2

Net (£)	Net after trade discount of 5% (£)	VAT (£)	Gross (£)
28.50	27.07	5.41	32.48
196.35	186.53	37.30	223.83
47.87	45.48	9.09	54.57
789.33	749.86	149.97	899.83
280.50	266.47	53.29	319.76
456.31	433.49	86.69	520.18

Worked example: the amount of the discount for the fifth example, is calculated by £280.50 divided by 100 multiplied by 5 = £14.025, rounded up to £14.03 and giving a net after discount of £266.47. This is not the same as 95% of £280.50, which would give £266.475, rounding up to £266.48. The first method is the method as described by AAT. Often both methods will give the same answer, but it will not always be the case.

Exercise 3

Gross (before PPD taken - £)	Amount of PPD (%)	Gross (after PPD - £)	Net (after PPD - £)	VAT (after PPD - £)
100.00	2.5	97.50	78.00	19.50
130.00	10	117.00	93.60	23.40
125.00	5	118.75	95.00	23.75
75.00	10	67.50	54.00	13.50
45.50	6	42.77	34.22	8.55
92.00	2	90.16	72.13	18.03

Exercise 4

Invoice Column	Daybook (for recording PPD when taken)
Gross	Sales Ledger Control Account
Net	Discounts Received Account
VAT	VAT Account

Exercise 5

Document	Description
Statement of Account	Sent occasionally by the seller to remind the buyer how much is owed
Credit Note	Reduces the amount owed by the buyer, either because of returns or due to a prompt payment discount (PPD)
Price Quotation	Outlines the amount to be paid by a buyer should they decide to place an order
Invoice	Outlines the amount to be paid by a buyer after they have placed an order
Purchase Order	A request by a buyer to a seller to provide particular goods and/or services
Goods Received Note	Recognises and documents that the supplied goods have arrived

Chapter 2 – Double-Entry Bookkeeping

Exercise 6

Type of account	Debit	Credit
Assets	Y	
Liabilities		Y
Expenses	Y	
Income		Y
Capital		Y
Drawings	Y	
Purchases	Y	

Exercise 7

	Debit	Credit
The bank account is overdrawn by £750		Y
You have £350 in the bank	Y	
The VAT account shows you are owed £4523 by HMRC	Y	
The VAT account shows you £9781 to HMRC		Y

Exercise 8

	Debit £	Credit £
Bank		Y
Telephone Expenses	Y	

Exercise 9

	Debit £	Credit £
Bank	Y	
Rent Received		Y

Exercise 10

	Debit £	Credit £
Bank	Y	
Capital		Y

Exercise 11

	Debit £	Credit £
Bank		Y
Drawings	Y	

Exercise 12

	Debit £	Credit £
Bank		Y
Computer	Y	

Exercise 13

	Debit £	Credit £
Bank	Y	
Bank Loan		Y

Exercise 14

Assets	Liabilities	Capital
27501	8258	19243
16653	11781	4872
41677	12884	28793

Exercise 15

Bank Account			
Details	Debit £	Details	Credit £
Cash sales	3245.10	Balance b/f	45.50
Trade Receivables	2498.21	Rent paid	1000.00
		Wages	1876.23
		Bank charges	7.50
		Balance c/d	2814.08
	5743.31		5743.31
Balance b/d	2814.08		

Exercise 16

Telephone Expenses Account			
Details	Debit £	Details	Credit £
Bank	45.23	Balance c/d	184.70
Bank	78.12		
Bank	61.35		
	184.70		184.70
Balance b/d	184.70		

Chapter 3 – The Trial Balance

Exercise 17

Trial Balance			
	Balance	Debit £	Credit £
Fixtures and Fittings	15275	15275	
Motor vehicles	25940	25940	
Bank (overdrawn)	11236		11236
Petty Cash	127	127	
Sales Ledger Control Account	9834	9834	
Purchases Ledger Control Account	2784		2784
Capital	9765		9765
Drawings	4675	4675	
Sales	56982		56982
Sales Returns	3498	3498	
Purchases	24312	24312	
Purchases Returns	1098		1098
Discounts Allowed	786	786	
Discounts Received	911		911
Rent Received	2466		2466
Wages	7833	7833	
Travel Expenses	1344	1344	
Office Expenses	5100	5100	
VAT (owing to HMRC)	13482		13482
	Total	98724	98724

Exercise 18

Trial Balance			
	Balance	Debit £	Credit £
Fixtures and Fittings	7845	7845	
Inventory	12300	12300	
Bank (cash at bank)	9842	9842	
Petty Cash	75	75	
Sales Ledger Control Account	21390	21390	
Purchases Ledger Control Account	6529		6529
Capital			39142
Drawings	2361	2361	
Sales	45900		45900
Sales Returns	1462	1462	
Purchases	18750	18750	
Purchases Returns	1000		1000
Discounts Allowed	254	254	
Discounts Received	167		167
Rent Paid	2100	2100	
Wages	9016	9016	
Electricity	4355	4355	
Office Expenses	1200	1200	
VAT (owing from HMRC)	1788	1788	
	Total	92738	92738

Exercise 19

Purchases Account			
Details	Debit £	Details	Credit £
Purchases	1463	Balance c/d	1737
Purchases	274		
	1737		1737
Balance b/d	1737		

Trial Balance			
	Balance	Debit £	Credit £
Inventory	4300	4300	
Motor vehicles	5870	5870	
Bank (overdrawn)	1542		1542
Petty Cash	54	54	
Sales Ledger Control Account	11893	11893	
Purchases Ledger Control Account	4552		4552
Capital	11335		11335
Drawings	2188	2188	
Sales	62445		13452
Sales Returns	544	544	
Purchases	1737	1737	
Purchases Returns	23		23
Discounts Allowed	98	98	
Discounts Received	104		104
Rent Paid	3200	3200	
Wages	4700	4700	
Travel Expenses	985	985	
Office Expenses	572	572	
VAT (owing to HMRC)	5133		5133
	Total	36141	36141

Chapter 4 – Credit Sales & Purchases

Exercise 20

A sale has been made to Company E for £525 exc. VAT. Enter the transaction into the General Ledger and Sales Ledger.

General Ledger

Account	Amount £	Debit	Credit
Sales Ledger Control Account	630	Y	
VAT Account	105		Y
Sales Account	525		Y

Sales Ledger

Account	Amount £	Debit	Credit
Company E	630	Y	

Exercise 21

A subsequent sales return has been requested by Company E for £70 exc. VAT. Enter the transaction into the General Ledger and Sales Ledger.

General Ledger

Account	Amount £	Debit	Credit
Sales Ledger Control Account	84		Y
VAT Account	14	Y	
Sales Returns Account	70	Y	

Sales Ledger

Account	Amount £	Debit	Credit
Company E	84		Y

Exercise 22

Company E have paid an invoice with a discount allowed of £8.60 exc. VAT
Enter the transaction into the General Ledger and Sales Ledger.

For this task you will not be required to enter any transactions in the cash book.

General Ledger

Account	Amount £	Debit	Credit
Sales Ledger Control Account	10.32		Y
VAT Account	1.72	Y	
Discounts Allowed Account	8.60	Y	

Sales Ledger

Account	Amount £	Debit	Credit
Company E	10.32		Y

Exercise 23

A purchase has been made to Company F for £1250 exc. VAT. Enter the transaction into the General Ledger and Purchases Ledger.

General Ledger

Account	Amount £	Debit	Credit
Purchases Ledger Control Account	1500		Y
VAT Account	250	Y	
Purchases Account	1250	Y	

Purchases Ledger

Account	Amount £	Debit	Credit
Company F	1500		Y

Exercise 24

A subsequent purchases return has taken place for the original purchase to Company F for £112 exc. VAT. Enter the transaction into the General Ledger and Purchases Ledger.

General Ledger

Account	Amount £	Debit	Credit
Purchases Ledger Control Account	133.40	Y	
VAT Account	22.40		Y
Sales Returns Account	112		Y

Sales Ledger

Account	Amount £	Debit	Credit
Company F	133.40	Y	

Exercise 25

An invoice has been paid to Company F with a discount received of £25.00 exc. VAT Enter the transaction into the General Ledger and Purchases Ledger.

For this task you will not be required to enter any transactions in the cash book.

General Ledger

Account	Amount £	Debit	Credit
Purchases Ledger Control Account	30.00	Y	
VAT Account	5.00		Y
Discounts Received Account	25.00		Y

Sales Ledger

Account	Amount £	Debit	Credit
Company F	30.00	Y	

Exercise 26

For each of the accounts listed, identify what type of account they are.

Options: asset, liability, income, expense

Account	Account Type
Sales Ledger Control Account	asset
Purchases Ledger Control Account	liability
Sales Account	income
Purchases Account	expense
Discounts Allowed Account	expense
Discounts Received Account	income

Chapter 5 – The Cash Book

Exercise 27

Indicate which of the following describes the Imprest System.

When the Petty Cash is topped up, it is always topped up to the same amount.	Y
When the Petty Cash is topped up, it is topped up to a different amount each time	

Exercise 28

A credit customer has just paid an invoice for £250 + VAT by bank transfer. What will be the correct entry in the Cash Book?

Credit the Bank column with £300, enter £300 in the Trade Receivables column, no entry in the VAT column	
Credit the Bank column with £300, enter £250 in the Trade Receivables column, enter £50 in the VAT column	
Debit the Bank column with £300, enter £300 in the Trade Receivables column, no entry in the VAT column	Y
Debit the Bank column with £300, enter £250 in the Trade Receivables column, enter £50 in the VAT column	

Exercise 29

A credit supplier has just been paid £500 + VAT by bank transfer. What will be the correct entry in the Cash Book?

Credit the Bank column with £600, enter £600 in the Trade Payables column, no entry in the VAT column	Y
Credit the Bank column with £600, enter £500 in the Trade Receivables column, enter £100 in the VAT column	
Debit the Bank column with £600, enter £600 in the Trade Receivables column, no entry in the VAT column	
Debit the Bank column with £600, enter £500 in the Trade Receivables column, enter £100 in the VAT column	

Exercise 30

You have made cash sales of £175 + VAT in cash. What will be the correct entry in the Cash Book?

Debit the Cash column with £210, enter £175 in the Cash Sales column and £35 in the VAT column	Y
Debit the Cash column with £210, enter £210 in the Cash Sales column, no entry in the VAT column	
Credit the Cash column with £210, enter £175 in the Cash Sales column and £35 in the VAT column	
Credit the Cash column with £210, enter £210 in the Cash Sales column, no entry in the VAT column	

Exercise 30

You have made cash purchases of £80 + VAT by debit card. What will be the correct entry in the Cash Book?

Debit the Bank column with £96, enter £96 in the Cash Purchases column, no entry in the VAT column	
Debit the Cash column with £96, enter £80 in the Cash Purchases column and £16 in the VAT column	Y
Credit the Cash column with £96, enter £80 in the Cash Purchases column and £16 in the VAT column	
Credit the Cash column with £96, enter £96 in the Cash Purchases column, no entry in the VAT column	

Exercise 31

The following items need to be added to the debit side of the Cash Book. Add them and then complete the Cash Book as appropriate and total each column.

£145 including VAT received from a credit customer, Company A, by BACS.

£240 including VAT received (£190 by cheque, £50 in cash for goods received today from Company B.

Cash Book

Details	Cash	Bank	VAT	Trade Receivables	Cash Sales
Balance b/f	428	1063			
Company A		145		145	
Company B	50	190	40		200
Totals	478	1398	40	145	200

The credit side of the cash book for the same period shows that there were payments of £93. What is the cash balance?

The credit side of the Cash Book for the same period shows that there were payments of £564. What is the bank account balance?

Exercise 32

These are Cash Book totals for the end of the time period.

Cash £	Bank £	VAT £	Trade Receivables £	Cash Sales £	Cash £	Bank £	VAT £	Trade Payables £	Cash Purchases £
746	19873	----	412	----	746	19873	108	293	311

What will be the entries in the General Ledger?

Account	Amount £	Debit	Credit
VAT	108	Y	
SLCA	412		Y
PLCA	293	Y	
Cash Purchases	311	Y	

Exercise 33

The business restores its imprest to £200 on the first day of every month. These are the petty cash payments for one month.

Date	Details	Amount £	Date	Details	Amount £	VAT £	Office Supplies £	Travel £	Misc. expenses £
1 Nov	Bal b/d	200.00	4 Nov	C Croft	75.00	12.50	62.50		
				E Rail	10.00			10.00	
				K Larner	66.00	11.00			55.00
				E Rail	25.50			25.50	

What entry in the Petty Cash Book is required to restore the imprest?

Details	Amount £	Debit	Credit
Bank	173.50	Y	

What will be the total of the VAT column in the Petty Cash Book? The £ symbol is not required.

23.50

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