

**Lesson 1 – The Sole Trader and Bookkeeping
Model Answers to Practice Questions**

Question 1.1

Which **one** of the following statements best describes the function of bookkeeping?

	✓
The use of financial information for the purpose of preparing financial statements	
A form of internal accounting providing financial information at a time and in a format which makes it useable by management for the purpose of planning and controlling a business	
The routine of systematically processing and recording the day-to-day financial transactions of a business	✓

Question 1.2

Using appropriate words from the following list complete the gaps in **each** of the sentences below.

- partnership
- limited liability
- unlimited liability
- sole trader
- profit
- drawings

1. The term **sole trader** _____ is used to describe a business owned by one person.
2. Sole traders have **unlimited liability**. This means that should the business fail their personal wealth, as well as the amount they have invested in the business as capital, is at risk.
3. The income tax and national contributions paid by sole traders is based on the **profit** _____ their business makes.

Question 1.3

Pippa is a very good friend of yours, you went to school together and have kept in touch since leaving school.

Pippa’s sister, Camilla, works for the business that employs you as a junior wages clerk.

Pippa has telephoned you and has asked you if you can tell her what Camilla’s current salary is. Pippa tells you that you can trust her to keep the information to herself.

Which **one** of the following courses of action should you take?

	✓
Give Pippa the information she wants, after all she is a very good friend, and Camilla is her sister, so she probably won't mind	
Tell Pippa you are sorry, but the information is confidential and you would probably lose your job if your employer found out you were giving information to anyone who is not authorised to receive such information	✓
Tell Pippa you don't have the information on hand, but you will ring her back as you will look the information up when your line manager goes out to lunch	

Question 1.4

You are working as a junior clerk for a small accountancy practice. You have been in the job for two weeks and this is your first job.

You are in the office on your own as the office manager has gone to visit a client. You answer the telephone and it is a call from a client of the practice who is upset by the amount the practice has charged them for preparing their accounts. They are asking for a reduction in the bill as they reckon it 'must have only been a two-minute job'.

Which **one** of the following courses of action should you take?

	✓
Take the name and contact number of the client and tell them you will get the office manager to call them back when they return to the office	✓
Tell the client you sympathise with them and assure them you will see to it that they get a reduction in the amount charged, and then forget all about the call	
Show some initiative and have a look at the bill the customer was sent and reduce the charge as, by the sound of things, the client is likely to take their account to another practice, and you think your employer would be probably upset if the practice lost the clients business	

Question 1.5

Identify **each** of the following statements as being either true or false:

Statement	True ✓	False ✓
In the interests of security, the door to the accounts office should be kept locked when the office is unoccupied	✓	
Personal data stored by a business must be kept under safe and secure conditions, with appropriate measures taken to protect the data from unauthorised access	✓	
Any documents, files or accounts on which you are working should be left on your desk when you leave the office each evening, so that they are easily accessible and can be found by a colleague next day if for some reason you cannot get into work		✓

Question 1.6

Using appropriate words from the following list complete the gaps in **each** of the sentences below.

- journal
- drawings
- double entry
- single entry
- wages
- ledger

1. A bookkeeping system in which transactions are recorded by making an entry on the left-hand side of an account (debit side), with a corresponding entry also being made on the right-hand side of another account is known as the double entry system of bookkeeping.
2. A trader takes some money from the shops cash register at the end of each week for personal use. This is known as drawings .
3. In a double entry bookkeeping system accounts are kept in a book known as a ledger .