

**Lesson 6 – Set up a Bookkeeping System and Process Transactions
Model Answers to Practice Questions**

Question 6.1

You have been asked to set up a double entry bookkeeping system by Jake Roberts the owner of a shop which is to sell outdoor clothing. The shop is to trade in the name of Moor & Mountain.

Jake has provided information from which you have prepared the following list of account balances that will be used to open accounts in the ledger of the business at 1 March 201X.

Account name	Balance £
Bank (current account)	1,250
Capital	25,000
Fixtures & fittings	4,500
Bank loan	7,500
Cash	250
Stock	26,500

Complete the journal entry below from which the double entry bookkeeping system of Moor & Mountain will be set up at 1 March 201X:

**Moor & Mountain
Journal**

201X	Account name	Debit £	Credit £
1 March	Bank (current account)	1,250	
	Capital		25,000
	Fixtures & fittings	4,500	
	Bank loan		7,500
	Cash	250	
	Stock	26,500	
	Totals	32,500	32,500
	Balances to open double entry bookkeeping system at 1 March 201X		

Question 6.2

For a number of years Jules has been a keen woodworker. He has decided to turn his hobby into business and has recently bought a workshop. He makes and hand paints wooden toys, which he then sells directly from the workshop.

You have agreed to become the bookkeeper for the business which will trade in the name of Toy Craft. Jules has provided you with the following information at 1 May 201X, from which you are to open a double entry bookkeeping system on behalf of the business.

Account name	Balance £
Workshop premises	100,000
Machinery & equipment	15,000
Fixtures & fittings	3,500
Bank current account	2,500
Capital	100,000
Bank loan	25,000
Stock	4,000

1. Complete the journal entry below from which the double entry bookkeeping system of Toy Craft will be set up at 1 May 201X:

**Toy Craft
Journal**

201X	Account name	Debit £	Credit £
1 May	Workshop premises	100,000	
	Machinery & equipment	15,000	
	Fixtures & fittings	3,500	
	Bank current account	2,500	
	Capital		100,000
	Bank loan		25,000
	Stock	4,000	
	Totals	125,000	125,000
	Balances to open double entry bookkeeping system at 1 May 201X		

2. You are provided below with the ledger of Toy Craft. Record the entries to open the ledger accounts at 1 May 201X. Use the details Balance b/f when recording the opening balances in the ledger accounts.

**Toy Craft – Ledger
Workshop Premises**

DR			CR		
201X	Details	£	201X	Details	£
1 May	Balance b/f	100,000			

Machinery & Equipment

DR			CR		
201X	Details	£	201X	Details	£
1 May	Balance b/f	15,000			

Fixtures & Fittings

DR			CR		
201X	Details	£	201X	Details	£
1 May	Balance b/f	3,500			

Bank

DR			CR		
201X	Details	£	201X	Details	£
1 May	Balance b/f	2,500			

Capital

DR			CR		
201X	Details	£	201X	Details	£
			1 May	Balance b/f	100,000

DR		Bank Loan		CR	
201X	Details	£	201X	Details	£
			1 May	Balance b/f	25,000

DR		Stock		CR	
201X	Details	£	201X	Details	£
1 May	Balance b/f	4,000			

Question 6.3

Pet Food Supplies is a business owned by Jessica Peters. The business is registered for VAT.

The following is a summary taken from an invoice issued by the business to Pet Parlour on 10 April 201X.

Invoice		Pet Food Supplies	
Invoice number	PFS0756		
Customer	Pet Parlour		
Customer account code	PP125		
Invoice date	10 April 201X		
	Invoice details		£
	Net goods		1,050
	VAT 20%		210
VAT Reg No. 637 1254 85	Invoice total		1,260

The following is a summary taken from a credit note issued to Pet Parlour on 14 April 201X, when they returned some of the goods invoiced to them on 10 April 201X.

Credit Note		Pet Food Supplies	
Credit note number	105		
Customer	Pet Parlour		
Customer account code	PP125		
Credit note date	14 April 201X		
	Credit note details		£
	Net goods		150
	VAT 20%		30
VAT Reg No. 637 1254 85	Credit note total		180

You are presented below with an extract from the ledger of Pet Food Supplies. Record the invoice and the credit note above using the ledger accounts provided.

Pet Food Supplies – Ledger (Extract)

DR		Sales		CR	
201X	Details	£	201X	Details	£
			10 April	Pet Parlour	1,050

DR		Sales Returns		CR	
201X	Details	£	201X	Details	£
14 April	Pet Parlour	150			

DR		VAT		CR	
201X	Details	£	201X	Details	£
14 April	Pet Parlour	30	10 April	Pet Parlour	210

DR		Pet Parlour		CR	
201X	Details	£	201X	Details	£
10 April	Sales	1,260	14 April	Sales returns	180

Question 6.4

Brush Strokes is a business owned by Peter Bortzov. The business is registered for VAT.

The following is a summary taken from an invoice received by the business from one of its suppliers, Discount Decorating, on 5 March 201X.

Invoice		Discount Decorating	
Invoice number	DD1215		
Customer	Brush Strokes		
Customer account code	BS075		
Invoice date	5 March 201X		
	Invoice details		£
	Net goods		940
	VAT 20%		188
VAT Reg No.154 6528 25	Invoice total		1,128

The following is a summary taken from a credit note received by Brush Strokes from Discount Decorating on 10 March 201X, when some of the goods invoiced on 5 March 201X by Discount Decorating were returned to them.

Credit Note		Discount Decorating	
Credit note number	CN0212		
Customer	Brush Strokes		
Customer account code	BS075		
Credit note date	10 March		
	Credit note details		£
	Net goods		160
	VAT 20%		32
VAT Reg No.154 6528 25	Credit note total		192

You are presented below with an extract from the ledger of Brush Strokes. Record the invoice and the credit note above using the ledger accounts provided.

Brush Strokes – Ledger (Extract)

DR		Purchases			CR
201X	Details	£	201X	Details	£
5 March	Discount Decorating	940			

DR		Purchase Returns			CR
201X	Details	£	201X	Details	£
			10 March	Discount Decorating	160

DR		VAT		CR	
201X	Details	£	201X	Details	£
5 March	Discount Decorating	188	10 March	Discount Decorating	32

DR		Discount Decorating		CR	
201X	Details	£	201X	Details	£
10 March	Purchase returns	192	5 March	Purchases	1,128

Question 6.5

Amber has recently set up her own business. The business is registered for VAT. Amber supplies hand-made greetings cards to a number of card shops. The business, which trades in the name of House of Cards, issued the following two invoices and a credit note to credit customers in its first week of trading.

INVOICE		HOUSE OF CARDS		Inv 0001	
To: Hugs & Kisses				Date: 1 July 201X	
				Order No: HK/1056	
Quantity	Description	Unit Price		Goods Total	
		£	p	£	p
50 packs	Assorted birthday cards all ages (50 per pack)	50	00	2,500	00
20 packs	Christmas greetings cards (40 per pack)	40	00	800	00
Terms: Net 7 days		Goods sub total		3,300	00
		VAT @ 20.0%		660	00
Carriage paid		Total invoice		3,960	00
VAT Registration No. 985 6532 43					

HOUSE OF CARDS		No: 0001			
CREDIT NOTE		Date: 4 July 201X			
To:	Hugs & Kisses				
Quantity	Description	Unit Price		Goods Total	
		£	p	£	p
10 Packs	Christmas greetings cards (40 per pack)	40	00	400	00
Credit against our invoice 001 Reason for credit - Packaging torn and cards damaged		Goods sub total		400	00
		VAT @ 20.0%		80	00
		Total credit		480	00
VAT Registration No. 985 6532 43					

INVOICE		HOUSE of CARDS		Inv 0002	
To: Special Thoughts				Date: 5 July 201X Order No: ST/2075	
Quantity	Description	Unit Price		Goods Total	
		£	p	£	p
25 packs	Children's birthday cards girls 2-10 (50 per pack)	30	00	750	00
20 packs	Children's birthday cards 5-11 (50 per pack)	30	00	600	00
Terms: Net 7 days		Goods sub total		1,350	00
		VAT @ 20.0%		270	00
		Total invoice		1,620	00
Carriage paid					
VAT Registration No. 985 6532 43					

You are presented below with an extract from the ledger of House of Cards. Record each of the invoices and the credit notes above using the ledger accounts provided.

House of Cards – Ledger (Extract)

DR		Sales		CR	
201X	Details	£	201X	Details	£
			1 July	Hugs & Kisses	3,300
			5 July	Special Thoughts	1,350

DR		Sales Returns		CR	
201X	Details	£	201X	Details	£
4 July	Hugs & Kisses	400			

DR		VAT		CR	
201X	Details	£	201X	Details	£
4 July	Hugs & Kisses	80	1 July	Hugs & Kisses	660
			5 July	Special Thoughts	270

DR		Hugs & Kisses		CR	
201X	Details	£	201X	Details	£
1 July	Sales	3,960	4 July	Sales returns	480

DR		Special Thoughts		CR	
201X	Details	£	201X	Details	£
5 July	Sales	1,620			

Question 6.6

Victor has recently set up his own business trading in the name of Direct Building Supplies. The business is registered for VAT.

Direct Building Supplies received the following two invoices and a credit note from two of its suppliers during its first week of trading.

INVOICE		DOORS & GRILLES LTD		Inv 1075	
To: Direct Building Supplies		Date: 1 April 201X Order No: DBS/0001			
Quantity	Description	Unit Price		Goods Total	
		£	p	£	p
20	Front doors (white oak) 2074x856	120	00	2,400	00
20	Back doors (white oak) 2074x856	75	00	1,500	00
Terms: Net 30 days		Goods sub total		3,900	00
		VAT @ 20.0%		780	00
Carriage paid		Total invoice		4,680	00
VAT Registration No. 765 5648 54					

CREDIT NOTE		DOORS & GRILLES LTD		No: 225	
To: Direct Building Supplies		Date: 3 April 201X			
Quantity	Description	Unit Price		Goods Total	
		£	p	£	p
5	Back doors (white oak) 2074X856	75	00	375	00
Credit against our invoice 1075 Reason for credit - Paintwork scratched		Goods sub total		375	00
		VAT @ 20.0%		75	00
		Total credit		450	00
VAT Registration No. 765 5648 54					

INVOICE		PLASTERING SUPPLIES LTD		Inv 2020	
To: Direct Building Supplies		Date: 5 April 201X Order No: DBS/0002			
Quantity	Description	Unit Price		Goods Total	
		£	p	£	p
80	Standard plasterboard 2000x1200x15	4	50	360	00
80	Standard wallboard 1800x900x12.5	3	00	240	00
Terms: Net 30 days		Goods sub total		600	00
		VAT @ 20.0%		120	00
		Total invoice		720	00
Carriage paid					
VAT Registration No. 347 4856 28					

You are presented below with an extract from the ledger of Direct Building Supplies. Record each of the invoices and the credit notes above using the ledger accounts provided.

Direct Building Supplies – Ledger (Extract)

DR		Purchases		CR	
201X	Details	£	201X	Details	£
1 April	Doors & Grilles Ltd	3,900			
5 April	Plastering Supplies Ltd	600			

DR		Purchase Returns		CR	
201X	Details	£	201X	Details	£
			3 April	Doors & Grilles Ltd	375

DR		VAT		CR	
201X	Details	£	201X	Details	£
1 April	Doors & Grilles Ltd	780	3 April	Doors & Grilles Ltd	75
5 April	Plastering Supplies Ltd	120			

DR		Doors & Grilles Ltd		CR	
201X	Details	£	201X	Details	£
3 April	Purchase returns	450	1 April	Purchases	4,680

DR		Plastering Supplies Ltd		CR	
201X	Details	£	201X	Details	£
			5 April	Purchases	720

Question 6.7

Today's date is 29 July 201X. The following remittance advice refers to a cheque drawn on the business bank current account of Metalcraft and sent to one of its credit suppliers, Viking Metals Ltd, to clear the balance on the supplier account.

REMITTANCE ADVICE	
Metalcraft	
Date: 29 July 201X	
To: Viking Metals Ltd	
Details	Amount
	£
Payment – your invoice 1256	2,460
Less – your credit note 0356	720
Cheque 124985 enclosed	1,740
VAT Reg No: 132 5476 34	

You are presented below with an extract from the ledger of Metalcraft showing the account of Viking Metals Ltd as it currently appears in the ledger.

From the remittance advice details above, record the payment made to Viking Metals Ltd in their ledger account in the books of Metalcraft and close off their account.

Metal Craft – Ledger (Extract)

DR		Viking Metals Ltd		CR	
201X	Details	£	201X	Details	£
10 July	Purchase returns	720	6 July	Purchases	2,460
29 July	Bank	1,740			
		2,460			2,460

Question 6.8

You are presented below with the bank statement for the month of November 201X, received by Farm Fresh Foods from the Western Bank Plc.

Two payment items are highlighted on the bank statement which need to be recorded in the bank account of Farm Fresh Foods in the ledger.

WESTERN BANK PLC		STATEMENT OF ACCOUNT		
Branch: Ayr				
Name of Account: Farm Fresh Foods				
Account Number: 19785644				
Date: 30 November 201X				
201X	Details	Payments £	Receipts £	Balance £
1 Nov	Balance b/f			1,117.90 CR
2 Nov	Counter Credit		1,480.50	2,598.40 CR
5 Nov	Cheque – 756123	188.00		2,410.40 CR
8 Nov	Counter Credit		1,428.15	3,838.55 CR
10 Nov	Cheque – 756124	806.29		3,032.26 CR
12 Nov	Cheque – 756125	424.00		2,608.26 CR
16 Nov	Cheque – 756126	210.50		2,397.76 CR
18 Nov	Counter Credit		2,752.00	5,149.76 CR
21 Nov	DD – Insurance	120.00		5,029.76 CR
24 Nov	Cheque – 756127	196.20		4,833.56 CR
27 Nov	Counter Credit		1,552.16	6,385.72 CR
30 Nov	Bank Charges	21.00		6,364.72 CR

Level 1 Award in Bookkeeping (RQF) – Study Text Book Model Answers

The following is an extract from the ledger of Farm Fresh Foods, using the date 30 November 201X record the two highlighted items using the ledger accounts provided. Date the transactions 30 November 201X.

Farm Fresh Foods – Ledger (Extract)

DR		Bank		CR	
201X	Details	£	201X	Details	£
30 Nov	Balance b/d	2,165	30 Nov	Insurance	120
			30 Nov	Bank charges	21

DR		Insurance		CR	
201X	Details	£	201X	Details	£
30 Nov	Bank	120			

DR		Bank Charges		CR	
201X	Details	£	201X	Details	£
30 Nov	Bank	21			

Question 6.9

At the end of each week Designer Furniture prepares a trial balance for the purpose of checking the arithmetic accuracy of its double entry system.

The trial balance for the week ended 31 May 201X is partly completed and is provided below.

**Designer Furniture
Trial Balance at 31 May 201X**

Account name	DR £	CR £
Fixtures and fittings	6,000	
Vehicles	49,200	
Stock	92,500	
Purchases	439,820	
Sales		576,131
Purchase returns		8,029
Sales returns	5,080	
Rent and rates	20,580	
Heat and light	3,220	
Wages and salaries	56,420	
Vehicle expenses	5,430	
Office expenses	3,760	
Just Bedrooms	12,156	
Classic Furniture	5,660	
Suite Dreams		14,730
Furniture World		12,580
Capital		115,000
Drawings	24,000	
Bank	5,274	
Cash	100	
VAT control account		2,730
Totals	729,200	729,200

Level 1 Award in Bookkeeping (RQF) – Study Text Book Model Answers

Three ledger accounts still need to be balanced off and the account balances listed on the trial balance.

You are required to:

- Balance off each of the ledger accounts at 31 May 201X shown in the ledger (extract) below.
- List the three ledger account balances on the trial balance
- Total the trial balance debit and credit columns, the column totals should agree

Designer Furniture – Ledger (Extract)

DR		Just Bedrooms		CR	
201X	Details	£	201X	Details	£
25 May	Balance b/d	5,640	28 May	Sales returns	960
27 May	Sales	6,900	30 May	Bank	5,640
30 May	Sales	7,416	31 May	Sales returns	1,200
			31 May	Balance c/d	12,156
		19,956			19,956
31 May	Balance b/d	12,156			

DR		Suite Dreams		CR	
201X	Details	£	201X	Details	£
26 May	Bank	9,880	25 May	Balance b/d	9,880
28 May	Purchase returns	720	30 May	Purchases	15,450
31 May	Balance c/d	14,730			
		25,330			25,330
			31 May	Balance b/d	14,730

Level 1 Award in Bookkeeping (RQF) – Study Text Book Model Answers

DR		VAT Control Account		CR	
201X	Details	£	201X	Details	£
30 May	Just Bedrooms	160	25 May	Balance b/d	2,620
30 May	Suite Dreams	2,575	27 May	Just Bedrooms	1,150
31 May	Just Bedrooms	200	28 May	Suite Dreams	120
31 May	Office Expenses	60	30 May	Just Bedrooms	1,235
31 May	Balance c/d	2,730	31 May	Sales	600
		5,725			5,725
			31 May	Balance b/d	2,730