

Level 3 Certificate in Bookkeeping and Accounting (RQF)
Study Text Book Model Answers

Lesson 1 – The Trial Balance and the Correction of Errors

Question 1.1

Which **one** of the following statements best describes the purpose of the trial balance?

	✓
The trial balance is a periodic listing of all the balances on accounts in the double entry bookkeeping system, its purpose is to prove the arithmetic accuracy of the system	✓
The trial balance is a periodic listing of all the balances on accounts in the double entry bookkeeping system, its purpose is to show whether a business has made a profit or a loss	
The trial balance is a periodic listing of all the balances on accounts in the double entry bookkeeping system, its purpose is to show the financial position of a business	

Question 1.2

Below are the names of four accounts appearing in the double entry bookkeeping system of a business. Indicate for **each** of the accounts whether the balance on the account would be listed in the debit (DR) or credit (CR) column when preparing a trial balance for the business.

Account name	DR	CR
Sales		✓
Sales ledger control	✓	
Discounts allowed	✓	
Purchase returns		✓

Question 1.3

Below are the names of four accounts appearing in the double entry bookkeeping system of a business. Indicate for **each** of the accounts whether the balance on the account would be listed in the debit (DR) or credit (CR) column when preparing a trial balance for the business.

Account name	DR	CR
	✓	✓
Drawings	✓	
Sales returns	✓	
Purchase ledger control		✓
Rent received		✓

Question 1.4

Which **one** of the following accounts could carry either a debit or a credit balance?

	✓
Cash	
VAT	✓
Drawings	

Question 1.5

Which **one** of the following bookkeeping errors is an error of principle?

	✓
An invoice for goods sold on credit to Ribbons and Bows Ltd was debited to the account of Ribbons and Lace Ltd	
The cost of an item of machinery for use in the factory, and paid for directly from the business bank account was debited to the purchases account and credited to the bank account	✓
A business received a bill for £450 for heating and lighting its premises from the electricity board. The bill was paid directly from the business bank account, the bookkeeper debited the heat and light account with £540 and credited the bank account with £540	

Question 1.6

A trial balance was extracted from the books of a business recently, however on totaling the debit and credit columns it was found that the column totals failed to agree. Debit balances totalled £1,016,200 and credit balances totalled £1,015,750.

Indicate below the entry required in the suspense account to balance the trial balance. You need to show the difference in books amount to be entered in the suspense account and indicate whether the amount would be debited or credited to the suspense account:

Difference in books amount £	Debit ✓	Credit ✓
£450		✓

Question 1.7

For **each** of the bookkeeping errors listed in the table below indicate whether the error would or would not be disclosed by a trial balance:

Bookkeeping errors	Error would be disclosed by a trial balance ✓	Error would not be disclosed by a trial balance ✓
The cost of purchasing a laptop computer for use in the business was debited to the purchases account and credited to the bank account		✓
When balancing off ledger accounts the balance on the sales account was incorrectly calculated and brought down to the debit side of the account	✓	
A payment of £1,200 made by cheque for rent was debited the rent account as £120, and credited to bank account as £120		✓
An amount of £1,500 from cash sales was debited to cash account, but no corresponding credit entry was made in the sales account	✓	
A payment of £250 made by cheque for property repairs was debited both to the bank account and the property repairs account	✓	

Question 1.8

John Bannerman is the proprietor of Banner Office Supplies. The following is a list of balances extracted from the books of account of the business at 30 June 201Y:

	£	
Capital	49,800	
Drawings	12,000	
Vehicle (cost)	22,500	
Warehouse fixtures and fittings (cost)	7,500	
Office furniture and equipment (cost)	6,500	
Stock (1 July 201X)	18,850	
Purchases	170,480	
Sales	229,880	
Purchase returns	2,150	
Sales returns	1,560	
Wages and salaries	27,320	
Vehicle expenses	2,850	
Other operating expenses	10,440	
Cash at bank	3,410	(DR)
Cash on hand	250	
VAT	1,830	(CR)

REQUIRED:

Prepare a trial balance from the list of balances above. The following trial balance is provided for your use in completing this task:

Banner Office Supplies Trial Balance at 30 June 201Y

Account name	DR £	CR £
Capital		49,800
Drawings	12,000	
Vehicle (cost)	22,500	
Warehouse fixtures and fittings (cost)	7,500	
Office furniture and equipment (cost)	6,500	
Stock (1 July 201X)	18,850	
Purchases	170,480	
Sales		229,880
Purchase returns		2,150
Sales returns	1,560	
Wages and salaries	27,320	
Vehicle expenses	2,850	
Other operating expenses	10,440	
Cash at bank	3,410	
Cash in hand	250	
VAT		1,830
Totals	283,660	283,660

Question 1.9

The following balances were extracted at 31 May 201Y from books of account kept on behalf of Race Building Supplies, a business owned by Robert Race:

	£	
Stock (1 June 201X)	25,140	
Purchases	252,560	
Sales	362,480	
Discount allowed	2,750	
Discount received	3,120	
Purchase returns	4,480	
Sales returns	1,850	
Carriage inwards	2,250	
Carriage outwards	4,190	
Vehicle expenses	4,720	
Wages and salaries	38,180	
Other operating expenses	11,490	
Capital	108,750	
Drawings	15,000	
Loan	20,000	
Premises (cost)	80,000	
Warehouse fixtures and fittings (cost)	5,000	
Warehouse equipment (cost)	10,000	
Vehicles (cost)	35,000	
Office furniture and equipment (cost)	3,500	
Bank	7,200	(DR)

REQUIRED:

Prepare a trial balance from the list of balances above. The following trial balance is provided for your use in completing this task:

**Race Building Supplies
Trial Balance at 31 May 201Y**

Account name	DR £	CR £
Stock (1 June 201X)	25,140	
Purchases	252,560	
Sales		362,480
Discount allowed	2,750	
Discount received		3,120
Purchase returns		4,480
Sales returns	1,850	
Carriage inwards	2,250	
Carriage outwards	4,190	
Vehicle expenses	4,720	
Wages and salaries	38,180	
Other operating expenses	11,490	
Capital		108,750
Drawings	15,000	
Loan		20,000
Premises (cost)	80,000	
Warehouse fixtures and fittings (cost)	5,000	
Warehouse equipment (cost)	10,000	
Vehicles (cost)	35,000	
Office furniture and equipment (cost)	3,500	
Bank	7,200	
Totals	498,830	498,830

Question 1.10

At 31 May 201Y the bookkeeper of Baker & Co prepared a trial balance for the business but was unable to balance the trial balance columns finding that the total of the debit column exceeded the total of the credit column by £600. As a temporary measure the bookkeeper posted the difference in books amount to a suspense account and recorded the suspense account balance on the trial balance, thereby bringing the column totals into agreement.

The suspense account showing the difference in books amount recorded in the account is presented below:

DR		Baker & Co Ledger (extract) Suspense		CR	
201Y	Details	£	201Y	Details	£
31 May	Sales	1,600	31 May	Difference in books	600
31 May	Bank	640	31 May	Discounts received	90
			31 May	Purchase ledger control	150
			31 May	Vehicles (cost)	900
			31 May	Rent	500
		2,240			2,240

The following six errors were subsequently discovered in the double entry bookkeeping system of Baker & Co:

- 1 The balance on the discount received account was miscalculated when the account was balanced off at 31 May 201Y, resulting in the account balance being overstated by
- 2 The total of £150, representing the total of credit notes received from suppliers for purchases returned to them in May 201Y, had not been debited to the purchase ledger control account in the ledger at the month end.
- 3 The purchase of a van at a cost of £15,400, paid for directly from the business bank account, had been credited to the bank account as £15,400, but had been debited to the vehicles (cost) account as £14,500.

- 4 A payment by direct debit from the bank account for rent of £500, had been credited to the bank account in the cash book, but the corresponding debit entry had not been recorded in the rent account.
- 5 The sales account in the ledger had been incorrectly balanced off at 31 May 201Y, resulting in the balance on the account being understated by £1,600.
- 6 A payment of £640 for electricity by standing order in the month of May 201Y had been debited to the heat and light account in the ledger, but had not been recorded as a payment in the bank account in the cash book.

REQUIRED:

- A** Complete the journal entries to correct **each** of the six errors listed above. The following journals are provided for your use in completing this task:

For use in correcting error 1:

Journal

201Y	Account name	DR £	CR £
31 May	Discount received	90	90
	Suspense		
	Correction of error, balance on the discounts received account miscalculated and overstated		

For use in correcting error 2:

Journal

201Y	Account name	DR £	CR £
31 May	Purchase ledger control	150	150
	Suspense		
	Correction of error, total of purchase returns not recorded in the purchase ledger control account		

For use in correcting error 3:**Journal**

201Y	Account name	DR £	CR £
31 May	Vehicles (cost)	900	900
	Suspense		
	Correction of error, cost of vehicle amount transposed when recorded in the vehicle (cost) account		

For use in correcting error 4:**Journal**

201Y	Account name	DR £	CR £
31 May	Rent	500	500
	Suspense		
	Correction of error, payment for rent not recorded in the rent account		

For use in correcting error 5:**Journal**

201Y	Account name	DR £	CR £
31 May	Suspense	1,600	1,600
	Sales		
	Correction of error, balance on the sales account understated due to the balance being miscalculated when balancing off the account		

For use in correcting error 6:**Journal**

201Y	Account name	DR £	CR £
31 May	Suspense	640	640
	Bank		
	Correction of error, payment for heat and light not recorded in the bank account in the cash book		

REQUIRED:

- B** Return to the suspense account provided earlier in this question. Record the journal entries above in the suspense account and eliminate the difference in books amount of £600 recorded in the suspense account at 31 May 201Y.

Question 1.11

The following is a list of ledger account balances extracted from the Double entry bookkeeping system of Underworld at 31 May 201Y:

	£	
Capital	243,160	
Drawings	56,000	
Sales	1,101,070	
Purchases	865,200	
Sales returns	6,820	
Purchase returns	7,180	
Stock (31 May 201X)	99,780	
Operating expenses	154,200	
Discounts allowed	10,440	
Discounts received	16,480	
Fixed assets	156,400	
Bank	22,450	(DR)
Sales ledger control	105,800	
Purchase ledger control	112,300	

Note: The general ledger of Underworld includes a sales ledger control account and purchase ledger control account, the control accounts are kept as part of the double entry bookkeeping system. The accounts of individual debtors and creditors are kept in the sales ledger and purchase ledger as memorandum accounts.

REQUIRED:

- A Using the trial balance below, prepare a trial balance on behalf of Underworld at 31 May 201Y from the balances provided above. Identify any difference between the debit balances and credit balances by recording the difference in books amount as a suspense account balance on the trial balance.

Underworld Trial Balance at 31 May 201Y		
Account name	DR £	CR £
Capital		243,160
Drawings	56,000	
Sales		1,101,070
Purchases	865,200	
Sales returns	6,820	
Purchase returns		7,180
Stock (31 May 201X)	99,780	
Operating expenses	154,200	
Discounts allowed	10,440	
Discounts received		16,480
Fixed assets	156,400	
Bank	22,450	
Sales ledger control)	105,800	
Purchase ledger control		112,300
Suspense	3,100	
Totals	1,480,190	1,480,190

REQUIRED:

- B** Record the suspense account balance added to the trial balance you completed in task A as a difference in books balance in the suspense account provided below:

Underworld Ledger (extract) Suspense					
DR			CR		
201Y	Details	£	201Y	Details	£
31 May	Difference in books	3,100	31 May	Purchase ledger control	1,860
31 May	Bank	2,400	31 May	Purchases	1,800
			31 May	Sales returns	1,840
		5,500			5,500

An investigation into cause of the imbalance in the double entry bookkeeping system of Underworld at 31 May 201Y revealed the following bookkeeping errors:

1. Discounts received £1,860 at 31 May 201Y had been credited to the discounts received account but the corresponding debit entry had not been recorded in the purchase ledger control account
2. In May month 201Y an amount of £2,400 had been paid directly from the business bank account for operating expenses. The payment had been debited to the operating expenses account, but had not been credited to the bank account in the cash book
3. A transposition error in the purchases account resulted in the balance on the account being understated by £1,800 when the account was balanced off at 31 May 201Y
4. Sales returns of £1,840 in May 201Y had not been debited to the sales returns account

REQUIRED:

- C** Complete the journal entries to correct **each** of the four bookkeeping errors referred to above. The following journals are provided for your use in completing this task:

For use in correcting error 1:

Journal

201Y	Account name	DR £	CR £
31 May	Purchase ledger control	1,860	1,860
	Suspense		
	Correction of error, discounts received not recorded in the purchase ledger control account		

For use in correcting error 2:

Journal

201Y	Account name	DR £	CR £
31 May	Suspense	2,400	2,400
	Bank		
	Correction of error, total of purchase returns not recorded in the purchase ledger control account		

For use in correcting error 3:

Journal

201Y	Account name	DR £	CR £
31 May	Purchases	1,800	1,800
	Suspense		
	Correction of error, transposition error in purchases account resulted in the account balance being understated when the account was balanced off		

For use in correcting error 4:

Journal

201Y	Account name	DR £	CR £
31 May	Sale returns	1,840	1,840
	Suspense		
	Correction of error, sales returns not recorded in the sales returns account		

REQUIRED:

- D** Return to the suspense account provided when you completed task B of this question. Record the journal entries you completed above in the suspense account and eliminate the difference in books amount you recorded in the suspense account at 31 May 201Y.
- E** Redraft the trial balance of Underworld at 31 May 201Y to show the corrected account balances following the correction of the bookkeeping errors and the elimination of the suspense account balance. The following trial balance is provided for your use in completing this task:

Underworld Trial Balance (redrafted) at 31 May 201Y		
Account name	DR £	CR £
Capital		243,160
Drawings	56,000	
Sales		1,101,070
Purchases	867,000	
Sales returns	8,660	
Purchase returns		7,180
Stock (31 May 201X)	99,780	
Operating expenses	154,200	
Discounts allowed	10,440	
Discounts received		16,480
Fixed assets	156,400	
Bank	20,050	
Sales ledger control	105,800	
Purchase ledger control		110,440
Totals	1,478,330	1,478,330