

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

Lesson 11 – Prepare Financial Statements for a Sole Trader from Incomplete Records

Question 11.1

Which **one** of the following businesses is most likely to keep basic incomplete records?

	✓
A sole trader type entity	✓
A multi-national public limited company	

Question 11.2

James is able to provide you with the following information about his business at 1 July 201Y:

	£
Bank loan	10,000
Bank current account	1,000 overdrawn balance
Fixtures (net book value)	2,500
General expenses accrued	1,300
Trade creditors	9,700
Trade debtors	4,000
Van (net book value)	12,000
Rent and rates prepaid	6,000
Equipment (net book value)	17,500

Using the form provided below calculate James's capital contribution to his business at 1 July 201Y.

James's Capital Calculation at 1 July 201Y		
	£	£
Assets		
Fixtures (NBV)	2,500	
Trade debtors	4,000	
Van (NBV)	12,000	
Rent and rates prepaid	6,000	
Equipment (NBV)	17,500	
Total assets		42,000
Liabilities		
Bank loan	10,000	
Bank current account (overdrawn balance)	1,000	
General expenses accrued	1,300	
Trade creditors	9,700	
Total liabilities		22,000
Capital at 1 July 201Y		20,000

Question 11.3

Ahmad keeps only basic records for his business. He provides you with the following information at the year-end 31 December 201Y:

- 1 January 201Y - Rent prepaid £1,000
- 31 December 201Y - Payments made from the business bank account in the year for rent £5,600
- 31 December 201Y - Rent prepaid £1,200

Using the accounts below prepare the rent account and prepaid expenses account. Balance off the rent account at 31 December 201Y to show the account balance carried down and brought down at that date.

DR		Rent		CR	
201Y	Details	£	201Y	Details	£
1 Jan	Rent prepaid	1,000	31 Dec	Prepaid expenses	1,200
31 Dec	Bank	5,600	31 Dec	Balance c/d	5,400
		6,600			6,600
31 Dec	Balance b/d	5,400			

DR		Prepaid Expenses		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Rent prepaid	1,200			

Question 11.4

Indira is the owner of a small business. She keeps only basic records for her business from which she provides the following information at the year-end 31 December 201Y:

- 1 January 201Y - Rates prepaid £1,500
- 31 December 201Y - Payments made from the business bank account in the year for rates £5,300
- 31 December 201Y - Rates prepaid £1,800

Calculate the rates expense which would appear on the profit and loss account prepared for Indira's business for the year ended 31 December 201Y. Enter the amount you calculate as rates for the year in the box below:

Rates expense year ended 31 December 201Y £5,000

Question 11.5

Alison is the owner of a small business which trades in the name of Sandwich Box. Alison provides you with the following information at 1 April 201Y:

	£
Shop fixtures and fittings (NBV)	3,200
Van (NBV)	5,000
Stock	500
Trade creditors	750
Rent and rates prepaid	800
Heat and light accrued	130
Bank (positive balance on bank account)	1,330
Cash on hand	50

Using the form provided below calculate Alison's capital contribution to her business at 1 April 201Y.

Alison's Capital Calculation at 1 April 201Y		
	£	£
Assets		
Shop fixtures and fittings (NBV)	3,200	
Van (NBV)	5,000	
Stock	500	
Rent and rates prepaid	800	
Bank	1,330	
Cash on hand	50	
Total assets		10,880
Liabilities		
Trade creditors	750	
Heat and light accrued	130	
Total liabilities		880
Capital at 1 April 201Y		10,000

Question 11.6

Marie is the owner of a small business. She keeps only basic records for her business from which she provides the following information for the year ended 31 December 201Y:

- 1 January 201Y – Heat and light accrued £480
- 31 December 201Y - Payments made from the business bank account in the year for heat and light £1,460
- 31 December 201Y – heat and light accrued £540

Using the accounts below prepare the heat and light account and accrued expenses account. Balance off the heat and light account at 31 December 201Y to show the account balance carried down and brought down at that date.

DR		Heat and Light				CR
201Y	Details	£	201Y	Details	£	
31 Dec	Bank	1,460	1 Jan	Heat and light accrued	480	
31 Dec	Accrued expenses	540	31 Dec	Balance c/d	1,520	
		2,000			2,000	
31/3/1Y	Balance b/d	1,520				

DR		Accrued Expenses				CR
201Y	Details	£	201Y	Details	£	
			31 Dec	Heat and light	540	

Question 11.7

Eldin owns a small business. He gives credit to several of his customers. Eldin provides you with the following information at the year-end 31 December 201Y:

201Y		£
1 January	- Trade debtors	2,750
31 December	- Amounts received from trade debtors in the year paid into the business bank account	48,180
31 December	- Cash discounts allowed to trade debtors in the year	850
31 December	- Trade debtors	3,210

REQUIRED:

Calculate the sales on credit of Eldin's business for the year ended 31 December 201Y. The following accounts are provided for your use in completing this task:

DR		Debtors Control		CR	
201Y	Details	£	201Y	Details	£
1 Jan	Balance b/d	2,750	31 Dec	Bank	48,180
31 Dec	Sales	49,490	31 Dec	Discounts allowed	850
			31 Dec	Balance c/d	3,210
		52,240			52,240
31 Dec	Balance b/d	3,210			

DR		Discounts Allowed		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Debtors control	850			

DR		Sales		CR	
201Y	Details	£	201Y	Details	£
			31 Dec	Debtors control	49,490

Question 11.8

Jinder is the owner of a vehicle repairs workshop. He keeps only basic records for his business.

At the year-end 31 December 201Y Jinder provides you with the following information from his records:

- 1 January 201Y - Heat and light accrued £660
- 31 December 201Y - Payments made from the business bank account in the year for heat and light £3,150
- 31 December 201Y - Heat and light accrued £590

Calculate the expense of heat and light which would appear on the profit and loss account prepared for Jinder's business for the year ended 31 December 201Y. Enter the amount you calculate as heat and light for the year in the box below:

Heat and light expense year ended 31 December 201Y £3,080
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Question 11.10

Gillian is the owner of a florist shop. She takes money from the shops till on the Friday of each week as personal drawings. However, Gillian has failed to keep a record of the cash she has taken.

Gillian has provided you with the following information at the year-end 31 May 201Y:

		£
1/6/1X	Cash balance	150
31/5/1Y	Receipts from cash sales	42,120
31/5/1Y	Cash paid into bank account	28,720
31/5/1Y	Wages paid in cash	7,200
31/5/1Y	Sundry expenses paid in cash	250
31/5/1Y	Cash balance	100

REQUIRED:

Calculate Gillian's cash drawings in the year ended 31 May 201Y. The following accounts are provided for your use in completing this task:

DR		Cash		CR	
Date	Details	£	Date	Details	£
1/6/1Y	Balance b/d	150	31/5/1Y	Bank	28,720
31/5/1Y	Sales	42,120	31/5/1Y	Wages	7,200
			31/5/1Y	Sundry expenses	250
			31/5/1Y	Drawings	6,000
			31/5/1Y	Balance c/d	100
		42,270			42,270
31/5/1Y	Balance b/d	100			

DR		Drawings		CR	
Date	Details	£	Date	Details	£
31/5/1Y	Cash	6,000			

Question 11.11

Danielle is a market trader she buys towels, bedding and curtains as 'slight seconds' directly from a manufacturer, which she then sells on her market stall. Danielle does not keep a full set of accounting records, but has provided you with information from which you have started the process of preparing financial statements for her business for the year ended 31 December 201Y.

Below is the partly completed trial balance you are in the process of completing from an accounts worksheet.

Danielle (Market Trader)		
Trial Balance at 31 December 201Y		
Accounts	DR £	CR £
Transit van (NBV)	12,000	
Market stall and equipment (NBV)	2,000	
Creditors control		2,290
Stock (opening stock)	5,750	
Bank	4,615	
Cash on hand	400	
Sales		86,328
Rent	3,600	
Vehicle expenses	1,030	
Bank charges	272	
General expenses	505	
Capital		21,640
Wages	7,800	
Purchases	57,436	
Drawings	12,200	
Depreciation charges	2,500	
Prepaid expenses	400	
Accrued expenses		250
Totals	110,508	110,508

To complete the trial balance the following six balances have yet to be accounted for using an accounts worksheet, and entered on the trial balance against the account names. The trial balance then needs to be totalled:

- Creditors control
- Rent
- Vehicle expenses
- Purchases
- Prepaid expenses
- Accrued expenses

Required:

1) You have been given the following information by Danielle at the year-end 31 December 201Y.

Using the accounts provided calculate purchases for the year and record the purchases account balance and creditors control account balance on the trial balance above.

201Y

1 January - Trade creditors £3,250

31 December - Payments made in the year to trade creditors from the business bank account £58,396

31 December - Trade creditors £2,290

Note: Danielle has not received any discounts from her suppliers in the year

DR		Creditors Control		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Bank	58,396	1 Jan	Balance b/d	3,250
31 Dec	Balance c/d	2,290	31 Dec	Purchases	57,436
		60,686			60,686
			31 Dec	Balance b/d	2,290

DR		Purchases		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Creditors control	57,436			

2) Danielle has provided the following information at the year-end 31 December 201Y.

Using the accounts provided calculate rent for the year and record the rent account balance and prepaid expenses account balance on the trial balance above.

201Y

- 1 January - Rent prepaid £300
- 31 December - Payments made in the year for rent from the business bank account £3,700
- 31 December - Rent prepaid £400

DR		Rent		CR	
201Y	Details	£	201Y	Details	£
1 Jan	Rent prepaid	300	31 Dec	Prepaid expenses	400
31 Dec	Bank	3,700	31 Dec	Balance c/d	3,600
		4,000			4,000
31 Dec	Balance b/d	3,600			

DR		Prepaid Expenses		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Rent prepaid	400			

3) Danielle has also provided the following information at the year-end 31 December 201Y.

Using the accounts provided calculate vehicle expenses for the year and record the vehicle expenses account balance and accrued expenses account balance on the trial balance above.

201Y

- 1 January - Vehicle expenses accrued £310
- 31 December - Payments made in the year for vehicle expenses from the business bank account £1,090
- 31 December - Vehicle expenses accrued £250

DR			Vehicle Expenses			CR		
201Y	Details	£	201Y	Details	£			
31 Dec	Bank	1,090	1 Jan	Vehicle expenses accrued	310			
31 Dec	Accrued expenses	250	31 Dec	Balance c/d	1,030			
		1,340			1,340			
31/3/1Y	Balance b/d	1,030						

DR			Accrued Expenses			CR		
201Y	Details	£	201Y	Details	£			
			31 Dec	Vehicle expenses	250			

Required:

Having entered the balances you calculated in completing the three tasks above total the trial balance. The debit and credit column totals should agree:

Closing stock

Danielle has valued the stock of her business at 31 December 201Y at £6,940.

Required:

Using the trial balance you completed above, and the closing stock valuation, prepare the trading and profit and loss account of Danielle's business for the year-ended 31 December 201Y, and a balance sheet at that date.

The following are provided for your use in completing the above tasks:

**Danielle (Market Trader)
Trading and Profit and Loss Account
for the Year Ended 31 December 201Y**

	£	£	£
Sales			86,328
Less Cost of Goods Sold			
Opening stock	5,750		
Add purchases	57,436		
		63,186	
Less closing stock		6,940	
			56,246
Gross profit			30,082
Less Expenses			
Rent		3,600	
Vehicle expenses		1,030	
Bank charges		272	
General expenses		505	
Wages		7,800	
Depreciation charges		2,500	
			15,707
Net profit			14,375

Danielle (Market Trader)
Balance Sheet at 31 December 201Y

	£	£	£
Fixed Assets			
Transit van (NBV)		12,000	
Market stall and equipment (NBV)		2,000	
			14,000
Current Assets			
Stock	6,940		
Prepaid expenses	400		
Bank	4,615		
Cash	400		
		12,355	
Less Current Liabilities			
Trade creditors	2,290		
Accrued expenses	250		
		2,540	
Working capital			9,815
Total assets less current liabilities			23,815
Financed by:			
Capital	21,640		
Add Net profit	14,375		
		36,015	
Less Drawings		12,200	
Capital employed			23,815

Question 11.12

Gina is the proprietor of a shop selling children's clothing and footwear. The business trades in the name of Trendy Tykes.

Gina keeps the books for the shop herself. From information she has provided at the year-end 31 December 201Y one of your colleagues at the accounting practice where you work has partially completed a trial balance for Gina's business.

Your colleague has been using an accounts worksheet to calculate account balances from the information provided by Gina, and has entered all the account names on the trial balance. Your colleague has also entered most of the account balances on the trial balance in a column headed 'amount £'. However, there are six account names against which your colleague has not entered a balance in the 'Amount £' column. The partially completed trial balance is provided below:

Trendy Tykes Trial Balance at 31 December 201Y

Account	Amount £	DR £	CR £
Fixtures and Fittings (NBV)	5,000	5,000	
Vehicles (NBV)	30,000	30,000	
Stock (opening stock)	22,950	22,950	
Purchases	96,140	96,140	
Sales	154,490		154,490
Rent, rates and insurances	12,800	12,800	
Heat and light	1,540	1,540	
Wages	14,180	14,180	
Vehicle expenses	2,150	2,150	
General expenses	1,640	1,640	
Depreciation charges	2,500	2,500	
Creditors control	16,160		16,160
Capital	43,000		43,000
Drawings	18,000	18,000	
Bank	3,760	3,760	
Cash on hand	100	100	
Prepaid expenses	3,440	3,440	
Accrued expenses	550		550
Totals		214,200	214,200

Your colleague has left the following note on your desk:

Note:

I am in the process of preparing the financial statements for Little Tykes for the year ended 31 December 201Y. I have provided you with a trial balance which is only partially completed. Attached to this note is some information provided by the Gina, the owner of Trendy Tykes. I need to you to complete the following tasks:

1 Prepare the accounts to complete the trial balance. I have also attached to this note an extract from my accounts worksheet for you to use to completing this task. Balance off any of the accounts on the accounts worksheet in which you record more than one entry to show account balances carried down and brought down at 31 December 201Y. For any accounts in which you record only one entry leave the account 'open'.

2 Enter the account balances from the accounts worksheet onto the trial balance using the column headed 'Amount £'.

3 Extend all the account balances on the trial balance from the column 'Amount £' to either the debit column (DR) or credit column (CR) of the trial balance.

4 Total the debit and credit columns of the trial balance the column totals should agree.

5 Gina has informed me that the closing stock of her business at 31 December 201Y is valued at £19,850. Using the completed trial balance and the closing stock valuation complete the financial statements of Little Tykes for the year ended 31 December 201Y. These are also attached to this note and are to be used to complete this task.

Attachment 1 – Information provided by Gina

Trade creditor, prepaid expenses and accrued expenses balances at 1 January 201Y:

201Y

- 1 January - Trade creditors £15,850
- 1 January – Rent, rates and insurances prepaid £3,160
- 1 January – Heat and light accrued £440

Payments made in year ended 31 December 201Y from the business bank account:

201Y

- 31 December - Payments made to trade creditors £95,830
- 31 December – Payments made for rent, rates and insurances £13,080
- 31 December – Payments made for heat and light £1,430

Trade creditor, prepaid expenses and accrued expenses balances at 31 December 201Y:

201Y

- 31 December - Trade creditors £16,160
- 31 December - Rent, rates and insurances prepaid £3,440
- 31 December - Heat and light accrued £550

Attachment 2 – Extract from accounts worksheet

Accounts Worksheet (extract)

DR		Creditors Control		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Bank	95,830	1 Jan	Balance b/d	15,850
31 Dec	Balance c/d	16,160	31 Dec	Purchases	96,140
		111,990			111,990
			31 Dec	Balance b/d	16,160

DR		Purchases		CR	
201Y	Details	£	201Y	Details	£
31 Dec	Creditors control	96,140			

DR **Rent, Rates and Insurances** **CR**

201Y	Details	£	201Y	Details	£
1 Jan	Rent, rates and insurances prepaid	3,160	31 Dec	Prepaid expenses	3,440
31 Dec	Bank	13,080	31 Dec	Balance c/d	12,800
		16,240			16,240
31 Dec	Balance b/d	12,800			

DR **Prepaid Expenses** **CR**

201Y	Details	£	201Y	Details	£
31 Dec	Rent, rates and insurances prepaid	3,440			

DR **Heat and Light** **CR**

201Y	Details	£	201Y	Details	£
31 Dec	Bank	1,430	1 Jan	Heat and light accrued	440
31 Dec	Accrued expenses	550	31 Dec	Balance c/d	1,540
		1,980			1,980
31/3/1Y	Balance b/d	1,540			

DR **Accrued Expenses** **CR**

201Y	Details	£	201Y	Details	£
			31 Dec	Heat and light	550

Attachment 3 – Financial statements

Trendy Tykes Trading and Profit and Loss Account for the Year Ended 31 December 201Y

	£	£	£
Sales			154,490
Less Cost of Goods Sold			
Opening stock	22,950		
Add purchases	96,140		
		119,090	
Less closing stock		19,850	
			99,240
Gross profit			55,250
Less Expenses			
Rent, rates and insurances		12,800	
Heat and light		1,540	
Wages		14,180	
Vehicle expenses		2,150	
General expenses		1,640	
Depreciation charges		2,500	
			34,810
Net profit			20,440

Trendy Tykes
Balance Sheet at 31 December 201Y

	£	£	£
Fixed Assets			
Fixtures and fittings (NBV)		5,000	
Vehicles (NBV)		30,000	
			35,000
Current Assets			
Stock	19,850		
Prepaid expenses	3,440		
Bank	3,760		
Cash	100		
		27,150	
Less Current Liabilities			
Trade creditors	16,160		
Accrued expenses	550		
		16,710	
Working capital			10,440
Total assets less current liabilities			45,440
Financed by:			
Capital	43,000		
Add Net profit	20,440		
		63,440	
Less Drawings		18,000	
Capital employed			45,440