

Bookkeeping Controls (BKCL)

Question and answer book

April 2018

Questions

Some of the questions in this booklet require you to select the correct word or term from a range of options. The options are presented in the question in the following way: [decrease or increase]. Sometimes, there may be more than two options. There is only one correct answer so select the option that you think is correct.

Question 1

A range of different payment methods can be used in the bank account which can reduce funds on the day, reduce funds at a later date or have no effect on funds. What affect will the following transactions have on the bank account?

Transactions	Reduce funds on the day	Reduce funds at a later date	No effect on the funds
£400 cash withdrawn from bank			
An unpresented cheque has been returned by the supplier			
Faster payment made to a customer in relation to a refund			
CHAPs payment made from bank for £35,000			

Question 2

Which one of the following payment methods will cause an immediate reduction to the bank balance?

- a) A debit card payment
- b) Cheque paid in at a different bank
- c) A credit card payment
- d) Cheque paid in the bank branch of the issuer

Question 3

The last bank statement shows a balance of £215,680 on the 5 April. A CHAPS payment was made for £120,000 on 6 April; the CHAPS payment will [increase or decrease] the bank balance. A BACS remittance was received for £23,000 and this will [increase or decrease] the bank balance. The balance in the bank will now be £_____.

Question 4

The sales ledger control account (SLCA) brings together all transactions in relation to:

	True	False
Cash and credit customers		
Sales Manager's wages		
Invoices to credit customers		
Irrecoverable debts		

Question 5

The payable and receivable control accounts show [the totals of all ledgers or the totals of the customer and supplier accounts]. They are used to monitor the total amount owing on sales and purchases invoices. The balance of the sales ledger control account must equal the [purchase ledger or sales ledger], we would also record any [irrecoverable debts or discounts received or expenses] in this account. The purchase ledger control must equal the [purchase ledger or sales ledger], we would also record any [payments made or dishonoured cheques or sales returns] in this account.

Question 6

Payment has been made to a supplier; we paid the VAT invoice promptly so received a £60 discount off the invoice total of £1,200. How will this be recorded in our accounts?

- a) Dr Purchases £1,200
Cr Bank £1,140
Cr Discounts received £60
- b) Dr Purchases ledger control account £1,200
Cr Bank £1,140
Cr Discounts received £50
Cr VAT control £10
- c) Dr Bank £1,140
Cr Purchase ledger control account £1,140
Cr Discounts received £60

Question 7

The VAT control account brings together the [net income or ledgers or books of prime entry] VAT amounts into one account. This enables the company to calculate the amount of VAT that needs to be paid to HMRC or how much can be reclaimed. If the debit side of the VAT account is £36,300, and the credit side is £51,000 we will need to [pay or reclaim] £_____ to HMRC.

Question 8

The sales ledger control account has a debit balance of £190,390, credit sales for the month are £59,000 and money received from customers is £98,700. The balance on the sales ledger control account is £_____. A dishonoured cheque has been received for £1,200, and a customer has returned some products costing £356, the balance on the sales ledger control account will now be £_____.

Question 9

MGB Office supplies are ready to submit their first VAT return to HMRC. The VAT amounts to be entered are Sales £8,880, Purchases £5,448, Purchase returns £148, Petty cash £10, Cash sales of £1,050, Irrecoverable debts £296 and Computer equipment of £425.

The balance carried down on the VAT control account is:

- a) £6,179
- b) £4,175
- c) £3,899
- d) £3,474

Question 10

On the 31 March the balance on the purchase ledger control account is £134,968 and the balance on the purchase ledger is £133,198 which gives a difference of £_____. It appears that some purchase returns of £1,650 have not been recorded in the purchase ledger control account. The control account and ledger balances have been recalculated and there is still an imbalance of £_____, this could be due to [an invoice or an irrecoverable debt or a discount] not being recorded in the purchase ledger control.

Question 11

The initial trial balance shows an imbalance on the credit side of £1,740 so a suspense account was opened. A deposit for £1,470 had been received in the bank in relation to an overpayment of business rates, no other entries were made. When entering advertising expenses for £690 into the ledger it was entered as £960, all other entries were correct.

Update the Journal below to show how the errors identified were corrected.

Account name options: Suspense; Advertising expense; Business rates; Bank

Account Name	Amount £	Debit (tick)	Credit (tick)

Question 12

If the debit column is £250,558 and the credit column is £245,758 on the initial trial balance, a suspense account will need to be opened for £_____ on the [debit or credit] side. The Suspense was found to be caused by a VAT inclusive refund (VAT @ 20%) for unused Advertising space which had only been entered into the Bank. The journal to correct the error and clear the suspense account, would be to [debit or credit] Advertising £_____; [debit or credit] VAT £_____ and [debit or credit] Suspense £_____.

Question 13

A Suspense account for £1,300 has been opened on the debit side. A refund for £600 had been paid out of the Bank in relation to Sales returns; this was not entered into the Sales returns account. An invoice for £1,700 was entered as £1,000 in the Office equipment account, the money paid out of the Bank was correctly recorded.

Record the journal entries needed to clear the suspense account.

Account name options: Suspense; Office equipment; Bank; Sales returns; Sales

Account Name	Amount £	Debit (tick)	Credit (tick)

Question 14

The initial trial balance shows a debit balance of £89,457 and a credit balance of £86,557. The suspense account showed a credit entry of £_____.

The following journals have been created to correct the bookkeeping errors found:

Account Name	Debit £	Credit £
Insurance	700	
Suspense		700
Suspense	3,600	
Commission received		3,600

What was the new balance on the trial balance, after the journal entries were processed and the suspense account cleared?

- a) £85,667
- b) £90,157
- c) £86,557
- d) £90,107

Question 15

The balance on the sales ledger control at the 1 April 20X8 was £74,345. The total of the sales ledger was £74,050. The difference is £295.

Which one of the following may have caused the difference?

- a) A credit note was omitted in the sales ledger
- b) An invoice was omitted in the sales ledger control
- c) A credit note was not entered in the sales ledger control

Answers

Question 1

A range of different payment methods can be used in the bank account which can reduce funds on the day, reduce funds at a later date or have no effect on funds. What affect will the following transactions have on the bank account?

Transactions	Reduce funds on the day	Reduce funds at a later date	No effect on the funds	Explanation
£400 cash withdrawn from bank	√			Money is taken from the bank on the same day reducing funds
An unpresented cheque has been returned by the supplier			√	Cheque has not been presented to the bank; therefore will not show on the bank balance.
Faster payment made to a customer in relation to a refund	√			Usually paid immediately or within 2 hours, therefore will reduce the balance on same day.
CHAPs payment made from bank for £35,000	√			Payment is sent immediately which will reduce the balance in the bank.

Question 2

Which one of the following payment methods will cause an immediate reduction to the bank balance?

- b) A debit card payment
- b) Cheque paid in at a different bank
- c) A credit card payment
- d) **Cheque paid in the bank branch of the issuer**

Question 3

The last bank statement shows a balance of £215,680 on the 5 April. A CHAPS payment was made for £120,000 on 6 April; the CHAPS payment will **decrease** the bank balance. A BACS remittance was received for £23,000 and this will **increase** the bank balance. The balance in the bank will now be **£118,680**.

Question 4

The sales ledger control account (SLCA) brings together all transactions in relation to:

	True	False	Explanation
Cash and credit customers		√	False - SLCA only records credit customers.
Sales Manager's wages		√	False - This is a wages expense.
Invoices to credit customers	√		True – this is the money owed to the business and has been bought on credit from our customers.
Irrecoverable debts	√		True – an irrecoverable debt only occurs if one of our customers fails to pay.

Question 5

The payable and receivable control accounts show **the totals of the customer and supplier accounts**. They are used to monitor the total amount owing on sales and purchases invoices. The balance of the sales ledger control account must equal the **sales ledger**, we would also record any **irrecoverable debts** in this account. The purchase ledger control must equal the **purchase ledger**, we would also record any **payments made** in this account.

Question 6

Payment has been made to a supplier; we paid the VAT invoice promptly so received a £60 discount off the invoice total of £1,200. How will this be recorded in our accounts?

- a) Dr Purchases £1,200
Cr Bank £1,140
Cr Discounts received £60
- b) **Dr Purchases ledger control account £1,140**
Dr Purchases ledger control account £60
Cr Bank £1,140
Cr Discounts received £50
Cr VAT control £10
- c) Dr Bank £1,140
Cr Purchase ledger control account £1,140
Cr Discounts received £60

Explanation: Remember that purchase ledger figures include any VAT due on invoices and that all money paid out from the bank is a credit. The actual amount of £1,140 paid (£1,200 - £60) will credit the bank and debit the purchase ledger control.

The prompt payment discount needs to be shown in the purchase ledger control as the full amount £60 (including VAT), when entering the discounts received account we should only show the Net of £50 and the £10 in the VAT control account. Both debit and credit sides should total £1,200.

Question 7

The VAT control account brings together the **books of prime entry** VAT amounts into one account. This enables the company to calculate the amount of VAT that needs to be paid to HMRC or how much can be reclaimed. If the debit side of the VAT account is £36,300, and the credit side is £51,000 we will need to **pay £14,700** to HMRC.

Question 8

The sales ledger control account has a debit balance of £190,390, credit sales for the month are £59,000 and money received from customers is £98,700. The balance on the sales ledger control account is **£150,690** ($£190,390 + £59,000 - £98,700$). A dishonoured cheque has been received for £1,200, and a customer has returned some products costing £356, the balance on the sales ledger control account will now be **£151,534** ($£150,690 + £1,200 - £356$).

Question 9

MGB Office supplies are ready to submit their first VAT return to HMRC. The VAT amounts to be entered are Sales £8,880, Purchases £5,448, Purchase returns £148, Petty cash £10, Cash sales of £1,050, Irrecoverable debts £296 and Computer equipment of £425.

The balance carried down on the VAT control account is:

- a) £6,179
- b) £4,175
- c) **£3,899** ($£8,880 - £5,448 + £148 - £10 + £1,050 - £296 - £425$)
- d) £3,474

Question 10

On the 31 March the balance on the purchase ledger control account is £134,968 and the balance on the purchase ledger is £133,198 which gives a difference of **£1,770**. It appears that some purchase returns of £1,650 have not been recorded in the purchase ledger control account. The control account and ledger balances have been recalculated and there is still an imbalance of **£120**, this could be due to a **discount** not being recorded in the purchase ledger control.

Question 11

The initial trial balance shows an imbalance on the credit side of £1,740 so a suspense account was opened. A deposit for £1,470 had been received in the bank in relation to an overpayment of business rates, no other entries were made. When entering advertising expenses for £690 into the ledger it was entered as £960, all other entries were correct.

Update the Journal below to show how the errors identified were corrected.

Account name options: Suspense; Advertising expense; Business rates; Bank

Account Name	Amount £	Debit (tick)	Credit (tick)
Suspense	1,470	√	
Business rate	1,470		√
Suspense	960	√	
Advertising expense	960		√
Advertising expense	690	√	
Suspense	690		√

Question 12

The debit column is £250,558 and the credit column is £245,758 on the initial trial balance, a Suspense account will need to be opened for **£4,800** on the **credit** side. The Suspense was found to be caused by a VAT inclusive refund (VAT 20%) for unused Advertising space which had only been entered into the Bank. The journal to correct the error and clear the Suspense account, would be to **credit Advertising £4,000; credit VAT £800 and debit Suspense £4,800.**

Question 13

A Suspense account for £1,300 has been opened on the debit side. A refund for £600 had been paid out of the Bank in relation to Sales returns; this was not entered into the Sales returns account. An invoice for £1,700 was entered as £1,000 in the Office equipment account, the money paid out of the Bank was correctly recorded.

Record the journal entries needed to clear the Suspense account.

Account name options: Suspense; Office equipment; Bank; Sales returns; Sales

Account Name	Amount £	Debit (tick)	Credit (tick)
Sales returns	600	√	
Suspense	600		√
Office equipment	700	√	
Suspense	700		√

Question 14

The initial trial balance shows a debit balance of £89,457 and a credit balance of £86,557. The suspense account showed a credit entry of **£2,900**.

The following journals have been created to correct the bookkeeping errors found.

Account Name	Debit £	Credit £
Insurance	700	
Suspense		700
Suspense	3,600	
Commission received		3,600

What was the new balance on the trial balance, after the journal entries were processed and the Suspense account cleared?

- a) £85,667
- b) £90,157**
- c) £86,557
- d) £90,107

Explanation: The Suspense account is now a zero balance (credit £2900 + £700 - £3600). The new trial balance is £90,157 debit balance (£89,457 + £700) credit balance (£86,557 + £3600)

Question 15

The balance on the sales ledger control at the 1 April 20X8 was £74,345. The total of the sales ledger was £74,050. The difference is £295.

Which one of the following may have caused the difference?

- a) A credit note was omitted in the sales ledger
- b) An invoice was omitted in the sales ledger control
- c) A credit note was not entered in the sales ledger control**

Explanation: a credit note would reduce the sales ledger control by £295, which would make both balances the same £74,050.

The Association of Accounting Technicians

140 Aldersgate Street

London

EC1A 4HY

t: +44 (0)20 7397 3000

f: +44 (0)20 7397 3009

e: aat@aat.org.uk

aat.org.uk

Copyright © 2018 AAT

All rights reserved. Reproduction is permitted for personal and educational use only. No part of this content may be reproduced or transmitted for commercial use without the copyright holder's written consent.

AAT is a registered charity. No. 1050724

The logo for the Association of Accounting Technicians (AAT) consists of the lowercase letters 'aat' in a bold, green, sans-serif font. The letter 't' has a horizontal bar that extends to the right, ending in a small vertical tick mark.