

Bookkeeping Transactions (BTRN)

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

When we take a prompt payment discount from a supplier, what financial document should we expect to receive?

- a) Remittance advice
- b) Statement of account
- c) Credit note
- d) Delivery note

Question 2

A [credit note or statement of account or remittance advice] is received showing a detailed account of what is owed to the supplier. A [credit note or statement of account or remittance advice] is sent to the supplier once payment has been made.

Question 3

Rowlett Electrical sells security lights. A customer has ordered four Light up-ahead 100 Led sensor lights at £25.99 each excluding 20% VAT. Rowlett is offering a sales discount of 5%, if they buy more than three. A further prompt payment discount is offered if they pay within 5 days of invoice. What should be the total amount on the invoice?

- a) £124.75
- b) £98.76
- c) £123.60
- d) £118.51

Question 4

M&A catering purchased a 10L Soup Kettle for £139.98 and a Regent 8 slot toaster for £312.00 both items included VAT @ 20%. They were offered a 10% prompt payment discount if they paid within 7 days. How much would they save if they took up the prompt payment discount?

- a) £31.20
- b) £45.20
- c) £13.99
- d) £75.33

Question 5

The petty cash book is used to record the following:

	True	False
Payment to the window cleaner		
Supervisors salary		
Sandwiches for a business meeting		
Postage of a letter via special delivery		
Vehicle tax for company van		

Question 6

Alford operate an imprest petty cash system which is reconciled every month. The imprest amount at the start of the month is £300. The total petty cash paid out was £156, the cash held at the end of the month is £_____. The amount taken from the bank to restore the petty cash is £_____.

Question 7

How will the following transactions affect the total amount of the asset, liability or capital accounts.

Answer options: Increase, Decrease or No change

Transaction	Asset	Liability	Capital
Purchase of a new van for £10,000, paid from the bank			
The owner deposited £12,000 of her own money into the bank			
A loan of £6,000 was paid into the bank.			
A supplier was paid £1,356 from the bank			
Cleaning material costing £800 was added to our inventory and was purchased on credit.			

Question 10

Reskin Limited offer a 10% bulk discount on quantity orders over 1,000 and a further trade discount of 5% on orders totalling over £3,000. An order was placed for 900 x led light fittings at £2 each; 1,230 x energy saving light bulbs at £2.50 each, excluding VAT @ 20%.

Complete the table below:

Total Net	£
Bulk discount (round to nearest penny)	£
Trade discount (round to nearest penny)	£
Total invoice amount	£

Question 11

On the 31/1/X7 the opening balance on the petty cash book was £500. A number of petty cash vouchers had not been recorded. These were a taxi to the station for £10 (including VAT); stamps costing £4.00 (no VAT); purchase of flowers costing £12.50 (excluding VAT) and marker pens for £3.50 (including VAT).

The total amount of receipts is £_____, and the balance c/d will be £_____. The amount of VAT to be posted will be £_____.

Question 12

Dunston Construction has built an outbuilding to store some expensive equipment. The cost of construction was a total of £450,000, included in this figure was £3,400 repairs to drainage and £2,000 for architect and legal fees. An additional £45,000 was spent on new machinery, the delivery costs were £600.

The amount Dunston can capitalise is:

- a) £492,200
- b) £495,000
- c) £444,500
- d) £421,750

Question 13

Classify the following transactions into capital income, capital expenditure or revenue income, or revenue expenditure.

Transactions	Capital Income	Capital Expenditure	Revenue Income	Revenue Expenditure
Purchase of land				
Payment of maintenance charges				
Renewal of vehicle tax				
Purchase of a new photocopier				
Delivery of new machinery				
Receipt of cash from selling an asset				
Commission received				

Question 14

Yassin Supplies are preparing to reconcile their accounts, they have not yet posted the entries from the purchase day book: Total £14,844, Net £12,370 and VAT £2,474; the purchase returns day book: Total £5,862; Net £4,885; VAT £977 and the discounts received day book: Total £132, Net £110 and VAT £22.

Update the ledger accounts.

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

Question 15

The purpose of the trial balance is to:

	True	False
Check the total debits and credits agree		
Show how much the business is worth		
A way of identifying that the accounting records are correct		
Record income and expenditure only		

Question 16

The statement of account for Masha Wholesalers shows two invoices totalling £6,185, credit notes totalling £870 and prompt payment discount of £80. A bank payment of £2,600 has been received. How much is still owing on this account £_____?

Question 17

Clarkeward have recently made payments to three suppliers, T Borough Ltd £1,944; Ravenbury plc £7,488 and Klenrick & Son £160. Clarkeward have also purchased goods worth £600 and £192 (inclusive of VAT @ 20%) using cash held on site.

Enter the details into the cash book below.

Details	Cash	Bank	VAT	Purchases	Purchase ledger control
Totals					

Question 18

Gerald operates a small plumbing business. A list of his assets and liabilities shows that he has a debit bank balance of £28,340, property worth £250,000, a bank loan of £60,000, inventory of £10,450, a sales ledger balance of £35,698 and a purchase ledger balance of £16,790. Use this information to calculate Gerald's capital £_____.

Question 19

Classify the following transactions into the correct books of prime entry.

Transactions	Sales day book	Purchases day book	Cashbook	Prompt payment discount
Credit sales				
Discounts received				
Receipt of payment from customers				
Invoice to customers				
invoice to suppliers				

Question 20

A trainee bookkeeper has drawn up a trial balance which showed a debit total of £277,565 and a credit of £236,785. When the trial balance was reviewed, it was discovered that the trainee had left out a number of account balances. Classify the additional transactions as debit or credit, and then total the new trial balance.

Account Name	Amount £	Debit £	Credit £
Drawings	5,000		
Stationery	1,246		
Discounts received	176		
Advertising	2,500		
Bank overdraft	3,700		
VAT owing from HMRC	4,350		
Total			
Add to opening total		227,565	236,785
New Trial Balance total			

Answers

Question 1

When we take a prompt payment discount from a supplier, what financial document should we expect to receive?

- a) Remittance advice
- b) Statement of account
- c) Credit note**
- d) Delivery note

Question 2

A **statement of account** is received showing a detailed account of what is owed to the supplier. A **remittance advice** is sent to the supplier once payment has been made.

Question 3

Rowlett Electrical sells security lights. A customer has ordered four Light up-ahead 100 Led sensor lights at £25.99 each excluding 20% VAT. Rowlett is offering a sales discount of 5%, if they buy more than three. A further prompt payment discount is offered if they pay within 5 days of invoice. What should be the total amount on the invoice?

- a) £124.75
- b) £98.76
- c) £123.60
- d) £118.51**

Explanation: $£25.99 \times 4 = £103.96 - 5\%$ (sales discount) $= £98.76 + 20\%$ VAT $= £118.51$

Question 4

M&A catering purchased a 10L Soup Kettle for £139.98 and a Regent 8 slot toaster for £312.00 both items included VAT @ 20%. They were offered a 10% prompt payment discount if they paid within 7 days. How much would they save if they took the prompt payment discount?

- a) £31.20
- b) £45.20**
- c) £13.99
- d) £75.33

Explanation: $£139.98 + £312 = £451.98 - 10\%$ discount $= £45.20$ rounded.

Question 5

The petty cash book is used to record the following:

	True	False
Payment to the window cleaner	√	
Supervisors salary		√
Sandwiches for a business meeting	√	
Postage of a letter via special delivery	√	
Vehicle tax for company van		√

Question 6

Alford operate an imprest petty cash system which is reconciled every month. The imprest amount at the start of the month is £300. The total petty cash paid out was £156, the cash held at the end of the month is **£144 (£300 - £156)**. The amount taken from the bank to restore the petty cash is **£156 (£300 - £144)**.

Question 7

How will the following transactions affect the total amount of the asset, liability or capital accounts.

Answer options: Increase, Decrease or No change

Transaction	Asset	Liability	Capital	Explanation
Purchase of a new van for £10,000, paid from the bank	No change	No change	No change	Both the van and bank are asset accounts therefore no change to equation.
The owner deposited £12,000 of her own money into the bank	Increase	No change	Increase	The owner has put an additional £12,000 into her business increasing the capital owed to her; this has increased the money in the bank which is an asset.
A loan of £6,000 was paid into the bank.	Increase	Increase	No change	The loan is a liability, therefore increases amount of money we owe and it was paid into the bank which is an asset, increasing the amount of money we have in.
A supplier was paid £1,356 from the bank	Decrease	Decrease	No change	A payment was made to the supplier decreasing the amount of money we owe and the money was paid from our bank decreasing our asset.
Cleaning material costing £800 was added to our inventory and was purchased on credit.	Increase	Increase	No change	The inventory is increased which is an asset and the liability increases as this was bought on credit and will show in the trade payables account.

Question 8

Account Name	Amount £	Debit	Credit
Purchase ledger control	95.40	√	
Purchase returns	79.50		√
VAT	15.90		√

Question 9

Our customer Unigym has paid the following invoice 7 days after it was issued and is entitled to receive the prompt payment discount (PPD). The invoice details are below:

Invoice details	Price (net) £	VAT (20%) £	Total £
Hard core Foam Roller Invoice 267 total £1,800	1,500	300.00	1,800

Terms: 5% Prompt payment discount (PPD) for settlement within 14 days of invoice.

Unigym will receive a **£90 (£1,800 x 5%)** prompt payment discount and will have paid **£1,710 (£1,800 - £90)** into our bank account.

What are the entries required to update the general ledger accounts?

Account Name	Amount £	Debit (tick)	Credit (tick)
Sales ledger control	1,710		√
Sales ledger control	90		√
VAT	15	√	
Discounts allowed	75	√	
Cashbook	1,710	√	

Question 10

Reskin Limited offer a 10% bulk discount on quantity orders over 1,000 and a further trade discount of 5% on orders totalling over £3,000. An order was placed for 900 x led light fittings at £2 each; 1,230 x energy saving light bulbs at £2.50 each, excluding VAT (20%).

		Explanation
Total Net	£4,875	(900 x £2 + 1,230 x £2.50)
Bulk discount	£307.50	(1,230 x 2.50 = £3,075 x 10%)
Trade discount	£228.38	4,875 - 307.50 = £4,567.50 x 5% = 228.375
Total invoice amount	£5,206.94	£4,875 - £307.50 - £228.38 = £4,339.12. £4,339.12 * VAT @ 20% = £5,206.94 (£4,339.12 + £867.82)

Question 11

On the 31/1/X7 the opening balance on the petty cash book was £500. A number of petty cash vouchers had not been recorded. These were a taxi to the station for £10 (including VAT); Stamps costing £4.00 (no VAT); Purchase of flowers costing £12.50 (excluding VAT) and marker pens for £3.50 (including VAT).

The total amount of receipts is **£32.50 (£10.00 + £4.00 + £15.00(£12.50+20%) + £3.50)**, and the balance c/d will be **£467.50 (£500 – £32.50)**. The amount of VAT to be posted will be **£4.74 (£10/6 = £1.66 + £12.50 x 20% = £2.50 + £3.50/6 = £0.58)**.

Question 12

Dunston Construction has built an outbuilding to store some expensive equipment. The cost of construction was a total of £450,000, included in this figure was £3,400 repairs to drainage and £2,000 for architect and legal fees. An additional £45,000 was spent on new machinery, the delivery costs were £600.

The amount Dunston can capitalise is:

- a) **£492,200**
- b) £495,000
- c) £444,500
- d) £421,750

Explanation: £492,200 (£450,000 - £3,400 + £45,000 + £600)

Question 13

Classify the following transactions into capital income, capital expenditure or revenue income, or revenue expenditure.

Transactions	Capital Income	Capital Expenditure	Revenue Income	Revenue Expenditure
Purchase of land		√		
Payment of maintenance charges				√
Renewal of vehicle tax				√
Purchase of a new photocopier		√		
Delivery of new machinery		√		
Receipt of cash from selling an asset	√			
Commission received			√	

Question 14

Yassin Supplies are preparing to reconcile their accounts, they have not yet posted the entries from the purchase day book: Total £14,844, Net £12,370 and VAT £2,474; the purchase returns day book: Total £5,862; Net £4,885; VAT £977 and the discounts received day book: Total £132, Net £110 and VAT £22.

Update the ledger accounts.

Account Name	Amount £	Debit (tick)	Credit (tick)
Purchase ledger control	14,844		√
Purchases	12,370	√	
VAT	2,474	√	
Purchase ledger control	5,862	√	
Purchase returns	4,885		√
VAT	977		√
Purchase ledger control	132	√	
Discounts received	110		√
VAT	22		√

Question 15

The purpose of the trial balance is to:

	True	False	Explanation
Check the total debits and credits agree	√		Both debit columns and credit columns should balance.
Show how much the business is worth		√	No, the profit has to be calculated and the financial statements produced.
A way of identifying that the accounting records are correct	√		Yes, if every entry had a debit and credit balance, then arithmetically both sides should add up.
Record income and expenditure only		√	No, the trial balance also records assets and liabilities as well.

Question 16

The statement of account for Masha Wholesalers shows two invoices totalling £6,185, credit notes totalling £870 and prompt payment discount of £80. A bank payment of £2,600 has been received. How much is still owing on this account **£2,635 (£6,185 - £870 - £80 - £2,600)**?

Question 17

Clarkeward have recently made payments to three suppliers, T Borough Ltd £1,944; Ravenbury plc £7,488 and Klenrick & Son £160. Clarkeward have also purchased goods worth £600 and £192 (inclusive of VAT @ 20%) using cash held on site.

Enter the details into the cash book below.

Details	Cash	Bank	VAT	Purchases	Purchase ledger control
T Borough Ltd		1,944			1,944
Ravenbury plc		7,488			7,488
Klenrick & Son		160			160
Cash Purchase	600		100	500	
Cash Purchase	192		32	160	
Totals	792	9,592	132	660	9,592

Question 18

Gerald operates a small plumbing business. A list of his assets and liabilities shows that he has a debit bank balance of £28,340, property worth £250,000, a bank loan of £60,000, inventory of £10,450, a sales ledger balance of £35,698 and a purchase ledger balance of £16,790. Use this information to calculate Gerald's capital **£247,698**.

Explanation: (Assets: £28,340 + £250,000 + £10,450 + £35,698 = £324,488 – Liabilities: £60,000 + £16,790 = £76,790). Total assets £324,488 - £76,790 Liabilities = £247,698 Capital.

Question 19

Classify the following transactions into the correct books of prime entry.

Transactions	Sales day book	Purchases day book	Cashbook	Prompt payment discount
Credit sales	√			
Discounts received				√
Receipt of payment from customers			√	
Invoice to customers	√			
invoice to suppliers		√		

Question 20

A trainee bookkeeper has drawn up a trial balance which showed a debit total of £277,565 and a credit of £236,785. When the trial balance was reviewed, it was discovered that the trainee had left out a number of account balances. Classify the additional transactions as debit or credit, and then total the new trial balance.

Account Name	Amount £	Debit £	Credit £
Drawings	5,000	5,000	
Stationery	1,246	1,246	
Discounts received	176		176
Advertising	2,500	2,500	
Bank overdraft	3,700		3,700
VAT owing from HMRC	4,350	4,350	
Total		13,096	3,876
Add to opening total		227,565	236,785
New Trial Balance total		240,661	240,661

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

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