



Workbook activities

1

INTRODUCTION TO ACCOUNTING

1.1 What is the difference between a sole trader, a partnership and a limited company in terms of the following factors?

- ownership of the business
- the ability to specialise in one area of the business
- liability for business debts
- the need to keep accounting records

Set out your answer in the form of a table with the above factors as headings.

1.2 Give three examples of revenue expenditure and three examples of capital expenditure.

1.3 The accounting records of Tom's sole trader business show the following account totals at the end of the year:

Capital (money invested by the owner)	£185,000
Business premises	£100,000
Bank overdraft (owed to the bank)	£80,000
Computers used in the business	£50,000
Stock held by the business	£75,000
Creditors (amounts owed by the business)	£20,000
Debtors (money owed to the business)	£60,000

(a) Sort the above accounts under the three categories set out below, and total each category:

- assets
- liabilities
- capital

(b) Insert the three totals into the accounting equation

assets minus liabilities equals capital

If the equation does not balance, check your categories in (a) above.

(c) Tom has increased the bank overdraft to buy more stock costing £10,000. Adjust the totals in the equation. It should still balance; if it does not, check your workings.

2 DOCUMENTS FOR GOODS AND SERVICES SUPPLIED

INTRODUCTION

You work as an accounts assistant at Compusupply Limited, a business which sells computer supplies such as disks and listing paper to a wide range of customers.

It is your job to process incoming orders which arrive in the form of purchase orders, faxes and telephoned orders.

You also deal with the accounting side of returned goods and you issue credit notes when credit is due.

You are also in charge of sending out statements.

You are authorised to issue invoices without reference to the accounts supervisor as long as the account is kept within its credit limit. You are required to refer any difficulties and likely excesses over credit limits to your supervisor.

Compusupply Limited normally operates a computer accounting system, but unfortunately the system has crashed and you have been asked to process all the necessary documents by hand until the hard disk has been repaired. The crash is a serious one, so you may be without the computer for over a week.

You have been given the following information:

CUSTOMER DETAILS (EXTRACTS FROM COMPUSUPPLY FILES)

customer	account number	discount %	credit limit £	balance £
Andrews, R C	234	10	1000	750.00
Harber Employment Agency	341	10	1000	456.75
Case, Justin	209	10	1000	218.50
P C Mack Limited	197	20	5000	3190.00
Singh, I	222	10	1000	00.00
Singh, R, Retail	265	20	3500	2185.00
Townsend Litho	409	20	5000	4756.75
Zebra Designs Ltd	376	10	1000	487.50

COMPUSUPPLY CATALOGUE (EXTRACT)

code	product	unit price	£ (excl VAT)
OMHD10	OM 3.5 inch diskettes DSHD	boxes of 10	5.50
Z100	Zip 100MB cartridges	each	12.99
LP80	Computer listing paper 80 column	2000 sheet box	14.99
LP132	Computer listing paper 132 column	2000 sheet box	19.99
SQ44	Syquest disk 44MB	each	36.99
SQ88	Syquest disk 88MB	each	42.99
SQ200	Syquest disk 200MB	each	49.99
DB40	Floppy storage box (40 disks)	each	4.99
DB80	Floppy storage box (80 disks)	each	5.99
AG1	VDU anti-glare screen (mesh)	each	11.99
AG2	VDU anti-glare screen (glass)	each	19.99

ACTIVITIES

- 2.1** You have to check a batch of invoices to make sure the correct customer trade discount of 10% has been applied.

The totals before deduction of discount are:

- (a) £67.50
- (b) £45.00
- (c) £107.95
- (d) £12,567.95
- (e) £12.75
- (f) £89.00
- (g) £400.00
- (h) £17,450.50

- (i) £1.75
- (j) £30.33

You are to work out the net totals before VAT. Remember to round up or down to the nearest penny.

2.2 You have to check the VAT calculation on a further batch of invoices. The totals before VAT are:

- (a) £40.00
- (b) £8.00
- (c) £75.00
- (d) £675.50

You are to work out the VAT *and* the final total in each case. Remember to round VAT amounts down to the nearest penny in each case.

2.3 Your colleague reminds you that a settlement discount of 2.5% is due on the four invoices in the previous task. You are to adjust the VAT to allow for a settlement discount of 2.5% and recalculate the totals, but remembering that the net total shown on the invoice will *not* be reduced - only the VAT amount.

2.4 In the morning post there are three purchase orders. You are to complete invoices for all three orders. The date is 20 October 2004 and the invoices should be numbered consecutively from 309530. Blank invoices are printed on the pages that follow the purchase orders.

<p>JUSTIN CASE <i>insurance services</i> 2 Oakfield Business Centre Letchfield LT1 7TR Tel 01903 273423</p>		<p>PURCHASE ORDER</p>
<p>TO</p> <p>Compusupply Limited Unit 17 Elgar Estate, Broadfield, BR7 4ER</p>		<p>purchase order no 58345 date 17 October 2004</p>
product code	quantity	description
LP80	2 boxes	Computer listing paper, 80 columns
<p>Authorised signature..... <i>J Case</i>date..... <i>17.10.04</i></p>		

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<p>R SINGH RETAIL 2 The Crescent Broadfield BR6 3TR Tel 01908 456291</p>	<p>PURCHASE ORDER</p>						
<p>TO Compusupply Limited Unit 17 Elgar Estate, Broadfield, BR7 4ER</p>	<p>purchase order no 353453 date 17 October 2004</p>						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">product code</th> <th style="width: 15%;">quantity</th> <th style="width: 70%;">description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">OMHD10</td> <td style="text-align: center;">10</td> <td>OM 3.5 inch floppy disks</td> </tr> </tbody> </table>	product code	quantity	description	OMHD10	10	OM 3.5 inch floppy disks	
product code	quantity	description					
OMHD10	10	OM 3.5 inch floppy disks					
<p>Authorised signature.....<i>R Singh</i>.....date.....<i>17.10.04</i>.....</p>							

<p>P C Mack Ltd 57 New Road Broadfield BR3 6TF Tel 01908 456291</p>	<p>PURCHASE ORDER</p>						
<p>TO Compusupply Limited Unit 17 Elgar Estate, Broadfield, BR7 4ER</p>	<p>purchase order no 14535 date 15 October 2004</p>						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">product code</th> <th style="width: 15%;">quantity</th> <th style="width: 70%;">description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">SQ44</td> <td style="text-align: center;">2</td> <td>Syquest 44MB disks</td> </tr> </tbody> </table>	product code	quantity	description	SQ44	2	Syquest 44MB disks	
product code	quantity	description					
SQ44	2	Syquest 44MB disks					
<p>Authorised signature.....<i>Steve Gates</i>.....date.....<i>15.10.04</i>.....</p>							

INVOICE COMPUSUPPLY LIMITED Unit 17 Elgar Estate, Broadfield, BR7 4ER Tel 01908 765756 Fax 01908 765777 Email rob@compusupply.u-net.com VAT Reg GB 0745 4689 13							
invoice to				invoice no			
<div style="border: 1px solid black; height: 80px; width: 100%;"></div>				account			
				your reference			
				date/tax point			
product code	description	quantity	price	unit	total	discount %	net
goods total							
terms Net monthly Carriage paid E & OE						VAT	
						TOTAL	

INVOICE COMPUSUPPLY LIMITED Unit 17 Elgar Estate, Broadfield, BR7 4ER Tel 01908 765756 Fax 01908 765777 Email rob@compusupply.u-net.com VAT Reg GB 0745 4689 13							
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product code	description	quantity	price	unit	total	discount %	net
goods total							
terms Net monthly Carriage paid E & OE						VAT	
						TOTAL	

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<div style="border-top: 2px solid black; border-bottom: 2px solid black; padding: 5px 0;"> <p style="margin: 0;">INVOICE</p> <p style="margin: 0;">COMPUSUPPLY LIMITED</p> <p style="margin: 0;">Unit 17 Elgar Estate, Broadfield, BR7 4ER</p> <p style="margin: 0;">Tel 01908 765756 Fax 01908 765777 Email rob@compusupply.u-net.com</p> <p style="margin: 0;">VAT Reg GB 0745 4689 13</p> </div>							
invoice to				invoice no			
				account			
				your reference			
				date/tax point			
product code	description	quantity	price	unit	total	discount %	net
goods total							
VAT							
TOTAL							
terms Net monthly Carriage paid E & OE							

2.5 Check the invoice extracts shown below with the Catalogue and customer discount list, making sure that the details and the calculations are correct. Where there are errors, correct them in red ink.

Note: VAT is always rounded down to the nearest penny. No settlement discounts are involved.

(a) Invoice to R C Andrews

code	description	quantity	price	total	discount %	net
AG1	VDU anti-glare screen (glass)	1	19.99	19.99	20	15.99
goods total						15.99
VAT @ 17.5%						2.79
TOTAL						18.78

(b) Invoice to I Singh

code	description	quantity	price	total	discount %	net
DB40	Floppy storage box (40)	4	4.99	19.96	10	15.97
goods total						15.97
VAT @ 17.5%						2.79
TOTAL						13.18

(c) Invoice to Harber Employment Agency

code	description	quantity	price	total	discount %	net
OMHD10	OM 3.5 inch disks DSHD	10 boxes	5.50	55.00	20	44.00
goods total						44.00
VAT @ 17.5%						7.70
TOTAL						51.70

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2.6 When you return from lunch there are two telephone messages for you:

telephone message

to *order processing*

date *20.10.04* **time** *13.45*

Townsend Litho telephoned. They want to order ten 200MB Syquest disks as soon as possible. Can you get them off by carrier today? Thanks. Sue.

Townsend Litho is a well-established customer with a good record of paying on time.

telephone message

to *order processing*

date *20.10.04* **time** *13.45*

Zebra Designs called. They want a box of computer listing paper. 80 columns.

Thanks. Hanif.

On your return from lunch a colleague mentions that he thought he saw a notice in the local paper about Zebra Designs going 'bust'. You look in the official announcement column of the paper and see that your colleague is correct – a creditors' meeting is called for next Monday. Zebra Designs is in deep financial trouble.

You are to

- (a) State what you would do in response to the two telephone messages.
- (b) Describe the likely course of action taken by Compusupply in response to the two situations.

2.7 It is now a week later – 27 October 2004 – and the computer system is still not working, so you have to complete all documents by hand.

During the course of the day you receive two returns notes (printed on the next page)

You are to

- (a) Write down on the R Singh Retail returns note what has gone wrong with the order.
- (b) Complete the credit notes as requested (the documents are printed on the page following the returns notes).

<p>R SINGH RETAIL 2 The Crescent Broadfield BR6 3TR Tel 01908 456291</p>	<p>RETURNS NOTE</p> <hr style="border: 1px solid black;"/>						
<p>TO Compusupply Limited Unit 17 Elgar Estate, Broadfield, BR7 4ER</p>	<p>returns note no 353453 date 22 October 2004</p>						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">product code</th> <th style="width: 20%;">quantity</th> <th style="width: 60%;">description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">OMHD10</td> <td style="text-align: center;">9 boxes</td> <td style="text-align: center;">OM 3.5 inch floppy disks</td> </tr> </tbody> </table>	product code	quantity	description	OMHD10	9 boxes	OM 3.5 inch floppy disks	
product code	quantity	description					
OMHD10	9 boxes	OM 3.5 inch floppy disks					
<p>REASON FOR RETURN: too many disks sent - only 10 disks ordered. Please credit. signature.....<i>R Singh</i>.....date.....<i>22.10.04</i>.....</p>							

<p>P C Mack Ltd 57 New Road Broadfield BR3 6TF Tel 01908 456291</p>	<p>RETURNS NOTE</p>						
<p>TO Compusupply Limited Unit 17 Elgar Estate, Broadfield, BR7 4ER</p>	<p>purchase order no 14535 date 23 October 2004</p>						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">product code</th> <th style="width: 20%;">quantity</th> <th style="width: 60%;">description</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">SQ44</td> <td style="text-align: center;">1</td> <td style="text-align: center;">Syquest 44MB data disk.</td> </tr> </tbody> </table>	product code	quantity	description	SQ44	1	Syquest 44MB data disk.	
product code	quantity	description					
SQ44	1	Syquest 44MB data disk.					
<p>REASON FOR RETURN: faulty disk. Please credit. signature.....<i>Steve Gates</i>.....date.....<i>23.10.04</i>.....</p>							

product code	description	quantity	price	unit	total	discount %	net
goods total							
REASON FOR CREDIT:						VAT	
						TOTAL	

CREDIT NOTE

COMPUSUPPLY LIMITED

Unit 17 Elgar Estate, Broadfield, BR7 4ER
 Tel 01908 765756 Fax 01908 765777 Email rob@compusupply.u-net.com
 VAT Reg GB 0745 4689 13

to credit note no

account

your reference

our invoice

date/tax point

product code	description	quantity	price	unit	total	discount %	net
goods total							
REASON FOR CREDIT:						VAT	
						TOTAL	

CREDIT NOTE

COMPUSUPPLY LIMITED

Unit 17 Elgar Estate, Broadfield, BR7 4ER
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to credit note no

account

your reference

our invoice

date/tax point

- 2.8** It is now 31 October. The computer accounts package has been fixed and will start operating again from Monday 3 November. In the meantime you have to make out the customer statements. Using the start-of-month balances and all the transactions during the month, complete statements for R Singh Retail, P C Mack Limited and Justin Case. The statements are printed in the text.
- The two payments you have received for these customers is a cheque for £218.50 from Justin Case on October 7 and a cheque for £3190.00 from P C Mack Limited on October 10.

STATEMENT

COMPUSUPPLY LIMITED
 Unit 17 Elgar Estate, Broadfield, BR7 4ER
 Tel 01908 765756 Fax 01908 765777 Email rob@compusupply.u-net.com
 VAT Reg GB 0745 4689 13

to

account

date

date	details	debit	credit	balance

AMOUNT NOW DUE	

STATEMENT

COMPUSUPPLY LIMITED

Unit 17 Elgar Estate, Broadfield, BR7 4ER
 Tel 01908 765756 Fax 01908 765777 Email rob@compusupply.u-net.com
 VAT Reg GB 0745 4689 13

to

account

date

date	details	debit	credit	balance

AMOUNT NOW DUE

STATEMENT

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to

account

date

date	details	debit	credit	balance

AMOUNT NOW DUE	