

ACTIVITY 4 VAT

As explained in the VAT guidance, a VAT registered business must record its output and input VAT and submit a quarterly, monthly or annual return to HMRC.

If the business has more output VAT than input VAT it will owe HMRC the balance and if it has more input VAT than output VAT for the period then HMRC will refund the difference.

1 **Worksheet 9** shows a pro forma VAT account order to calculate the VAT balance at the end of July 20XX. Use the total VAT figures from the payments cash book, petty cash book and receipts cash book to complete the VAT account.

ACTIVITY 5 TRIAL BALANCE/PROFIT AND LOSS/ BALANCE SHEET

The trial balance summarises all the account balances at the period end to ensure that the accounts balance. This information is then used to complete the profit and loss account and the balance sheet.

1 **Worksheet 10** shows a trial balance. Some of the year end figures have been provided but you need to complete the trial balance using the results from activities 1 to 4. Follow these steps to complete the trial balance.

Step 1 is to calculate the totals for column C. Please see worksheet 10 to letter the columns.

- i Use the net book value you have calculated on the fixed asset register.
- ii The balance for column C is given.
- iii Insert the balances and movement you have calculated on the bank account worksheet.
- iv Insert the balances and movement you have calculated on the VAT account worksheet.
- v Add together the cash book and petty cash book totals for receipts and each expense heading and enter in column B. Add together boxes A and B and enter the answer in column C.
- vi Use the depreciation figure calculated on the fixed asset register.

Step 2 is to transfer the totals from column C to either the debit or the credit side as indicated by the boxes provided. Total the debit and credit boxes - each side should balance.

2 Once the trial balance is complete and it balances then the final figures can be used to complete the profit and loss account, **worksheet 11**, and balance sheet, **worksheet 12**, for the period end. You can either complete the worksheets provided or set up the statements on an Excel spreadsheet.

The trial balance shows which statement the figures should appear on. So, using this information and the instructions on **worksheets 11 and 12**, complete the profit and loss account and balance sheet.

Appendix A

WORKSHEET 9 - VAT ACCOUNT

	£
Balance brought forward 1 July 20XX	1,545.23
Output VAT (ie, on sales) July 20XX	
Less:	
Input VAT from payments cash book July 20XX	
Input VAT from payments petty cash book July 20XX	
Less:	
Amount paid to HMRC in month	
Balance due to/from (delete as applicable) HMRC as at 31 July 20XX	
* Remember to add together VAT from payments cash book and petty cash book	

Appendix A

WORKSHEET 10 - TRIAL BALANCE

	INSTRUCT (SEE PAGE 11)	STEP 1 BALANCE 30 JUNE (£) (a)	MOVEMENT JULY (£) (b)	TB FIGURE (£) (c)	STEP 2 DEBIT (£)	CREDIT (£)	STATEMENT
Fixed assets	i	42,979.86	-7,797.30				Bsheet
Stock - closing	ii			25,000.00	25,000.00		Bsheet
Stock - closing	ii			25,000.00		25,000.00	P&L acc
Debtors	ii			12,967.00	12,967.00		Bsheet
Bank and Cash	iii	12,534.73	-2,693.09				Bsheet
Creditors	ii			12,500.00		12,500.00	Bsheet (c)
VAT	iv						Bsheet (c)
Director's loan account	ii			5,500.00		5,500.00	Bsheet (f)
Share capital				1,000.00		1,000.00	Bsheet
Profit and loss account				52,864.00		52,864.00	Bsheet
Sales	v	169,323.19				177,844.49	P&L acc
Purchases	v	97,569.56					P&L acc
Opening stock	ii	11,256.00		11,256.00	11,256.00		P&L acc
Director's salary	v	9,350.00			10,435.56		P&L acc
Wages	v	34,962.27					P&L acc
Tax, NIC	v	3,846.00					P&L acc
Postage, stationery	v	564.00					P&L acc
Heat, light	v	1,125.00					P&L acc
Rates, water	v	2,145.00					P&L acc
Motor expenses	v	5,646.00					P&L acc
Repairs, renewals	v	2,314.00					P&L acc
Depreciation	vi						P&L acc
Entertaining	v	1,546.00					P&L acc
Sundry	v	3,927.00					P&L acc

Appendix A

WORKSHEET 11 - PROFIT AND LOSS ACCOUNT

TRANSFER ALL THE FIGURES FROM THE TRIAL BALANCE MARKED P&L ACCOUNT	£	£
Sales		
Less:		
Cost of sales		
Opening stock		
Purchases		
Less closing stock		
Gross profit		
Less expenses:		
Director's salary		
Wages		
Tax, NIC		
Postage and stationery		
Heat, light		
Rates, water		
Motor expenses		
Repairs, renewals		
Depreciation		
Entertaining		
Sundry		
Net profit (balancing figure)		

Appendix A

WORKSHEET 12 - BALANCE SHEET

TRANSFER ALL THE FIGURES FROM THE TRIAL BALANCE MARKED BALANCE SHEET		£	£	
Fixed assets	a			
Stocks	b			
Debtors	b			
Bank and cash	b			
Less:				
Creditors (amounts falling due within one year)	c			
Net current assets	d			b - c
Total assets less current liabilities	e			a + d
Less:				
Creditors (amounts falling due after more than one year)	f			
Net assets				e - f
Financed by:				
Share capital	g			
Profit and loss account				
Balance as at 1 August 20XX	h			
Profit for the period	i			
Balance as at 31 July 20XX	j			h + i
				g + j