

### 51.1 A drill to practise accounting for VAT

REQUIRED: record the following transactions and events in the accounts of the business, which is registered for VAT at a standard rate of 20%, and produce a simple P&L Account and balance sheet at the end of the period.

1. business begins when owner puts £10 000 into a business bank account
2. business buys goods on credit for £40 000, plus VAT
3. business sells goods on credit for £60 000 plus VAT
4. first quarterly accounting
- 5 business buys goods on credit for £35 000, plus VAT
6. business sells goods on credit for £25 000, plus VAT
7. second quarterly accounting
8. business buys goods on credit for £45 000, plus VAT
9. business sells goods for £65 000, plus VAT
10. business receives payment of £140 000 by cheque from customers
11. business pays £100 000 by cheque to suppliers
12. end of period. Closing stock is valued at £15 000

Bank				Capital			
(1)	10 000	paid to HMRC	4 000	c/f	55 000	(1)	10 000
rec'd from HMRC	2 000	(11)	100 000		<u>55 000</u>	profit	45 000
(10)	140 000	c/f	48 000				<u>55 000</u>
	<u>152 000</u>		<u>152 000</u>			b/f	55 000
b/f	48 000						
Purchases				Suppliers			
(2)	40 000			(11)	100 000	(2)	48 000
(5)	35 000					(5)	42 000
(8)	45 000	c/f	120 000	c/f	44 000	(8)	54 000
	<u>120 000</u>		<u>120 000</u>		<u>144 000</u>		<u>144 000</u>
b/f	120 000	to P&L	120 000			b/f	44 000
Sales				Customers			
		(3)	60 000	(3)	72 000	(10)	140 000
		(6)	25 000	(6)	30 000		
c/f	150 000	(9)	65 000	(9)	78 000	c/f	40 000
	<u>150 000</u>		<u>150 000</u>		<u>180 000</u>		<u>180 000</u>
to P&L	150 000	b/f	150 000	b/f	40 000		
Stock				P&L Account			
from P&L	15 000			Purchases	120 000	Sales	150 000
				c/f	45 000	c.stock	15 000
					<u>165 000</u>		<u>165 000</u>
				to Capital	45 000	b/f profit	45 000
VAT Settlement							
(4) – input VAT	8 000	(4) – output VAT	12 000				
paid to HMRC	4 000		<u>12 000</u>				
	<u>12 000</u>						
(7) – input VAT	7 000	(7) – output VAT	5 000				
		rec'd from HMRC	2 000				
	<u>7 000</u>		<u>7 000</u>				
input VAT	9 000	output VAT	13 000				
c/f	4 000		<u>13 000</u>				
	<u>13 000</u>	b/f	4 000				
				Input VAT			
				(2)	8 000	(4)	8 000
				(5)	7 000	(7)	7 000
				(8)	9 000	to VAT settlement	9 000
				Output VAT			
				(4)	12 000	(3)	12 000
				(7)	5 000	(6)	5 000
				to VAT settlement	13 000	(9)	13 000

**Balance sheet**

	£	£
Assets		
Stock		15 000
Debtors		40 000
Bank		<u>48 000</u>
		103 000
Liabilities		
Trade Creditors	44 000	
VAT	<u>4 000</u>	
		(48 000)
Net Assets		<u>£55 000</u>
Capital		<u>£55 000</u>