Level 2 Member Entrance Paper (MEPAL)

Fact Sheet

Topics covered:

1. VAT Theory
2. VAT Calculations
3. Chart of accounts
4. Calculation of invoices
5. Posting Purchase Invoices
6. Posting Sales Invoices
7. Credit Purchases & Returns
8. Credit Sales & Returns
9. Sole Trader final accounts
10. Posting Payroll Transactions
11. Trial Balance

Once your exam is booked, you will receive an email letting you know that your test is ready. Along the lines of:

Dear candidate,

Your assessment is now ready, please log in to www.bookkeepers.org.uk/MyICB/Assessments for information.

This exam will be valid for exactly **14 days** from the date and time you are booked in.

This time frame **includes** the period of **three hours** allowed to complete the exam, the countdown for which commences when you click the '**Start'** button. Your remaining time will be clearly visible on screen at all times whilst you are completing the examination.

If you get stuck on a particular topic, you can move on and come back to it later.

As you have relevant prior learning and/or experience and are applying for exemptions from ICB qualifications, you are expected to earn 85% of the available marks in your Entrance Exam. You have been given 3 hours to complete the work and, although the work must be exclusively your own, this is 'open-book' work.

The Institute of Certified Bookkeepers cannot be held responsible for loss of internet access, computer breakdown or any other problem arising from technical issues on the candidate's personal computer. It is the candidate's responsibility to carefully check all answers submitted before ending the assessment. Once the Finish button has been clicked the result is final.

Example Questions

VAT Theory   Time remaining: 1 hour 5 minutes   This section contains **1.000 marks**

A non-VAT registered business issues a sales invoice for services for £1500. Which of the following statements is true?

- ○ The business cannot charge VAT as it is not VAT registered
- ○ The business cannot charge VAT as it was not charged VAT on its related purchase invoice
- ○ The business can charge VAT as it should have been VAT registered
- ○ The business can charge VAT as it is about to become VAT registered

Which would you not expect to see in the VAT Input Account (Note: the VAT Input Account is the account which stores the VAT that will appear in Box 4 of the VAT Return).

- ○ VAT on fuel
- ○ VAT on purchases
- ○ VAT on sales
- ○ VAT on the purchase of equipment

Which of the following would be classed as outside the scope of VAT?

- ○ Sales
- ○ Drawings
- ○ Electricity
- ○ Food

If a single VAT Account has a credit balance of £1562.35 this means that:

- ○ The business owes HMRC £1562.35
- ○ HMRC owes the business £1562.35
- ○ The business owes its suppliers VAT of £1562.35
- ○ Customers owe VAT of £1562.35 to the business

Julian is VAT registered and raises an invoice to Edwin for £560 plus VAT. When the transaction is entered into Julian's accounts, to where will the various elements of the invoice be posted?

○ Debit Sales Account £560, Debit VAT Input Account £112, Credit Edwin £672
○ Debit Sales Account £560, Debit VAT Output Account £112, Credit Edwin £672
○ Credit Sales Account £560, Credit VAT Input Account £112, Debit Edwin £672
○ Credit Sales Account £560, Credit VAT Output Account £112, Debit Edwin £672

London Light & Co. is VAT registered and raises an invoice to RB Interior Design for electrical lamps to the value of £650 plus VAT. When the transaction is entered into London Light & Co's accounts, to where will the various elements of the invoice be posted?

○ Debit London Light & Co £780.00; Credit Sales Account £650.00; Credit VAT Output Account £130.00
○ Debit RB Interior Design £780.00; Credit Sales Account £650.00; Credit VAT Output Account £130.00
○ Debit Purchases Account £130.00; Debit VAT Input Account £130.00; Credit London Light & Co £780
○ Debit Purchases Account £650; Debit VAT Input Account £130.00; Credit RB Interior Design £780.00

Billy James is VAT registered and sells goods for £76.80 (incl. VAT) to ABC Ltd. When the transaction is entered into Billy James' accounts, to where will the various elements of the invoice be posted?

○ Debit Sales £64.00; Debit VAT Output £12.80; Credit ABC Ltd £76.80
○ Credit Sales £64.00; Credit VAT Output £12.80; Debit ABC Ltd £76.80
○ Credit Sales £76.80; Credit VAT Output £15.36; Debit ABC Ltd £92.16
○ Debit Sales £76.80; Credit VAT Output £12.80; Credit ABC Ltd £64.00

The following items appear on an invoice issued by a VAT registered wholesaler to a retail outlet that sells children's items:

10 baby cots at £55 each, 15 play pens at £25.50 each and 5 baby changing tables at £45.50, all of which are standard rated.

In addition, the business sells 5 baby car chairs at £56 and 10 children's car seats at £45, all of which attract the reduced rate of VAT at 5%.

You are asked to complete the details on the invoice table below which will be printed out on headed stationery.

Item Description	Amount	Unit Price	VAT Rate	Net
Baby cots	10	55.00	Standard	
Play pens	15	25.50	Standard	
Baby changing tables	5	45.50	Standard	
Baby car chairs	5	56.00	Reduced	
Children's car seats	10	45.00	Reduced	
			List Price of goods	
			Total VAT	
			Gross Invoice Price	

Total Net Goods at Standard Rate		VAT at 20%	
Total Net Goods at Reduced Rate		VAT at 5%	

Kitted Out, a VAT registered company, provides you with details of the following four purchase invoices that need to be posted for the month of March 2021. All are <u>inclusive</u> of VAT where appropriate and at the relevant rate.

Supplier	Description	Invoice Number	Invoice Date	Amount (Gross)	Notes
Kids Clothing Co.	25 x T- Shirts (assorted ages from 2-10 years)	360152	08/03/21	240.00	Goods for resale from a VAT registered supplier
Snazzy Sneakers	10 x Kids Trainers (up to size 6)	001369	10/03/21	480.00	Goods for resale from a VAT registered supplier
Carol's Clothes	12 x Scarves	CC151	12/03/21	144.00	Goods for resale from a non-VAT registered supplier
Office Solutions Ltd	Paper and Ink	09123OC	20/03/21	84.00	Goods for internal use from a non-VAT registered supplier

The table below simulates a generic screen for entering purchase invoices into a computerised accounting package. Using the drop down selections to choose the appropriate nominal account and VAT codes and entering relevant figures for the net amount and VAT into the appropriate fields, complete the entry of the above invoices, ensuring that you correctly identify and deal with the VAT situation for each.

Note: Each account name shows the section of the chart of accounts in which it appears. There may be more than one correct answer to the VAT code selected as different software packages use different treatment for non-VAT registered suppliers.

Supplier	Invoice No	Invoice Date	Nominal Account	VAT Code	Net	VAT	Gross
Kids Clothing Co.	360152	08/03/2021	⌄	⌄			240.00
Snazzy Sneakers	001369	10/03/2021	⌄	⌄			480.00
Carol's Clothes	CC151	12/03/2021	⌄	⌄			144.00
Office Solutions Ltd	09123OC	20/03/2021	⌄	⌄			84.00

The following amounts refer to the monthly payroll for April.

Gross salaries	£14,600.00
PAYE deducted	£2,920.00
Employee pension contributions	£450.00
Employees' NICs	£1,752.00
Employer's NICs	£2,014.00
Employer pension contribution	£1,600.00

You are asked to post the ledger entries for the salaries bill for the month. Enter the relevant amounts as a journal entry into either the debit or the credit column. You will have to calculate the net salaries due to finalise the complete journal.

	Dr	Cr
Gross salaries		
PAYE deducted (due to HMRC)		
Employees' NICs deducted (due to HMRC)		
Employees' pension deductions (due to pension provider)		
Net salaries (due to employees)		
Employer's NICs (expense)		
Employer's NICs (due to HMRC)		
Employer pension contribution (expense)		
Employer pension contribution (due to pension provider)		

What is the total cost, to the employer, of employing the staff for the month? [   ]

The following balances are taken from the accounts of Amy, a self-employed hairdresserat the end of a financial year. Firstly, identify whether the following accounts normally have a debit or a credit balance:

Account	Balance	Dr or Cr
Capital	1,650.00	○ Dr ○ Cr
Private Loan	800.00	○ Dr ○ Cr
Mobile Equipment	5,550.00	○ Dr ○ Cr
Bank overdraft	820.00	○ Dr ○ Cr
Cash	43.00	○ Dr ○ Cr
Creditors / Accuonts Payable / Purchases Ledger Control Account	450.00	○ Dr ○ Cr
Income from hairdressing services	2,000.00	○ Dr ○ Cr
Entertainment and gifts	192.00	○ Dr ○ Cr
Motor expenses	146.00	○ Dr ○ Cr
Admin expenses	200.00	○ Dr ○ Cr
Drawings	1,660.00	○ Dr ○ Cr

Calculate the totals of the Debit and Credit columns of a trial balance.

Debit balances total: [   ]

Credit balances total: [   ]

If they do not agree, what would be the balance in a suspense account and would that balance be a debit or a credit balance (enter the balance into the appropriate column).

	Dr	Cr
Suspense account entry:	[ ]	[ ]

Once you have answered all the questions and clicked 'Finish' you will be taken to a screen which shows a summary of the sections of the exam.

VAT Theory
VAT Calculations
Chart of Accounts
Calculation of Invoices
Posting Purchase invoices
Posting Sales Invoices
Credit Purchases and Returns
Credit Sales and Returns
Posting Payroll Transactions
Trial Balance

You may click on any section to go back to check your answers. It is your responsibility to check that you have completed all the tasks and that you are happy with your answers before you click 'Finish' from the final screen, at which point your answers will be submitted and you will no longer be able to gain access to this paper.