

Completion of a VAT Return

The purpose of this case study is to illustrate the completion of a VAT return and is provided as a guide to our Level 2 students who are required to perform this task in the examination paper at that level. It includes dealing with Bad Debt Relieve and the treatment of Goods for Own Use. Other aspects of VAT will be considered in later issues of the newsletter.

Reporting for VAT The Situation Business: Daniel and Jones, Certified Bookkeepers Personnel: Partners – James Daniel and Pauline Jones Certified Bookkeeper Senior – you Junior technician – Barry Curran Administration assistant – Diane Jones Data and Task Your work involves bookkeeping and accounting services mainly to small businesses. Mark Platts is one of your clients; he is a self-employed master joiner and this assessment focuses on his file. The time is mid January 20X2. Task to be completed Task Refer to the memo from James Daniel below, immediately following the Task, regarding Mark Platts and prepare the VAT form for the quarter ended 31 December 20X1.

Data

MEMO

To: Certified Bookkeeper
From: James Daniel
Date: 15th January 20X2
Subject: Mark Platts - VAT return and query

I attach a letter and details relating to Mark's VAT return for quarter ended 31 December 20X1.

Could you please complete the form, incorporating any necessary adjustments for VAT on bad debts queried in his letter.

Many thanks.
James

Mark Platts
Master Joiner
High Farm House
High Hawsker
Whitby
YO21 3EJ

13 January 20X2

Dear James

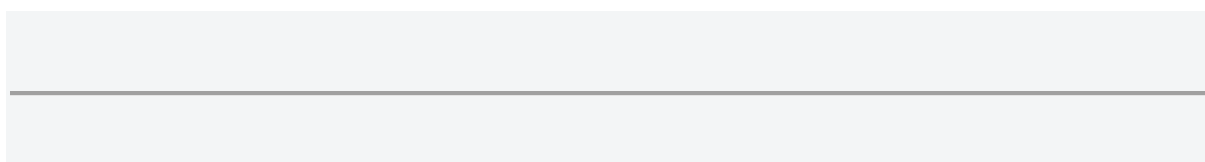
I attach two schedules you will need for completing my VAT return for this quarter.

I have suffered some loss from bad debts in recent months and would like you to claim back the VAT on these – if that is possible.

I look forward to hearing from you shortly.

Yours sincerely

Mark



MARK PLATTS
Summary of Day Books and Petty Cash Expenditure
Quarter ended 31 December 20X1

Sales Day Book

| | Work Done | VAT | Total |
|----------|-------------------|------------------|-------------------|
| | £ | £ | £ |
| October | 12,900.00 | 2,257.50 | 15,157.50 |
| November | 13,200.00 | 2,310.00 | 15,510.00 |
| December | <u>12,300.00</u> | <u>2,152.50</u> | <u>14,452.50</u> |
| | <u>£38,400.00</u> | <u>£6,720.00</u> | <u>£45,120.00</u> |

Purchase Day Book

| | Net | VAT | Total |
|----------|-------------------|------------------|-------------------|
| | £ | £ | £ |
| October | 5,250.00 | 918.75 | 6,168.75 |
| November | 5,470.00 | 957.25 | 6,427.25 |
| December | <u>5,750.00</u> | <u>1,006.25</u> | <u>6,756.25</u> |
| | <u>£16,470.00</u> | <u>£2,882.25</u> | <u>£19,352.25</u> |

Petty Cash Expenditure for Quarter (VAT inclusive)

| | |
|----------|----------------|
| October | £105.75 |
| November | £94.00 |
| December | <u>£117.50</u> |

£317.25

I have also used some materials from my stock, valued at £500 (exclusive of VAT), to repair my garage roof.

Bad Debts List - 31 December 20X1

| Date | Customer | Total (including VAT) |
|----------|--------------------|-----------------------|
| 28/04/X1 | Raw Farms | £293.75 |
| 03/05/X1 | Crescent Motors | £176.25 |
| 04/07/X1 | Whitby Engineering | £117.50 |

These have now been written off as bad debts.

| VAT Account | | | | | |
|-------------|---------------|------------------|--------|-------------|------------------|
| 31 Dec | PDB | 2,882.25 | 31 Dec | SDB | 6,720.00 |
| 31 Dec | PCB | 47.25 | 31 Dec | Drawings | 87.50 |
| 31 Dec | Bad debts a/c | 70.00 | | | |
| 31 Dec | Balance c/d | 3,808.00 | | | |
| | | <u>£6,807.50</u> | | | <u>£6,807.50</u> |
| | | | 1 Jan | Balance b/d | 3,808.00 |

Notes on VAT Return

- Box (1) This comprises VAT on outputs for the quarter, plus VAT on the use of own goods (these are treated as a sale: DR Drawings, Goods plus VAT, CR Sales Net, CR VAT a/c with VAT)
- Box (4) This comprises VAT on purchases for quarter, plus VAT on petty cash expenditure and VAT associated with the bad debts. Bad debt relieve is claimable on Raw Farms and Crescent Motors only (6 month rule)
- Box (6) This comprises net outputs for the quarter plus the net value of goods for own use, treated as a sale (HMRC insist that VAT is accounted for on such usage)
- Box (7) This comprises net purchases for the quarter plus petty cash expenditure net for the period

Task:

| | |
|--|--|
| <p>Value Added Tax Return For the period 01/07/X1 to 30/09/X1</p> | <p>For Official Use</p> |
| <p>Mark Platts High Farm House High Hawsker Whitby YO21 3EJ</p> | <p>Registration number 123 9872 17</p> <p>Period 12/X1</p> <p>You could be liable to a financial penalty if your completed return and all the VAT payable are not received by the due date</p> <p>Due date: 31/01/X2</p> |
| <p>Your VAT Office telephone number is 0151 644211</p> | <p>For Official Use</p> |

Before you fill in this form please read the notes on the back and the VAT leaflet "Filling in your VAT return". Fill in all boxes clearly in ink, and write 'none' where necessary. Don't put a dash or leave any box blank. If there are no pence write "00" in the pence column. Do not enter more than one amount in any box.

| | | | | |
|------------------|--|----------|--------|------|
| For official use | VAT due in this period on sales and other outputs | 1 | £ 6807 | p 50 |
| | VAT due in this period on acquisitions from other EC Member States | 2 | NONE | |
| | Total VAT due (the sum of boxes 1 and 2) | 3 | 6807 | 50 |
| | VAT reclaimed in this period on purchases and other inputs (including acquisitions from the EC) | 4 | 2999 | 50 |
| | Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4) | 5 | 3808 | 00 |
| | Total value of sales and all other outputs excluding any VAT. Include your box 8 figure | 6 | 38900 | 00 |
| | Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure | 7 | 16740 | 00 |
| | Total value of all supplies of goods and related services, excluding any VAT, to other EC Member States | 8 | NONE | 00 |
| | Total value of all acquisitions of goods and related services, excluding any VAT, from other EC Member States | 9 | NONE | 00 |
| | Retail schemes. If you have used any of the schemes in the period covered by this return, enter the relevant letter(s) in this box | | | |

| | |
|--|--|
| <p>If you are enclosing a payment please tick this box</p> <div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto;"></div> | <p>DECLARATION: You, or someone on your behalf, must sign below</p> <p>I, _____ declare that the (Full name of signatory in BLOCK LETTERS)</p> <p>Information given above is true and complete.</p> <p>Signature _____ Date _____ 20 _____</p> <p style="text-align: center;">A false declaration can result in prosecution</p> |
|--|--|

0141846
VAT 100 (Full)

