

Legal Finance Compliance & Accounts Rules

Bookkeeping Refresher

Welcome to the Legal Finance Compliance & Accounts Rules (LFCAR) course, this is the second part of the ILFM Diploma. You are studying the course by having either completed the ILFM certificate in bookkeeping or by gaining an exemption based on similar qualifications.

This refresher tutorial is designed to provide you with an aide-memoire into the bookkeeping entries required in order to complete the LFCAR course, and in particular when recording entries that relate to client money.



As you have gained a qualification in bookkeeping, it is considered that you already have a sound knowledge of recording financial transactions into the books of prime or original entry and how to transfer those figures into the general ledger. Therefore in this course, you will be required to display the **effect** of a transaction by recording each one into the books of prime or original entry only.

When firms hold client money there will be a client ledger and an office ledger for each individual client and matter. The layout of a combined client's ledger that we will use on this course is shown below.

Mr Bloggs Re General Matters

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance

When viewing a combined client ledger the layout has eight columns.

The column headed '**DR**' (**DEBIT**) is always on the **Left** hand side of each individual ledger. Debit entries are posted in this column.

The column headed '**CR**' (**CREDIT**) is always on the **Right** hand side of each individual ledger. Credit entries are posted to this column.

The Balance column shows the running total of each individual ledger after each transaction is completed. Each time a transaction is entered in an account, the balance column is updated to reflect this. The balance is the difference between the **Left** hand side (**DEBIT**)

and the **Right** hand side (CREDIT) entries. If the Debit side is more than the Credit side then there will be a Debit balance, and vice versa.

The accounts for law firms are essentially different from other businesses as they are divided into two basic categories:

Client Accounts

- These are the records of the monies received and paid out on behalf of the clients of the firm.

Nominal Accounts

- These are the income and expenses of the solicitors' practice, and would include all the costs involved with running a business.

A law firm typically holds two types of money (some law firms due to the type of legal work they carry out are not required to hold a client account e.g. criminal practice), that which belongs to the practice (office money – sometimes referred to as the business account) and that which belongs to someone other than the practice (client money).

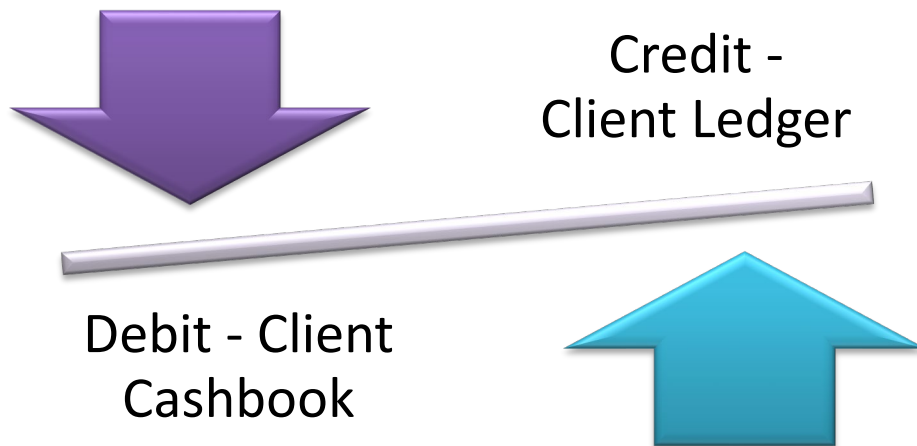
Money belonging to the business and money belonging to other parties **must** always be kept separate from each other. Separate bank accounts must therefore be opened for each one (don't be surprised, in practice, to see multiple office and client bank accounts, although this is not currently tested within the syllabus). Cash movement relating to the office bank account will naturally be recorded in an office cashbook in the same way as money categorised as client money will be recorded in a client cashbook.



A transaction relating to a client's matter needs to be recorded as soon as possible after the event.

When a transaction is made, the entry is recorded using the double entry principle within the relevant books of prime entry and analysed accordingly to show the effect of the cash movement.

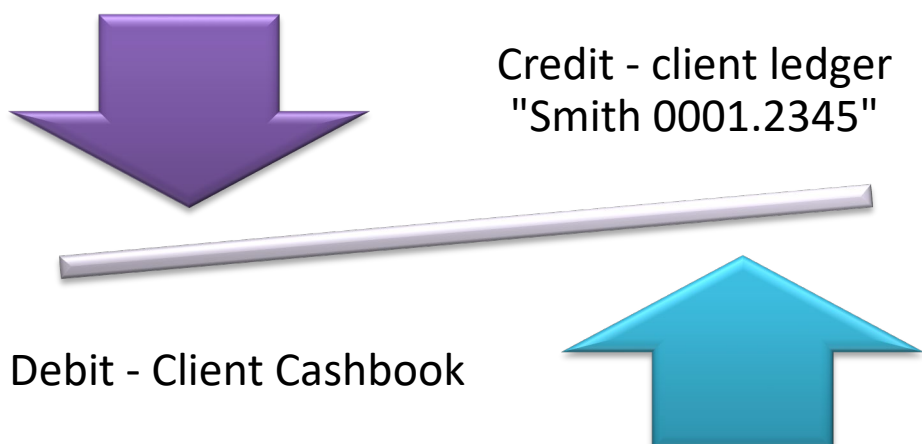
The double entry when recording cash movement **into** the client bank account is therefore:



And vice versa for payments!

As there will be numerous client ledgers representing a variety of clients, each client ledger should be uniquely coded using the firm's internal coding process. Ideally this code should match the file referencing used to identify the fee earners file.

When recording a financial transaction onto the client cashbook you will therefore use the client unique code or client name to analyse the opposite entry to appear on the correct client ledger for example:



This has the same effect as analysing an office payment to the correct nominal account.

Client Receipts & Payments

The LFCAR course will teach you the application of the accounts rules following receipt of client's money and how basic accounting transactions are recorded.

Let's go through some basic double entry for receiving client funds into client account, the effect through the cash account and the subsidiary client ledger.

Mr Irons is instructing AAA Lawyers in his Divorce Proceedings and has paid £250 on account of costs.

Client Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	Mr Irons on account of costs				250.00		250.00Dr

Note that the client cashbook is showing as a debit. This is because:

- ✎ cash is an asset
- ✎ this asset has now increased in value

Client Name: Mr Irons

Client Matter: Divorce

Client Number: 001.01

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	On account of costs					250.00	250.00Cr

The individual client ledger is in credit, this is the firm's liability to the client, in other words what the firm owes to the client.

Note that the client ledger is showing as a credit. This is because:

- ✎ the money held for the client is a liability of the business.
- ✎ this liability has now increased in value.

The effect merely shows two ledgers; the transactions recorded into the day books and analysed to the subsidiary client ledger. Within the general ledger there will be a control account called 'Client Liabilities control account' or something similar (depending on the software that you are using). The client control account calculates the total of all client money held on all individual client ledgers as one amount. This is so one figure (representing the amount held as liabilities to all clients) can be recorded in the financial statements of the business rather than listing all individual balances for each client.

The control account works so that one total is used within the financial statements, rather than lots of individual client balances. The client control ledger should always equal the amount held on the client cashbook:



The total of all client receipts from all client ledgers would be transferred to that general ledger accounts client bank and client liabilities at the end of each day as one amount using the double entry principle.

We **do not** require you to show the items within the general ledger during the exam, but for illustration purposes only and to aid your learning we have shown the full bookkeeping transactions throughout the course with the general ledger entries shown in green, see below.

Books of prime entry as above (required for examination purposes):

Client Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	Mr Irons on account of costs				250.00		250.00Dr

Client Name: Mr Irons

Client Matter: Divorce

Client Number: 001.01

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	On account of costs					250.00	250.00Cr

General Ledger Entries (not examinable; for information only)

Bank

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	Cash Book				250.00		250.00Dr

Client Control

Date	Details	Debit	Credit	Balance
1.2.20xx	Client Cash Book		250.00	250.00Cr

Let's use the same double entry principle in recording the following entries in the client cash book and the client's individual subsidiary ledger. Please ignore clearance days for this purpose.

1st February 20xx – Mr Dobbs pays £500 on account in relation to this Litigation Matter.

1st February 20xx – Mrs Elliott pays £300 on account of her Matrimonial Proceedings.

2nd February 20xx – Mrs Samuels receives £5,000 from ABC Insurance as Settlement of her PI Claim.

2nd February 20xx – You pay a court fee of £200 on behalf of Mr Dobbs.

3rd February 20xx – You pay Mrs Samuels settlement funds of £4,250 keeping £750 on account.

Books of prime entry as above (required for examination purposes):

Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	On account - Dobbs				500.00		500.00Dr
1.2.20xx	On account - Elliott				300.00		800.00Dr
2.2.20xx	Mrs Samuels - Settlement				5,000.00		5,800.00Dr
2.2.20xx	HMCS - Dobbs					200.00	5,600.00Dr
3.2.20xx	Mrs Samuels - Settlement					4,250.00	1,350.00Dr

Remember that cash is considered an asset of the business so every time we make a payment it decreases the amount of cash that we hold, we are decreasing the asset, and so the entry will appear as a credit.

Client: Mr Dobbs

Client Matter: Litigation Matter

Ref: 002.001

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	On account					500.00	500.00Cr
2.2.20xx	Court Fee				200.00		300.00Cr

Client: Mrs Elliott Client Matter: Matrimonial Proceedings Ref: 003.001

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	On account					300.00	300.00Cr

Client: Mrs Samuels' Client Matter: Re PI Claim Ref: 004.001

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	ABC Insurance – Settlement Monies					5,000.00	5,000.00Cr
3.2.20xx	To Mrs Samuels re settlement				4,250.00		750.00Cr

The credit on each individual client ledger shows the businesses liability to that particular client (what is due to that client). In the general ledger all the individual balances added together agree with the client control account, the client control account balance is the total value of all liabilities the business has to its clients collectively, and so that figure is shown in the financial statements.

The illustration in green represents entries as they would appear when transferred to the general ledger accounts at the end of each day.

General Ledger Entries (not examinable; for information only)

Bank

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	Cash Book				800.00		800.00Dr
2.2.20xx	Cash Book				5,000.00		5,800.00Dr
2.2.20xx	Cash Book					200.00	5,600.00Dr
3.2.20xx	Cash Book					4,250.00	1,350.00Dr

Note how the cashbook transfer dated 1 Feb has been carried over as one overall amount for all the bank receipts on that day.

You will also note that on 2nd Feb there were two entries, one representing the total client bank receipts and one for the client bank payments. The net figure has been used to display the latter application in the client control ledger below.

Client Control

Date	Details	Debit	Credit	Balance
1.2.20xx	Client Cash Book		800.00	800.00Cr
2.2.20xx	Client Cash Book		4,800.00	5,600.00Cr
3.2.20xx	Client Cash Book	4,250.00		1,350.00Cr

Remember that the total of the client bank general ledger should equal the total of client balances held for all individual ledgers added together – the client control ledger balance, as above.

Clients Invoices – Office side of the client ledger

Each client is invoiced on a credit basis; the details from the invoice are entered in the Sales Day Book (SDB), often referred to as the Bills Delivered Book in a law firm. Each invoice raised also needs to be reflected onto the office side of the client ledger to which it relates to. This is done by posting the net and VAT figures separately.

At the end of each day, the net, gross and VAT totals from the bills delivered book are transferred to the general ledger in the same way as any other business, appearing in the general ledger accounts - sales, sales debtor control and output VAT.

Let's put the following transactions into the books of accounts:

1st February Issued a Sales Invoice Number 1001 to Bill Smith for £500 plus VAT

1st February Issued a Sales Invoice Number 1002 to Charlie Smith for £250 plus VAT

2nd February Issued a Credit Note Number 12425 to Bill Smith for £100 plus VAT

Bills Delivered Book/ Sales Day Book

Date	Client/Customer	Invoice Number	Gross Total	VAT	Net
1.2.20xx	Bill Smith	1001	600.00	100.00	500.00
1.2.20xx	Charlie Smith	1002	300.00	50.00	250.00
			900.00	150.00	750.00

Output VAT

Date	Details	Debit	Credit	Balance
1.2.20xx	Bill Smith		100.00	100.00Cr
1.2.20xx	Charlie Smith		50.00	150.00Cr

Each individual invoice is posted to the Sales Day Book/Bills Delivered Book and the output VAT to the output VAT ledger. The Sales Day Book or Bills Delivered Book should include the full value of the invoice. Please note if your invoice included a Vatable or a NON Vatable disbursement this should be included.

Throughout this course you will learn that in some firms NON Vatable disbursements are not included within their invoices and may only be advised by a written notification. For the purposes of examination, we request that non vatable disbursements be included in client invoices.

Sales Returns Day Book

Date	Supplier	Credit Note Number	Gross Total	VAT	Net
2.2.20xx	Bill Smith	12425	120.00	20.00	100.00
			120.00	20.00	100.00

Output VAT

Date	Details	Debit	Credit	Balance
2.2.20xx	Sales Day Book	20.00		20.00Cr

A credit note is issued when a client or customer is unhappy with services provided, they may raise a complaint with the business, resulting in the business agreeing to reduce their original charge to the client. A credit note may also be raised where an error has been made on the invoice. The basic principle of a credit note is the same as an invoice but in reverse, the net vat and gross figures are recorded in the Sales Return Day Book as shown above.

The output VAT is posted in reverse because it is a liability due to the HMRC, if a credit note is put through this is taken from the output VAT figure reducing the amount owed to the HMRC.

Similarly to other day books, the information recorded within the sales day book and sales return day books are analysed and also recorded in the subsidiary client ledgers, on the office side.

Client: Bill Smith

Re General Matters

Number: 010.001

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	Bill of Costs	500.00		500.00Dr			
1.2.20xx	VAT	100.00		600.00Dr			
2.2.20xx	Credit Note		100.00	500.00Dr			
2.2.20xx	VAT		20.00	480.00Dr			

Client: Charlie Smith

Re Will

Number: 012.001

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	Bill of Costs	250.00		250.00Dr			
1.2.20xx	VAT	50.00		300.00Dr			

The illustration in green represents entries as they would appear when transferred to the general ledger accounts at the end of each day – remember you are not required to apply this transfer within the examination.

General Ledger Entries

Sales Account

Date	Details	Debit	Credit	Balance
1.2.20xx	BDB Book		750.00Cr	750.00Cr
2.2.20xx	BDB Book	100.00		650.00Cr

Sales Ledger Control Account

Date	Details	Debit	Credit	Balance
1.2.20xx	BDB Book	900.00		900.00Dr
2.2.20xx	BDB Book		120.00	780.00Dr

Output VAT

Date	Details	Debit	Credit	Balance
1.2.20xx	Sales Day Book		150.00	150.00Cr
2.2.20xx	Sales Day Book	20.00		130.00Cr

Note that the balance of the sales ledger control account equates to the balance of both client office ledgers added together.

Payment of Sales Invoices

You should now understand that it is necessary for a solicitor to keep separate ledgers and cash books in which to record transactions involving money belonging to the solicitor and transactions involving money belonging to the client.

Let's show Mrs Butler with a balance of £300 in client account and an invoice to be paid of £250 plus VAT.

The transfer of cash between the client and office ledger needs to be reflected through the relevant cash books. We have made a payment from the client ledger which decreases the amount of cash that we hold, decreasing the asset, and so the entry will appear as a credit within the cash book. You then need to show the double entry for this transaction within the client side of Mrs Butler's ledger, as a debit.

Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	B/fwd						300.00Dr
1.2.20xx	Transfer of costs – Butler					300.00	Nil

Client: Mrs Butler Client Matter: Litigation Ref: 010.001

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	B/fwd						£300.00Cr
1.2.20xx	Transfer of costs				300.00		Nil

When processing the office side, the office ledger has received a credit which increases the amount of cash held, increasing the asset, and so the entry will appear as a debit within the cash book, showing the double entry for this transaction within the office side of Mrs Butler's ledger as a credit.

Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	B/fwd						
1.2.20xx	Transfer of costs – Butler	300.00		300.00Cr			

Client: Mrs Butler Client Matter: Litigation Ref: 010.001

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	B/fwd			300.00Dr			
1.2.20xx	Transfer of costs		300.00	Nil			

The illustration in green represents entries as they would appear when transferred to the general ledger accounts at the end of each day – remember you are not required to apply this transfer record general ledger entries within the examination.

Client Control

Date	Details	Debit	Credit	Balance
1.2.20xx	B/fwd			300.00Cr
1.2.20xx	Client Cash Book	300.00		Nil

Bank

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.2.20xx	B/fwd						300.00Dr
1.2.20xx	Cash Book	300.00		300.00Dr		300.00	Nil

Sales Ledger Control Account

Date	Details	Debit	Credit	Balance
1.2.20xx	B/fwd			5,000.00Dr
1.2.20xx	Office Cashbook		300.00	4,700.00Dr

Note that the debit balance has decreased on the Sales Ledger Control Account. This is from the cash received from Mrs Butler and this has reduced the value of the debtors that is owed to the firm.

Let's record the following transactions:

Transfer costs for outstanding invoice on Mr Williams matter.

Mrs Abrahams has paid £350 in relation to invoice 1111.

Transfer costs for Mr Read's invoice and pay the remaining balance to the client, chq number 251.

Client: Mr Williams Client Matter: Purchase Ref: 011.002

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
3.11.20xx	B/fwd			600.00Dr			£600.00Cr
3.11.20xx	Transfer of costs		600.00	Nil	600.00		Nil

Client: Mr Abrahams Client Matter: Debt Matters Ref: 08.001

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
3.11.20xx	B/fwd			350.00Dr			
4.11.20xx	Pd Invoice 1111		350.00	Nil			

Note this has been paid directly into office account. It is best practice in respect of cash flow.

Client: Mr Read Client Matter: PI Claim Ref: 017.002

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
3.11.20xx	B/fwd			750.00Dr			£1,000.00Cr
4.11.20xx	Transfer of costs		750.00	Nil	750.00		£250.00Cr
4.11.20xx	Balance to client – chq 251				250.00		Nil

Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
3.11.20xx	B/fwd						1,600.00Dr
3.11.20xx	Transfer of costs - Williams	600.00		600.00Dr		600.00	1,000.00Dr
4.11.20xx	Abrahams – Invoice 1111	350.00		950.00Dr			
4.11.20xx	Transfer of costs - Read	750.00		1,700.00Dr		750.00	250.00Dr
4.11.20xx	Read – Balance – Chq 251					250.00	Nil

Note – The receipt of funds for Abraham was paid directly into the office bank account as it was to settle the client's outstanding invoice. Take some time to identify the double entry for each transaction in the example above.

The illustration in green represents entries as they would appear when transferred to the general ledger accounts at the end of each day – remember you are not required to apply this transfer within the examination.

Sales Ledger Control Account

Date	Details	Debit	Credit	Balance
3.11.20xx	B/fwd			1,700.00Dr
3.11.20xx	Office Cashbook		600.00	1,100.00Dr
4.11.20xx	Office Cashbook		1,100.00	Nil

Client Control

Date	Details	Debit	Credit	Balance
3.11.20xx	B/fwd			1,600.00Cr
3.11.20xx	Client Cash Book	600.00		1,000.00Cr
4.11.20xx	Client Cash Book	1,000.00		Nil

Bank

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
3.11.20xx	B/fwd						1,600.00Dr
3.11.20xx	Cash Book	600.00		600.00Dr		600.00	1,000.00Dr
4.11.20xx	Cash Book	1,100.00		1,700.00Dr		1,000.00	Nil

Transfer Journal

It is sometimes necessary for legal professionals to transfer money from one client ledger to another client ledger, the funds do not pass through the client **bank** account. This type of transaction is a paper transfer only, similar to that of transferring from one nominal to another nominal within the office account and so it is recorded within a client transfer journal. The journal acts as a record of none cash movement transactions and it just simply shows what account has been credited and which one has been debited, recording the reason for the transfer.



An example of the type of entry to be found in the client transfer journal could be the movement of £1,000 from the ledger account of your client Mr H Hall to his daughter, Mrs J Bell, a client for whom you are also acting in connection with her purchase of a property.

In this scenario Mr Hall is lending his daughter a sum of money to complete her purchase. As the funds are already held within the client **bank** account, the financial transaction is recorded in the client transfer journal and on the relevant client ledgers **only**, it does not affect the cash day books or the general ledger accounts in any way. The general ledger client liabilities account will remain the same figure as the amount in the client bank account has also remained unchanged.

Mr H Hall Re Sale of 'The House'

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
15.5.20xx	Bal b/fwd						2,000.00Cr
15.5.20xx	To J Bell - Loan				1,000.00		1,000.00Cr

Transfer Journal

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
15.5.20xx	Of H Hall - Loan					1,000.00	1,000.00Cr
15.5.20xx	To J Bell - Loan				1,000.00		Nil

Mrs J Bell Re – Purchase of 'The Flat'

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
15.5.20xx	Of H Hall - Loan					1,000.00	1,000.00Cr

You can see from the example above that Mr Hall now has £1,000 on his client ledger and Mrs Bell also has £1000 on her ledger but the overall client balance for both clients remains unchanged at £2,000.

Purchasing disbursements on your client's behalf using the principal method

Where the law firm purchases a disbursement on behalf of their client using the principal method, they will receive an invoice addressed to the firm and the VAT within that invoice will therefore be reclaimable as input tax by the business.

Input VAT is recorded as a debit to the VAT ledger as it is an asset/debtor of the business i.e. owed by HMRC to the business.

Example: John, a solicitor instructs Jim Smith, a surveyor, to inspect a property on behalf of his client, Fiona Jones. Jim Smith does this and sends an invoice addressed to John's practice for £80.00 plus input VAT of £16.00. John pays this out of office account and reclaims the input VAT. The example below shows the recording of the invoice at payment stage and it has therefore not passed through the purchase ledger as a credit purchase on this occasion.

The books of prime or original entry used to record that entry is the office cashbook (as the payment has been made from the office bank account). When entering the financial transaction into the cashbook we will analyse to which client it relates so that it may be recorded on the office side of the client ledger for that particular client.

Cashbook

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.12.20xx	Balance b/fwd			2,000.00Dr			
1.12.20xx	Jim Smith – Surveyor Fee		80.00	1,920.00Dr			
1.12.20xx	VAT on above		16.00	1,904.00Dr			

Fiona Jones Re – Purchase of

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.12.20xx	Jim Smith – Surveyor Fee	80.00		80.00Dr			

Note that no VAT is debited/recorded to the office side of client's ledger at this point. This is because John is reclaiming the VAT as if it was his own business' input VAT. The charge/debit for VAT on the surveyor's fee will be debited to the office side of the client's ledger at the point of sale i.e. once the surveyor's fee has been included on a sales invoice to the client and they become liable to pay that liability.

Input VAT

Date	Details	Debit	Credit	Balance
1.12.20xx	F Jones – Surveyor Fee – Jim Smith	16.00		16.00Dr

At the end of each day, the disbursement (net value), the input VAT and the gross cashbook payments total will be transferred to the general ledger in the usual way with the disbursement recorded to the 'unbilled disbursement ledger' as a debit (this is because the unbilled disbursement forms part of a debtor ledger recording what is owed to the business).

The illustration in green represents entries as they would appear when transferred to the general ledger accounts at the end of each day.

General Ledger Entries

Bank

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.12.20xx	Balance b/fwd						
1.12.20xx	Office Cash Book		96.00	96.00Cr			

Input VAT

Date	Details	Debit	Credit	Balance
1.12.20xx	Office Cash Book	16.00		16.00Dr

Unbilled Disbursement Control Account

Date	Details	Debit	Credit	Balance
1.12.20xx	Office Cash Book	80.00		80.00Dr

Bookkeeping Refresher

Assignment

Please record the following transactions as the legal cashier for Legal & Co. The following balances are to be taken into account.

Client Ledgers

Peter Smith - £750

Eric Belfrow - £500

Client Cash Book - £1,250.00

Office Cash Book - £250 in funds

- May 1st Issued a sales invoice to Peter Smith, a client, for £750.00 inclusive of VAT
Transfer costs for the outstanding invoice from client account in respect of Peter Smith
- May 1st Issued a sales invoice to Thomas Jones, a client, for £200.00 plus VAT
- May 1st Issued a sales invoice to RealLife Ltd, a business client, for £1,500.00 inclusive of VAT
- May 6th Received £3,000 on account from Mrs Jarvis
- May 7th Issued a sales invoice to Laura Bancroft, a client, for £450.00 inclusive of VAT
- May 9th Issued a sales invoice to Eric Belfrow, a client, for £300.00 inclusive of VAT
Transfer costs for the outstanding invoice from client in respect of Eric Belfrow.
Please return the balance to Mr Belfrow using cheque number 300
- May 9th Laura Bancroft complains that the invoice issued to her is too much and you agree to reduce your charges by issuing her with a credit note for £75 plus VAT
- May 9th Received and banked a cheque for £1,500.00 from RealLife Ltd in respect of their outstanding invoice
- May 15th Issued a sales invoice to Stuart Williams, a client, for £1000.00 plus VAT
- May 15th Received and banked a cheque for £240.00 from Thomas Jones in respect of his outstanding invoice
- May 27th Received an electronic electronic receipt for £1,200.00 from Stuart Williams in respect of his outstanding invoice
- May 27th Pay court fee on behalf of Mrs Jarvis for £500, cheque number 301.

Bookkeeping Refresher

Assignment – Model Answer

Day Books

Bills Delivered Book /Sales Day Book

Date	Client/Customer	Invoice Number	Gross Total	VAT	Net
1.5.20xx	Peter Smith	0001	750.00	125.00	625.00
1.5.20xx	Thomas Jones	0002	240.00	40.00	200.00
1.5.20xx	RealLife Ltd	0003	1,500.00	250.00	1,250.00
7.5.20xx	Laura Bancroft	0004	450.00	75.00	375.00
9.5.20xx	Eric Belfrow	0005	300.00	50.00	250.00
15.5.20xx	Stuart Williams	0006	1,200.00	200.00	1,000.00
			4,440.00	740.00	3,700.00

VAT Output

Date	Details	Debit	Credit	Balance
1.5.20xx	Peter Smith		125.00	125.00Cr
1.5.20xx	Thomas Jones		40.00	165.00Cr
1.5.20xx	RealLife Ltd		250.00	415.00Cr
7.5.20xx	Laura Bancroft		75.00	490.00Cr
9.5.20xx	Eric Belfrow		50.00	540.00Cr
9.5.20xx	Laura Bancroft	15.00		525.00Cr
15.5.20xx	Stuart Williams		200.00	725.00Cr

Sales Returns Day Book

Date	Client/Customer	Credit Note Number	Gross Total	VAT	Net
9.5.20xx	Laura Bancroft	0007	90.00	15.00	75.00
			90.00	15.00	75.00

Cash Book

		Office A/C			Client A/C		
Date	Details	Debit	Credit	Balance	Debit	Credit	Balance
1.5.20xx	B/fwd Balance			250.00Dr			1,250.00Dr
1.5.20xx	Transfer of Costs – Peter Smith	750.00		1,000.00Dr		750.00	500.00Dr
6.5.20xx	Received on account from – Mrs Jarvis			1,000.00Dr	3,000.00		3,500.00Dr
9.5.20xx	Transfer of Costs – Eric Belfrow	300.00		1,300.00Dr		300.00	3,200.00Dr
9.5.20xx	Pay balance to Eric Belfrow – Chq 300			1,300.00Dr		200.00	3,000.00Dr
9.5.20xx	Received invoice payment from RealLife Inv 0003	1,500.00		2,800.00Dr			3,000.00Dr
15.5.20xx	Received invoice payment from Thomas Jones Inv 0002	240.00		3,040.00Dr			3,000.00Dr
27.5.20xx	Received invoice payment from Stuart Williams Inv 0006	1,200.00		4,240.00Dr			3,000.00Dr
27.5.20xx	Paid HMCTS – Mrs Jarvis – Cheque number - 301			4,240.00Dr		500.00	2,500.00Dr

Client Ledgers

Peter Smith

		Office A/C			Client A/C		
Date	Detail	Debit	Credit	Balance	Debit	Credit	Balance
1.5.20xx	B/fwd						750.00Cr
1.5.20xx	Invoice 0001	625.00		625.00Dr			
1.5.20xx	VAT on above	125.00		750.00			750.00Cr
1.5.20xx	Transfer of costs		750.00	Nil	750.00		Nil

Thomas Jones

		Office A/C			Client A/C		
Date	Detail	Debit	Credit	Balance	Debit	Credit	Balance
1.5.20xx	Invoice 0002	200.00		200.00Dr			
1.5.20xx	VAT on above	40.00		240.00Dr			
15.5.20xx	Of you re invoice 0002		240.00	Nil			

RealLife Ltd

		Office A/C			Client A/C		
Date	Detail	Debit	Credit	Balance	Debit	Credit	Balance
1.5.20xx	Invoice 0003	1,250.00		1,250.00Dr			
1.5.20xx	VAT on above	250.00		1,500.00Dr			
9.5.20xx	Of you re invoice 0003		1500.00	Nil			

Mrs Jarvis

		Office A/C			Client A/C		
Date	Detail	Debit	Credit	Balance	Debit	Credit	Balance
6.5.20xx	On Account					3,000.00	3,000.00Cr
27.5.20xx	Pay Court Fee – chq 301 - HMCTS				500.00		2,500.00Cr

Laura Bancroft

		Office A/C			Client A/C		
Date	Detail	Debit	Credit	Balance	Debit	Credit	Balance
7.5.20xx	Invoice 0004	375.00		375.00Dr			
9.5.20xx	VAT on above	75.00		450.00Dr			
9.5.20xx	Credit Note 0007		75.00	375.00Dr			
9.5.20xx	VAT on above		15.00	360.00Dr			

Eric Belfrow

Date	Detail	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.5.20xx	B/fwd						500.00Cr
9.5.20xx	Invoice 0005	250.00		250.00DR			
9.5.20xx	VAT on above	50.00		300.00Dr			
9.5.20xx	Transfer of costs		300.00	Nil	300.00		200.00Cr
9.5.20xx	Balance due to client – chq 300				200.00		Nil

Stuart Williams

Date	Detail	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
15.5.20xx	Invoice 0006	1,000.00		1,000.00DR			
15.5.20xx	VAT on above	200.00		1,200.00			
27.5.20xx	Of you re invoice 0006		1200.00	Nil			

General Ledger

The illustration in green represents entries as they would appear when transferred to the general ledger accounts at the end of each day – remember you are not required to apply this transfer within the examination.

Sales Account

Date	Details	Debit	Credit	Balance
1.5.20xx	Sales Day Book		2,075.00	2,075.00Cr
7.5.20xx	Sales Day Book		375.00	2,450.00Cr
9.5.20xx	Sales Day Book		250.00	2,700.00Cr
15.5.20xx	Sales Day Book		1,000.00	3,700.00Cr

VAT Output

Date	Details	Debit	Credit	Balance
1.5.20xx	Bills Delivered Book		415.00	415.00Cr
7.5.20xx	Bills Delivered Book		75.00	490.00Cr
9.5.20xx	Bills Delivered Book		50.00	540.00Cr
9.5.20xx	Sales Return Day Book	15.00		525.00Cr
15.5.20xx	Bills Delivered Book		200.00	725.00Cr

Sales Return Account

Date	Details	Debit	Credit	Balance
9.5.20xx	Sales Return Day Book	75.00		75.00Dr

Sales Ledger Control Account

Date	Details	Debit	Credit	Balance
1.5.20xx	Sales Day Book	2,490.00		2,490.00Dr
1.5.20xx	Cash Book		750.00	1,740.00Dr
7.5.20xx	Sales Day Book	450.00		2,190.00Dr
9.5.20xx	Sales Day Book	300.00		2,490.00Dr
9.5.20xx	Cash Book		1800.00	690.00Dr
9.5.20xx	Sales Return Day Book		90.00	600.00Dr
15.5.20xx	Sales Day Book	1,200.00		1,800.00Dr
15.5.20xx	Cash Book		240.00	1,560.00Dr
27.5.20xx	Cash Book		1,200.00	360.00Dr

Client Control

Date	Details	Debit	Credit	Balance
1.5.20xx	B/fwd			1,250.00Cr
1.5.20xx	Cash Book	750.00		500.00Cr
6.5.20xx	Cash Book		3,000.00	3,500.00Cr
9.5.20xx	Cash Book	500.00		3,000.00Cr
27.5.20xx	Cash Book	500.00		2,500.00Cr

Bank

Date	Details	Office A/C			Client A/C		
		Debit	Credit	Balance	Debit	Credit	Balance
1.5.20xx	B/fwd			250.00Dr			1,250.00Dr
1.5.20xx	Cash Book	750.00		1,000.00Dr		750.00	500.00Dr
6.5.20xx	Cash Book			1,000.00Dr	3,000.00		3,500.00Dr
9.5.20xx	Cash Book	1800.00		2,800.00Dr		500.00	3,000.00Dr
15.5.20xx	Cash Book	240.00		3,040.00Dr			3,000.00Dr
27.5.20xx	Cash Book	1200.00		4,240.00Dr		500.00	2,500.00Dr