**Practice question 1 | Carrie’s Cake Shop**

Carrie started her cake business on 1 March 20X5 using £15,000 that she had won on the lottery. During the month of March 20X5 Carrie had the following business transactions.

1/3/X5 Carrie paid £15,000 into the business bank account.

2/3/X5 Paid £500 rent for the month of March 20X5 by cheque.

3/3/X5 Purchased ingredients for the cakes costing £1,000 by cheque.

5/3/X5 Purchased an industrial mixer and other kitchen equipment for £5,000 by bank transfer.

7/3/X5 Made cake sales of £2,500 in cash that was immediately banked.

8/3/X5 Sold a wedding cake for £1,000 on credit terms to Weddings & Co.

10/3/X5 Purchased cake decorations for £500 on credit terms from Cakes R Us, a supplier.

12/3/X5 Paid £750 for electricity by cheque.

15/3/X5 Paid an employee £100 wages in cash.

17/3/X5 Carrie took £1,500 out of the business as drawings.

18/3/X5 Received £800 by bank transfer from Weddings & Co.

20/3/X5 Paid £150 on account to Cakes R Us.

**Requirement**

1. Identify the double entry for each of these transactions.
2. Enter the transactions into the ledger accounts for Carrie’s Cake Shop.
3. Balance off all of the ledger accounts.
4. Prepare a trial balance as at 31 March 20X5.

**Practice question 1 | Carrie’s Cake Shop**

|  |  |  |
| --- | --- | --- |
| Date | Debit | Credit |
| 1/3/20X5 | Bank £15,000 | Capital £15,000 |
| 2/3/20X5 | Rent £500 | Bank £500 |
| 3/3/20X5 | Purchases £1,000 | Bank £1,000 |
| 5/3/20X5 | Kitchen equipment £5,000 | Bank £5,000 |
| 7/3/20X5 | Bank £2,500 | Sales £2,500 |
| 8/3/20X5 | Trade receivables £1,000 | Sales £1,000 |
| 10/3/20X5 | Purchases £500 | Trade payables £500 |
| 12/3/20X5 | Electricity £750 | Bank £750 |
| 15/3/20X5 | Wages £100 | Bank £100 |
| 17/3/20X5 | Drawings £1,500 | Bank £1,500 |
| 18/3/20X5 | Bank £800 | Trade receivables £800 |
| 20/3/20X5 | Trade payables £150 | Bank £150 |

**BANK**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Debit | | | Credit | | |
| Date | Ledger account | Amount  £ | Date | Ledger account | Amount  £ |
| 1/3  7/3  18/3  1/4 | Capital  Sales  Trade receivables  Balance b/f | 15,000  2,500  800  18,300  9,300 | 2/3  3/3  5/3  12/3  15/3  17/3  20/3  31/3 | Rent  Purchases  Kitchen equipment  Electricity  Wages  Drawings  Trade payables  Balance c/f | 500  1,000  5,000  750  100  1,500  150  9,300  18,300 |

**CAPITAL**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Debit | | | Credit | | |
| Date | Ledger account | Amount  £ | Date | Ledger account | Amount  £ |
| 31/3 | Balance c/f | 15,000  15,000 | 1/3  1/4 | Bank  Balance b/f | 15,000  15,000  15,000 |

**RENT**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Debit | | | Credit | | |
| Date | Ledger account | Amount  £ | Date | Ledger account | Amount  £ |
| 2/3  1/4 | Bank  Balance b/f | 500  500  500 | 31/3 | Balance c/f | 500  500 |

**PURCHASES**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Debit | | | Credit | | |
| Date | Ledger account | Amount  £ | Date | Ledger account | Amount  £ |
| 3/3  10/3  1/4 | Bank  Trade payables  Balance b/f | 1,000  500  1,500  1,500 | 31/3 | Balance c/f | 1,500  1,500 |

**Trial balance as at 31 March 20X5**

|  |  |  |
| --- | --- | --- |
|  | Debit £ | Credit £ |
| Bank | 9,300 |  |
| Capital |  | 15,000 |
| Rent | 500 |  |
| Purchases | 1,500 |  |
| Equipment at cost | 5,000 |  |
| Sales |  | 3,500 |
| Trade receivables | 200 |  |
| Trade payables |  | 350 |
| Electricity | 750 |  |
| Wages | 100 |  |
| Drawings | 1,500 |  |
| **TOTAL** | **18,850** | **18,850** |