

THE BASIC PRINCIPLES --- TUTORIAL SOLUTION

(start) Gain : Cash
Lose : Owe £5000 capital

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
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Cash	5000			Capital	5000			
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(a) Gain : A fixed asset
Lose : Cash

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
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Shelves	1800			Capital	5000			
Cash	3200							

(b) Gain : Stock
Lose : Cash

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
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Shelves	1800			Capital	5000			
Cash	1200							
Stock	2000							

(c) Gain : Cash
 Lose : Stock N.B. Profit = 1500 - 1000 = £500

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
Shelves 1800				Capital 5000	+	Profit 500		
Cash 2700								
Stock 1000								

(d) Gain : Withdrawal of capital i.e. a drawing
 Lose : Cash

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
Shelves 1800				Capital 5000	+	Profit 500	-	Drawings 200
Cash 2500								
Stock 1000								

(e) Gain : Cash
 Lose : Loan

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
Shelves 1800	-	Loan 500		Capital 5000	+	Profit 500	-	Drawings 200
Cash 3000								
Stock 1000								

(f) Gain : A fixed asset
 Lose : £1000 creditor

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
Shelves 1800	-	Loan 500		Capital 5000	+	Profit 500	-	Drawings 200
Cash 3000		Creditor 1000						
Stock 1000								
Carpets 1000								

(g) Gain : A debtor
 Lose : Stock N.B. Profit = 600 - 400 = £200

Assets	-	Liabilities	=	Capital	+	Profit	-	Drawings
Shelves 1800	-	Loan 500		Capital 5000	+	Profit 700	-	Drawings 200
Cash 3000		Creditor 1000						
Stock 600								
Carpets 1000								
Debtor 600								

Profit and Loss Account							
						£	£
Sales							2100.00
less : cost of goods sold							
Purchases						2000.00	
less : closing stock						600.00	
							1400.00
Gross Profit							700.00

Balance Sheet							
							£
Fixed Assets							
Fixtures and Fittings							2,800
Current Assets							
Stock					600		
Debtors					600		
Cash at Bank					3,000		
					4,200		
Current Liabilities							
Trade Creditors					1,000		
Net Current Assets							3,200
Total Assets less Current Liabilities							6,000
Long Term Liabilities							
Loan							500
							5,500
Represented by :							
Capital							5,000
Profit for the year							700
							5,700
less : drawings							200
							5,500