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Accounting Fundamentals

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Task 1: Maxim

(a) Ledger account

The below tables shows the calculation of financial position of Maxim company with use of fundamentals of accounting

Capital for business (ACC)			
Specifics	£	Specifics	£
Residual Beginning	300 £	Cash	300 £
Summation	300 £	Summation	300 £
		Residual Ending	300 £

Stock at the end (ACC)			
Specifics	£	Specifics	£
Trading (Stock)	100 £	Residual Beginning	100 £
Summation	100 £	Summation	100 £
Residual Ending	100 £		

Materials Purchased (ACC)			
Specifics	£	Specifics	£
Cash	200 £	Residual Beginning	200 £
Summation	200 £	Summation	200 £
Residual Ending	200 £		

Cash (ACC)			
Specifics	£	Specifics	£
Capital	300 £	Materials bought	200 £
Loan taken from Tatiana	250 £	Motor van expenses	150 £
Sales	350 £	Rent expenses	50 £
		loan taken from Tatiana	200 £
		Drawings taken	60 £
		Residual Beginning	140 £
Summation	800 £	Summation	800 £
Residual Ending	140 £		

Trading (ACC)			
Specifics	£	Specifics	£
Residual Ending	100 £	Residual Ending	100 £
Summation	100 £	Summation	100 £
		Residual Ending	100 £

Motor Van expenses (ACC)			
Specifics	£	Specifics	£
Cash	150 £	Residual Beginning	150 £
Summation	150 £	Summation	150 £
Residual Ending	150 £		

Sales (ACC)			
Specifics	£	Specifics	£
Residual Beginning	350 £	Cash	350 £
Summation	350 £	Summation	350 £
		Residual Ending	350 £

Drawings (ACC)			
Specifics	£	Specifics	£
Cash	60 £	Residual Beginning	60 £
Summation	60 £	Summation	60 £
Residual Ending	60 £		

Rent expenses (ACC)			
Specifics	£	Specifics	£
Cash	50 £	Residual Beginning	50 £
Summation	50 £	Summation	50 £
Residual Ending	50 £		

Loan taken from Titiana (ACC)			
Specifics	£	Specifics	£
Cash	200 £	cash	250 £
Residual Beginning	50 £		
Summation	250 £	Summation	250 £
		Residual Ending	50 £

(b) Account balance

The table shows the calculation of account balance of Maxim Company by analysing each item such as materials, loan and capital of company.

Account Balance		
Specifics	Debit	Credit
Trading (Stock)	100 £	
Materials bought	200 £	
Motor Van expenses	150 £	
Capital for business		300 £
Loan taken from Titiana		50 £
Cash collected	140 £	
Drawings taken	60 £	
Sales made		350 £
Rent expense	50 £	
Sum	700 £	700 £

(c) P/L and Balance Sheet

Below figure identifies the losses, expenditures and ending financial position of Maxima Company in which expenses are deducted from sales to determine the profit.

P and L Statement	
Specifics	£
Sales made	350 £
(-): Materials bought	200 £
(-): Rent expense	50 £
Profit	100 £

Balance Sheet	
Specifics	£
Assets	
Motor Van purchased	150 £
Cash left	140 £
Stock	100 £
Summation of assets	390 £
Liabilities	
Loan collected	50 £
Adjusted Capital	340 £
Summation of liabilities	390 £

Task 2: Pendo

(a) Ledger account

Below tables indicates the calculation of ledger balances of Pendo Company with such as account of stock, materials, capital and drawings.

Stock at the end (ACC)			
Specifics	£	Specifics	£
Trading (Stock)	800 £	Residual Beginning	800 £
Summation	800 £	Summation	800 £
Residual Ending	800 £		

Materials Purchased (ACC)			
Specifics	£	Specifics	£
Cash	1300 £	Residual Beginning	1300 £
Summation	1300 £	Summation	1300 £

Residual Ending	1300 £		
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Capital for business (ACC)			
Specifics	£	Specifics	£
Residual Beginning	5000 £	cash	5000 £
Summation	5000 £	Summation	5000 £
		Residual Ending	5000 £

Motor Van (ACC)			
Specifics	£	Specifics	£
cash	600 £		
cash	200 £	Residual Beginning	800 £
Summation	800 £	Summation	800 £
Residual Ending	800 £		

Drawings (ACC)			
Specifics	£	Specifics	£
Cash	175 £	Residual Ending	175 £
Summation	175 £	Summation	175 £
Residual Ending	175 £		

Storage expense (ACC)			
Specifics	£	Specifics	£
Cash	150 £	Residual Beginning	150 £
Summation	150 £	Summation	150 £
Residual Ending			

Loan from Sergie (ACC)			
Specifics	£	Specifics	£
Cash	350 £	Cash collected	1000 £
Residual Beginning	650 £		
Summation	1000 £	Summation	1000 £
		Residual Ending	650 £

Sales (ACC)			
Specifics	£	Specifics	£
Residual Beginning	800 £	Cash	300 £
		Cash	500 £
Summation	800 £	Summation	800 £
		Residual Ending	800 £

Cash (ACC)			
Specifics	£	Specifics	£
Capital for business	5000 £	Motor van expense	600 £
Loan from Sergie	1000 £	Loan taken from Sergie	350 £
sales made	300 £	Drawings withdrawn	175 £
sales made	500 £	Storage expenses	150 £
		Purchase of materials	1300 £
		Motor van	200 £
		Residual Beginning	4025 £
Summation	6800 £	Summation	6800 £
Residual Ending	4025 £		

(b) Account balance

Below calculations indicates the computation of trial balance of Pendo Company which shows 6450 £ ending balance.

Trial Balance (ACC)		
Specifics	Dr	Cr
Drawings withdrawn	175 £	
Storage Expense	150 £	
Motor Van expense	800 £	
Sales made		800 £
Materials bought	1300 £	
Cash collected	4025 £	
Capital for business		5000 £
Loan taken from Sergie		650 £
Summation	6450 £	6450 £

(c) P/L and Balance Sheet

Below tables indicates calculation of loss and revenue along with ending financial position of Pendo Company.

Statement of P and I		
Specifics	£	£
Sales		800 £
(-): Materials Purchased	1300 £	
(-): Storage Expenses	150 £	
(-): Motor Van Expenses	200 £	1650 £
Loss		-850 £

Balance Sheet	
Specifics	£
Assets	
Motor Van purchased	600 £
Cash ending	4025 £
Stocks	800 £
Summation of assets	4025 £
Liabilities	
loan from Sergie	650 £
Capital for business	5000 £
(-): Drawings	-175 £
(-): Loss	-850 £
Suspense	800 £
Summation liabilities	4775 £

Task 3: Mafuta

(a) Ledger account

Below tables indicates the calculation of ledger balances of Mafuta Company with such as account of capital, stock and cash of business.

Capital for business (ACC)			
Assets	£	Liabilities	£
Inventory	458 £	Payables	33 £
Receivables	83 £	Capital Residual	1049 £
Furniture	198 £		
Cash	343 £		
Summation	1082 £	Summation	1082 £

Cash (ACC)			
Specifics	£	Specifics	£
Capital	343 £	Wages	12 £
Harvey	163 £	Max	21 £
Sales	84 £	Office Desk	32 £
Sales	110 £	Materials Purchased	75 £
Sales	30 £	Rich	162 £
Smith	18 £	Wages	15 £
Sales	64 £	Wages	17 £
		Office expenses	3 £
		Wages	14 £
		Residual Ending	461 £
Summation	812 £	Summation	812 £
Residual Beginning	461 £		

Stock (ACC)			
Specifics	£	Specifics	£
Residual Beginning	458 £	Cash	
		Residual Ending	374 £
Summation	458 £	Summation	458 £
Residual Beginning	374 £		

Max (ACC)			
Specifics	£	Specifics	£
Cash	21 £	Residual Beginning	21 £
Summation	21 £	Summation	21 £

Capital for business (ACC)			
Specifics	£	Specifics	£
		Residual Beginning	1049 £
Residual Ending	1049 £		
Summation	1049 £	Summation	1049 £
		Residual Beginning	1049 £

Rich (ACC)			
Specifics	£	Specifics	£
Cash	162 £	Residual Beginning	12 £
		Materials Purchased	150 £
Summation	162 £	Summation	162 £

Moon (ACC)			
Specifics	£	Specifics	£
Residual Beginning	26 £	Residual Ending	26 £
Summation	26 £	Summation	26 £
Residual Beginning	26 £		

Harvey (ACC)			
Specifics	£	Specifics	£
Residual Beginning	39 £	Cash	25 £
Sales	124 £	Residual Ending	138 £
Summation	163 £	Summation	163 £

Smith (ACC)			
Specifics	£	Specifics	£
Residual Beginning	18 £	Cash	18 £
Summation	18 £	Summation	18 £

(b) Account balance

The table shows the calculation of account balance of Mafuta Company by examining the items of trial balance.

Trial Balance		
Specifics	Dr	Cr
Capital for business		1049 £
Cash	461 £	
Moon	26 £	
Wages	58 £	
Materials Purchased	225 £	
Sales		412 £
Office Expenses	63 £	
Stock	458 £	
Harvey	138 £	
Office desk	32 £	
Summation	1429 £	1461£

(c) P/L and Balance Sheet

The tables below shows calculation of loss and expenses and balance sheet of Mafuta Company to analyse profitability

Statement of P and I	
Specifics	£
Sales	412 £
(-): Wages	58 £
(-): Office Expenses	-3 £
(-): Materials Purchased	-225 £
Profits	126 £

Balance Sheet	
Specifics	£
Assets	
Cash	605 £
Moon	26 £
Office desk	32 £
Harvey	138 £
Stock at the end	374 £
Summation assets	1175 £
Liabilities	
Capital	1049 £
Add: profits	126 £
Summation liabilities	1175 £

Task 4: Ricardo

(a) Ledger account

The below table indicates calculation of ledger accounts of Ricardo Company in which calculation of sales, materials and sales return have been done.

Sales (ACC)			
Specifics	£	Specifics	£
		Residual Beginning	0
		Cash	6000 £
		Discount Allowed	575 £
		Hywel	9000 £
		Clair	8075 £
Residual Ending	28650 £	Mandy	5000 £
Summation	28650 £	Summation	28650 £
		Residual Beginning	28650 £

Materials Purchased (ACC)			
Specifics	£	Specifics	£
Residual Beginning	0 £		
Andrew	4410 £		
Discount Received	840 £		
Georgina	11160 £		
Discount Received	90 £	Residual Ending	16500 £
Summation	16500 £	Summation	16500 £
Residual Beginning	16500 £		

Clair (ACC)			
Specifics	£	Specifics	£
Residual Beginning	0 £	Sales Return	1000 £
Sales	8500 £	Residual Ending	7500 £
Summation	8500 £	Summation	8500 £
Residual Beginning	7500 £		

Georgina (ACC)			
Specifics	£	Specifics	£
		Residual Beginning	0 £
Residual Ending	12000 £	Materials Purchased	12000 £
Summation	12000 £	Summation	12000 £
		Residual Beginning	12000 £

Hywel (ACC)			
Specifics	£	Specifics	£
		Residual Beginning	0 £
Residual Ending	9000 £	Materials Purchased	9000 £
Summation	9000 £	Summation	9000 £
		Residual Beginning	9000 £

Andrew (ACC)			
Specifics	£	Specifics	£
		Residual Beginning	0 £
Residual Ending	4500 £	Materials Purchased	4500 £
Summation	4500 £	Summation	4500 £
		Residual Beginning	4500 £

Mandy (ACC)			
Specifics	£	Specifics	£
Residual Beginning	0 £		
Sales	5000 £	Residual Ending	5000 £
Summation	5000 £	Summation	5000 £
Residual Beginning	5000 £		

Cash (ACC)			
Specifics	£	Specifics	£
Residual Beginning	0 £		
Sales	6000 £	Residual Ending	6000 £
Summation	6000 £	Summation	6000 £
Residual Beginning	6000 £		

Sales Return (ACC)			
Specifics	£	Specifics	£
Residual Beginning	0 £		
Claire	1000 £	Residual Ending	1000 £
Summation	1000 £	Summation	1000 £
Residual Beginning	1000 £		

(b) Account balance

The table shows the calculation of account balance of Ricardo Company by examining items of trial balance.

Trial Balance		
Specifics	Debit	Credit
Cash	6000 £	
Materials Purchased	16650 £	
Sales		28650 £
Sales Return	1000 £	
Georgina		12000 £
Andrew		4500 £
Mandy	5000 £	
Hywel	9000 £	
Clair	7500 £	
Summation	45150 £	45150 £

Task 5: Difference between revenue expenditure and capital expenditure as per IAS

Basis of distinction	Capital Expenditure	Revenue Expenditure
Definition	As per IAS capital expenditure is the amount of expenses which a corporate entity incurred for the purpose of improving or buying fixed assets. According to Wood (2015), these assets include building, proprietary, equipment and furniture.	According to IAS revenue expenditure is the figure of expense which is incurred by a business organisation to finance its day to day expenditure in an accounting period. As opined by Ward A., Thomas (2012), these expenses include repair and maintenance charges and other operating expenses.
Benefit derived	The benefit derived from it is not exhausted within one period but deliver benefit of future periods also. As per IAS it is beneficial to organisation for long term.	The benefit derived from revenue expenditure is temporary in nature. As per IAS it provides assistance to organisations for a single accounting period.
Affect	It affects positively on acquisition and improvement of assets.	Here, effects can be seen on routine work of organisation as no assets are purchased with this kind of expenditure.
Physical existence	As per IAS it has its own physical existence as it is used to purchase or improve the asset balance of organisation. However as opined by Horngren C., Forster (2014), in the case of intangible assets capital	As per IAS revenue expenditure does not have its own existence as it is used for mitigating regular needs of organisation.

	expenditure has no physical existence.	
Nature	As per IAS capital expenditure is irregular and non-recurring in nature as it does not incur in management on a daily basis.	As per the rules of IAS, revenue expenditures are used repeatedly in management and it is recurring in nature. Along with this, management needs this kind of expenditure on a daily basis to meet short term, and miscellaneous requirements of management.
Position of revenue	According to the rules of IAS, incurring capital expenditure does not affect the revenue position of organisation. Instead of this, it positively affects the assets balance of management.	Incurring this kind of expenditure in management on a daily basis leads to reduce the revenue of organisation.
Appearance in Balance Sheet	Its existence is shown in the balance sheet until the benefit is exhausted in the management.	As per the guidance of IAS it is not shown in the Balance Sheet of the organisation.
Portion of expense	As per IAS, a portion of this expenditure is shown in the Statement of Profit and Loss as depreciation of assets and in assets side of Balance Sheet	According to the rules of IAS, these kinds of expenditures are shown in the expenditure side of Profit and Loss Statement and income statement of an entity.
Position of organisation	Based on understanding which are derived from words of Drury (1998), incurring capital expenditure in management helps	According to the conceptions which are evidence from the words of Dyson (2010), usage of this kind of expenditure enhances the position of organisation

	in maintaining the position of organisation.	and provides competitive edge
Capitalisation of expenses	As per the rules of IAS capital expenditures are capitalised in nature.	Revenue expenditure are not capitalised in nature as per rules of IAS.

References

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