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MODULE TITLE: ACCOUNTING FUNDAMENTAL

ASSIGNMENT TITLE: ACCOUNTING FUNDAMENTAL

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Introduction

The process of tracking information of the movements, events and transactions occurring in the business is known as accounting. It keeps the track of finances and management of any enterprise (Kaplan and Atkinson, 2015). Based on the record prepared by accounting or accountancy, the administration of an organisation takes important decisions about its cost and profit structure. The events or transactions that takes place in the daily mechanism of the organisation is summarised, measured and reported to tax collection entities, regulators and oversight agencies. It is the most essential function of any corporate, industrial or non-profit making concern. It is required by all sizes and nature of business. In this report, the application of accounts in different aspects has been highlighted. The preparation of trial balance, closing of ledger accounts, preparation of statements of finance and balance sheet has been shown in the study that would help in understanding its mechanism.

Task 1

(a) Write up, balance and close the relevant ledger accounts for the above transactions

Cash at bank A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
05-Apr	To capital a/c	300	07-Apr	By purchases a/c	200
08-Apr	To loan a/c	250	15-Apr	By motor van a/c	150
20-Apr	To revenue a/c	350	28-Apr	By rent a/c	50
			29-Apr	By loan a/c	200
			30-Apr	By drawings a/c	60
			30-Apr	By balance c/d	240
		900			900
01-May	To balance b/d	240			

Table 1: Cash ledger account

Capital A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
30-Apr	To drawings a/c	60	05-Apr	By bank a/c	300
30-Apr	To balance c/d	440	30-Apr	By I & E a/c (Profit)	200
		500			500
			01-May	By balance b/d	440

Table 2: Capital ledger account

Purchases A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
07-Apr	To bank a/c	200	30-Apr	By trading a/c	200
		200			200

Table 3: Purchase ledger account

Loan A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)

29-Apr	To bank a/c	200	08-Apr	By bank a/c	250
30-Apr	To balance c/d	50			
		250			250
			01-May	By balance b/d	50

Table 4: Loan ledger account

Motor Van A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
15-Apr	To bank a/c	150	30-Apr	By balance c/d	150
		150			150
01-May	To balance b/d	150			

Table 5: Motor van ledger account

Rent A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
28-Apr	To bank a/c	50	30-Apr	I & E a/c	50
		50			50

Table 6: Rent ledger account

Revenue A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
30-Apr	To trading a/c	350	20-Apr	By bank a/c	350
		350			350

Table 7: Revenue ledger account

Drawings A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
30-Apr	To bank a/c	60	30-Apr	By capital a/c	60
		60			60

Table 8: Drawings ledger account

(b) Prepare the list of account balances at 30 April.

List of account balances at 30 April		
Particulars	Amt (Dr)	Amt (Cr)
Cash at bank	240	
Capital		300
Purchases	200	
Loan		50
Motor van	150	
Rent	50	
Revenue		350
Drawings	60	
Total	700	700

Table 9: Trial balance at the end of the period

c. Prepare a statement of profit or loss for the month ended 31 January and a statement of financial position at that date

Statement of profit for the month ended 30 April

Particulars	Amt	Amt
Revenue		350
Purchases	200	
Less: Closing inventory	-100	
Cost of sales		100
Gross profit		250
Less: Expenses (Rent)		50
Profit for the period		200

Table 10: Income Statement

Statement of financial position at 30 April					
Liabilities	Amt	Amt	Assets	Amt	Amt
Capital A/c			Fixed Assets		
Further Capital	300		Motor Van	150	
Add: Profit for the period	200				150

	500		Current Assets		
less: Drawings	60		Inventory	100	
		440	Cash	240	
Long term liabilities					340
Loan		50			
		490			490

Table 11: Balance sheet

Task 2

Write up the ledger accounts for the above transactions, including dates, descriptions and balances.

Cash at bank A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To capital a/c	5000	02-Jan	By motor van a/c	600
04-Jan	To loan a/c (Sergei)	1000	03-Jan	By Purchases a/c	1300
13-Jan	To revenue a/c	300	10-Jan	By motor expenses a/c	200
20-Jan	To revenue a/c	500	24-Jan	By storage expenses a/c	150
			27-Jan	By loan a/c	350
			30-Jan	By drawings a/c	175
			31-Jan	By balance c/d	4025
		6800			6800
01-May	To balance b/d	4025			

Table 12: Cash ledger balance

Capital A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
31-Jan	To balance c/d	5000	01-Jan	By bank a/c	5000
		5000			5000
			01-Feb	By balance b/d	5000

Table 13: Capital ledger balance

Motor Van A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
02-Jan	To bank a/c	600	31-Jan	By balance c/d	600
		600			600
01-Feb	To balance b/d	600			

Table 14: Motor van ledger account

Purchases A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
03-Jan	To bank a/c	1300	30-Apr	By balance c/d	1300
		1300			1300
01-Feb	To balance b/d	1300			

Table 15: Purchases ledger account

Loan A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
27-Jan	To bank a/c	350	04-Jan	By bank a/c	1000
31-Jan	To balance c/d	650			
		1000			1000
			01-Feb	By balance b/d	650

Table 16: Loan ledger account

Motor van expenses A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
10-Jan	To bank a/c	200	13-Jan	By balance c/d	200
		200			200
01-Feb	To balance c/d	200			

Table 17: Motor van expense ledger account

Revenue A/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
31-Jan	To balance c/d	800	13-Jan	By bank a/c	300
			20-Jan	By bank a/c	500

		800			800
			01-Feb	By balance b/d	800

Table 18: Revenue ledger account

Drawings a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
30-Jan	To bank a/c	175	31-Jan	By balance c/d	175
		175			175
01-Feb	By balance b/d	175			

Table 19: Drawings ledger account

(b) Prepare the trial balance at 31 January.

List of account balances at 31 January		
Particulars	Amt (Dr)	Amt (Cr)
Cash at bank	4025	
Capital		5000
Motor van	600	
Purchases	1300	
Loan		650
Motor van Expenses	200	
Revenue		800
Storage expenses	150	
Drawings	175	
	6450	6450

Table 20: Trial Balance

(c) Prepare the statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

Statement of profit or loss for the month ended 31 January

Particulars	Amt	Amt
Revenue		800
Purchases	1300	
Less: Closing inventory	800	
Less: Cost of goods sold		500
Gross profit		300
less: expenses		
Motor van expenses	200	
Storage expenses	150	
		350
Loss for the period		-50

Table 21: Income statement

Statement of financial position at 31 January					
Liabilities	Amt	Amt	Assets	Amt	Amt
Capital A/c at 1 Jan	5000		Fixed Assets		
less: loss for the period	50		Motor Van		600
less: Drawings	175		Current Assets		
		4775	Inventory	800	
Current liability			Cash	4025	
loan		650			4825
		5425			5425

Table 22: Balance sheet

Task 3

(a) Write up and close the relevant ledger accounts.

Cash at bank A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To balance b/d	343	05-Jan	By wages a/c	12
07-Jan	To Smith's a/c	18	09-Jan	By Max's a/c	21
11-Jan	To sales a/c	64	14-Jan	By wages a/c	14
21-Jan	To sales a/c	110	14-Jan	By purchases a/c	75
23-Jan	To Harvey's a/c	25	15-Jan	By Rich's a/c	162
28-Jan	To sales a/c	84	20-Jan	By fixture & furniture a/c	32
31-Jan	To sales a/c	30	21-Jan	By wages a/c	17
			23-Jan	By office expenses a/c	3
			28-Jan	By wages a/c	15
			31-Jan	By balance c/d	323
		674			674
01-Feb	To balance b/d	323			

Table 23: Cash ledger account

Capital A/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
31-Jan	To balance c/d	1091	01-Jan	By balance b/d	1049
			31-Jan	J & E A/c	42
		1091			1091
			01-Feb	By balance b/d	1091

Table 24: Capital ledger account

Fixtures & Fittings a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To balance c/d	198	31-Jan	By balance b/d	230
20-Jan	To bank a/c	32			
		230			230

01-Feb	By balance b/d	198			

Table 25: Fixture & Fittings a/c

Sales a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
31-Jan	To trading a/c	412	02-Jan	By Harvey's a/c	124
			11-Jan	By bank a/c	64
			21-Jan	By bank a/c	110
			28-Jan	By bank a/c	84
			31-Jan	By bank a/c	30
		412			412

Table 26: Sales ledger a/c

Wages a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
05-Jan	To bank a/c	12	31-Jan	By I & E a/c	58
14-Jan	To bank a/c	14			
21-Jan	To bank a/c	17			
28-Jan	To bank a/c	15			
		58			58

Table 27: Wages ledger account

Purchases a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
05-Jan	To Rich's a/c	150	31-Jan	By trading a/c	225
14-Jan	To bank a/c	75			
		225			225

Table 28: Purchases ledger account

Office expenses a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
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23-Jan	To bank a/c	3	31-Jan	By I & E a/c	3
		3			

Table 29: Office expense ledger account

Receivables - Smith a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To balance b/d	18	07-Jan	By bank a/c	18
		18			

Table 30: Smith ledger account

Receivables - Harvey a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To balance b/d	39	23-Jan	By bank a/c	25
02-Jan	To sales a/c	124	31-Jan	By balance c/d	138
		163			163
01-Feb	To balance b/d	138			

Table 31: Receivables Harvey ledger a/c

Receivables - Moon's a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To balance b/d	26	23-Jan	By bank a/c	26
		26			26
01-Feb	To balance b/d	26			

Table 32: Receivables Moon ledger a/c

Payables - Rich's a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
15-Jan	To bank a/c	162	01-Jan	By balance b/d	12
			05-Jan	By purchases a/c	150
		162			162

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Table 33: Payable Rich's ledger account

Inventory a/c

Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
01-Jan	To bank a/c	458	31-Jan	By trading a/c	458
		458			458
31-Jan	To trading a/c	374	31-Jan	By balance c/d	374
01-Feb	To balance c/d	374			

Table 34: Inventory ledger account

(b) Extract a trial balance at 31 January.

List of account balances at 31 January		
Particulars	Amt (Dr)	Amt (Cr)
Cash at bank	323	
Capital		1049
Fixtures and fittings	230	
Sales		412
Wages	58	
Purchases	225	
Office expenses	3	
Receivables		
Harvey	138	
Moon	26	
Inventory	458	
Total	1461	1461

Table 35: Trial Balance

(c) Prepare a statement of profit or loss for the month ended 31 January and a statement of financial position at that date

Statement of profit or loss for the month ended 31 January

Particulars	Amt	Amt
Revenue		412
Opening inventory	458	
Purchases	225	
	683	
Less: Closing inventory	374	
Less: Cost of goods sold		309
Gross profit		103
less: expenses		
Wages	58	
Office expenses	3	
		61
Profit for the period		42

Table 36: Statement of profit

Statement of financial position at 30 April					
Liabilities	Amt	Amt	Assets	Amt	Amt
Capital A/c at 1 Jan	1049		Fixtures & Fittings		230
less: profit for the period	42		Current Assets		
		1091	Inventory	374	
			Trade receivables	164	
			Cash	323	
					861
		1091			1091

Table 37: Financial statement

Task 4

Prepare the relevant ledger accounts to record the above transactions, extract a trial balance at 27 June and close the relevant ledger accounts.

Revenue a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
27-Jun	To trading a/c	28500	02-Jun	By Clarie - receivable a/c	8500
			14-Jun	By Hywel - receivable a/c	9000
			20-Jun	By cash a/c	6000
			24-Jun	By Mandy - receivable a/c	5000
		28500			28500

Table 38: Revenue ledger account

Sales return a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
22-Jun	To Clarie - receivable a/c	1000	27-Jun	By trading a/c	1000
		1000			1000

Table 39: Sales return ledger account

Purchases a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
13-Jun	To Georgina - payable a/c	12000	27-Jun	By trading a/c	16500
21-Jun	To Andrew - payable a/c	4500			
		16500			16500

Table 40: Purchases ledger account

Cash a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
20-Jun	To sales a/c	6000	25-Jun	By Georgina - payable	11160

24-Jun	To Clarie - receivable	7125	27-Jun	By Andrew - payable	4410
25-Jun	To Haywel - receivable	9000	27-Jun	By balance c/d	6555
		22125			22125
	To Balance b/d	6555			

Table 41: Cash ledger account

Discounts allowed a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
24-Jun	To Clarie - receivable	375	27-Jun	By I & E a/c	375
		375			375

Table 42: Discount allowed ledger account

Discounts received a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
24-Jun	To I & E a/c	930	25-Jun	By Georgina - payable	840
			27-Jun	By Andrew - payable	90
		930			930

Table 43: Discount received ledger account

Andrew - payable a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
27-Jun	To cash a/c	4410	27-Jun	By purchases a/c	4500
27-Jun	To discount received	90			
		4500			4500

Table 44: Andrew payable ledger account

Clarie - receivable a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
02-Jun	To sales a/c	8500	22-Jun	By sales return	1000
			24-Jun	By cash a/c	7125
			24-Jun	By discount allowed a/c	375

		8500			8500

Table 45: Clarie receivable ledger account

Hywel - receivable a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
02-Jun	To sales a/c	9000	25-Jun	By cash a/c	9000
		9000			9000

Table 46: Hywel - receivable ledger account

Mandy - receivable a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
02-Jun	To sales a/c	5000	27-Jun	By balance c/d	5000
		5000			5000
01-Feb	To balance b/d	5000			

Table 47: Mandy receivable ledger account

Georgina - payable a/c					
Date	Particulars	Amt (Dr)	Date	Particulars	Amt (Cr)
25-Jun	To cash a/c	11160	27-Jun	By purchases a/c	12000
25-Jun	To discount received	840			
		12000			12000

Table 48: Georgina - payable ledger account

List of account balances at 27 June		
Particulars	Amt (Dr)	Amt (Cr)
Revenue		28500
Purchases	16500	
Cash	6555	
Sales return	1000	
Mandy - receivable	5000	
Discount allowed		930
Discount received	375	
Total	29430	29430

Table 49: Trial balance

Task 5

Demonstrating your research, differentiate between revenue expenditure and capital expenditure with reference to International Accounting Standards

Point of difference	Capital expenditure	Revenue expenditure
Definition	The amount of money that any organisation spends on purchasing any asset or machinery is known as capital expenditure (Buitert and Sibert, 2018). Its application in business is a long term investment made to make larger profits.	The amount of money an enterprise invests on services, goods, raw materials for the purpose of production is known as revenue expenditure (Buitert and Sibert, 2018). It is short term expenditure for shorter period of time.
Term of benefit	When an organisation spends money on purchase of capital assets its benefits are reaped in the current year and even in the future years (Fisher and Wassmer, 2015). Therefore, it gives the enterprise present and future benefits.	The revenue expenditure benefits the enterprise for the present year (Fisher and Wassmer, 2015). It does not render any profit in the future years.
Time & Duration	Capital expenditure extends for more than one year (Lane and Rosewall, 2015). It gives extended profit to the enterprise for more than one or more year. Therefore, it is of long term nature.	Any organisation can reap the benefits of revenue expenditure for only on year or less (Lane and Rosewall, 2015).
Capitalisation	The expenses made in nature of capital investment can be capitalised.	The expenses done in the nature of revenue cannot be capitalised.

Financial statement	As the investment in capital is in terms of stocks or assets it is recorded in the balance sheet (Moser <i>et al.</i> , 2019).	As the investment is done for basically meeting the daily obligation, it is entered in the trading and profit or loss account (Moser <i>et al.</i> , 2019).
Nature of expenditure	Capital expenses are heavy investment and are not made more than one time in an accounting year.	Revenue expenditures are expenses done for meeting daily obligation. Therefore, it occurs more than one times and is recurring in nature.
Sub divisions	There are no subdivisions of capital expenditure.	Direct expenses and indirect expenses are the types of revenue expenditures that an organisation incurs.
Requirement	Capital expenditure is incurred for the purpose of growth of business of long term nature (Langfield-Smith <i>et al.</i> , 2017).	Revenue expenses are incurred for the purpose of meeting the daily obligations of any organisations (Langfield-Smith <i>et al.</i> , 2017). They deal with the working capital requirements of any company.
The concept of matching	The expenses incurred for capital investments have no requirement to be matched with the receipts (Laksmana and Yang, 2015). Therefore, no capital expenses are matched with the capital receipts.	The expense incurred as to be matched with the revenue receipts in order to ascertain the amount of loss or profit (Laksmana and Yang, 2015).

Conclusion

Therefore, the study includes different concepts of accounting. The application of different ledger accounts has shown that it enables any organisation to check its arithmetical accuracy. Further, the preparation of trial balance helps an organisation to avoid mistakes like error of duplication and omission. It is recommended that every enterprise must prepare these two systems of accounting to ensure arithmetical accuracy and easy preparation of financial data. Further, the preparation of income statement and balance sheet is done to ascertain the true and fair position of its finances. It is suggested that every enterprise must prepare these financial statements on order to ascertain its true and fair financial position.

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