

Accounting Fundamentals

Student name: Manuela Dineva

Student ID:1812412

Lecturer name: Gaza Arif

Date:30.04.2019

Module No: LCBB4001

Introduction

As opined by Richards (2017) accounting is an abstract of financial operation for certain period, 1 year. Accounting is an operation which implicate the examiner relation between metering and notification of financial information about the business. Accounting can be concern to as financial statements. Accounts are helps to control and illustrate the work of a business or different institute. All the business needs accounts to check how the business going to enhance the money for the certain business. All managers want always to see how accounts doing the job, because this is a very important feature for managers, to increase the money for the holders. We are using accounts about mortgages, tax returns, insurance claims, for loan and many others. In supplement, accounts are always necessary for juridical or many other reasons:

HM Revenue & Customs

Companies House

Bank and other lenders

Charities

Industrial and provident societies and many others.

Therefore, predominate different role of the accounts:

Financial Accounting

Financial accounting is the trial of manufacture information for exterior use always in the financial statements.

Management Accounting

Management accounting use the information for inner by the company's management. All the information which they provide it is important for the business and use for operative control on the business.

Governmental Accounting

Governmental Accounting produce as a public accounting, guide to the type of information, which use for the common department.

Tax Accounting

Tax Accounting guide for tax return related value. Tax accounting also correct the financial statement with statute set by the tax legality.

Social Accounting

Social Accounting, also famous as Corporate Social Responsibility Reporting a Social Accounting, also famous as Corporate Social Responsibility Reporting and Sustainability Accounting. Social Accounting is a betimes point of process and is deliberate to be a solution to the rising evolution amid the common at major.

Now I'm going to discuss the essence and function of the: Trial Balance, Profit and Loss Account, Balance Sheet.

Trial Balance: The trial balance commonly takes up all account balance from the account volume recapitulate in the titular ledgers. The trial balance will supply a revision on the precision of the ledger account balance, providing that inscription have been made properly.

Profit and Loss Account: Its indications at a squint how much profit has been made from a rescission of the total income from the business activities minus the total expenditures incurred in working. Thereby profit and loss account basic with the effect assured by trading account

Balance Sheet: therefore, a balance sheet is a commonly an index of assets, liabilities and capital, of an operation at a time.

Assets-Liabilities =Capital

At once with the Income Statement the Balance Sheet, analyses the entity's financial position ate the end of the year.

Task 1

			Cash in Account				
Date	Description	Amount		Date	Description	Amount	
05-Apr	Capital	£300,00		07-Apr	Inventory	£200,00	
08-Apr	Loan from Tatiana	£250,00		15-Apr	Motor Van	£150,00	
20-Apr	Sales	£350,00		28-Apr	Rent expenses	£50,00	
				29-Apr	Loan from Tatiana	£200,00	
				30-Apr	Drawings	£60,00	
		£900,00				£240,00	
				30-Apr	Balance	£900	
			Motor Van				
Date	Description	Amount		Date	Description	Amount	
15-Apr	Cash	£150,00					
				30-Apr	Balance	£150,00	
		£150,00				£150,00	
			Capital				
Date	Description	Amount		Date	Description	Amount	
30-Apr	Balance	£300,00		05-Apr	Cash	£300,00	
		£300,00				£300,00	
			Sales				
Date	Description	Amount		Date	Description	Amount	
30-Apr	Balance	£350,00		20-Apr	Cash	£350,00	
		£350,00				£350,00	
			Rent expenses				
Date	Description	Amount		Date	Description	Amount	
28-Apr	Cash	£50,00					
		£50,00		30-Apr	Balance	£50,00	
						£50,00	
			Inveentory				
Date	Description	Amount		Date	Description	Amount	
07-Apr	Cash	£200,00		£30-Apr	Cost of Goods Sold	£100,00	
		£200,00		30-Apr	Balance	£100,00	
						£200,00	
			Loan from Tatiana				
Date	Description	Amount		Date	Description	Amount	
29-Apr	Cash	£200,00		08-Apr	Cash	£250,00	

30-Apr	Balance	£50,00					
		£250,00					£250,00
			Drawings				
Date	Description	Amount		Date	Description	Amount	
30-Apr	Cash	£60,00					
		£60,00		30-Apr	Balance	£60,00	
						£60,00	
			Cost of goods sold				
Date	Description	Amount		Date	Description	Amount	
29-Apr	Stock	£100,00					
				30-Apr	Balance	£100,00	
		£100,00				£100,00	

Tria balance as at 31 April			
Description		Dr	Cr
Cash		£240,00	
Inventory		£100,00	
Motor Van		£150,00	
Loan from Tatiana			£50,00
Capital			£300,00
Drawings		£60,00	
Sales			£350,00
Cost of goods sold		£100,00	
Rent expenses		£50,00	
		£700,00	£700,00

	Statement of Profit or Loss		
	For the month ended 30 April		
Description		Dr	Cr
Sales			£350,00
(-)Cost of goods Sold		£100	
Gross Profit			£250,00
(-)Expenses			
Rent expenses		£50,00	
Total Expenses		£50,00	
Net Profit			£200,00

		Balance Sheet		
		As at 30 April		
Description			Dr	Cr
Assets				
Fixed Assets				
Motor Van			£150,00	
Total Fixed Assets			£150,00	
Current Assets				
Cash			£240,00	
Inventory			£100,00	
Total Current Assets			£340,00	
Total Assets				£490,00
Capital and Liabilities				
Current Liabilities				
Loan from Tatiana			£50,00	
Total Liabilities				£50,00
Capital			£300,00	
(+) Net Profit			£200,00	
Gross Capital			£500,00	
(-) Drawing			£60,00	
Net Capital				£440,00
Total Liabilities and Capital				£490,00

Task 2

			Cash in Account				
Date	Description		Amount	Date	Description		Amount
01-Jan	Capital		£5,000	02-Jan	Inventory		£600,00
04-Jan	Loan from Sergei		£1,000	03-Jan	Motor Van		£1,300
13-Jan	Sales		£300,00	10-Jan	Storage expenses		£200,00
20-Jan	Sales		£500,00	24-Jan	Loan from Sergei		£150,00
				27-Jan	Drawings		£350,00
				30-Jan			£175,00
				31-Jan	Balance		£4,025
			£6,800				£6,800
			Motor Van				
Date	Description		Amount	Date	Description		Amount
02-Jan	Cash		£600,00				
				31-Jan	Balance		£600,00
			£600,00				£600,00
			Capital				
Date	Description		Amount	Date	Description		Amount
				01-Jan	Cash		£5,000
31-Jan	31-Jan		£5,000				
			£5,000				£5,000
			Sales				
Date	Description		Amount	Date	Description		Amount
				13-Jan	Sales		£300,00
31-Jan	Balance		£800,00	20-Jan	Sales		£500,00
			£800,00				£800,00
			Cost of goods sold				
Date	Description		Amount	Date	Description		Amount
31-Jan	Inventory		£500,00				
				31-Jan	Balance		£500,00
			£500,00				£500,00
			Inventory				
Date	Description		Amount	Date	Description		Amount
03-Jan	Cash		£1,300	31-Jan	Cost of Goods		£500,00
				31-Jan	Balance		£800,00
			£1,300				£1,300

			Loan from Sergei				
Date	Description		Amount	Date	Description		Amount
27-Jan	Cash		£350,00	04-Jan	Cash		£1,000
31-Jan	31-Jan		£650,00				
			£1,000				£1,000
Drawings							
Date	Description		Amount	Date	Description		Amount
31-Jan	Cash		£175,00				
			£175,00	31-Jan	Balance		£175,000
							£175,00
			Motor Van expense				
10-Jan	Cash						
			£200,00	31-Jan	Balance		£200,00
							£200,00
			Storage Expense				
Date	Description		Amount	Date	Description		Amount
24-Jan	Cash		£150,00				
			£150,00	31-Jan	Balance		£150,00
							£150,00

			Trial Balance as at 31 January		
Description			Dr	Cr	
Cash			£4,025		
Inventory			£800,00		
Motor van			£600,00		
Loan from Sergei				£650,00	
Capital				£5,000	
Drawings			£175,00		
Sales				£800,00	
Cost of goods sold			£500,00		
Motor van expense			£200,00		
Storage expense			£150,00		
			£6,4500	£6,4500	

	Statement of Profit ot Loss			
	For the month ended 31 January			
Description			Dr	Cr
Sales				£800,00
(-) Cost of goods Sold			£500,00	
Gross profit				£300,00
(-) expenses				
Motor Van expenses			£200,00	
Storage expense			£150,00	
Total expenses			£350,00	
Net Loss				(-) £50,00

Balance sheet
At 31 January

Description			Dr	Cr
Assets				
Fixed Assets				
Motor Van			£600.00	
Total Fixed Assets			£600.00	
Current Assets				
Cash			£4,025.00	
Inventory			£800.00	
Total Current Assets			£4,825.00	
Total Assets				£5,425.00
Capital and Liabilities				
Curent Liabilities				
Loan from Sergei			£650.00	
Total Liabilities				£650,00
Capital			£5,000	
(-)Net Loss			£50.00	
Gross Capital			£4.950	
(-) Drawing			£175,00	
Net Capital				£4,755.00
Total Liabilities and Vapital		Capital		£5,425.00

Task3

			Cash in Account				
Date	Description		Amount	Date	Description		Amount
01-Jan	Balance		£343,000	05-Jan	Wages expense		
07-Jan	Smith-receivable		£18,00	09-Jan	Max-payable		
11-Jan	Sales		£64,00	14-Jan	Wages expense		
21-Jan	Sales		£110,00	14-Jan	Inventory		
23-Jan	Harvey-receivable		£25,00	15-Jan	Rich-payable		
28-Jan	Sales		£84,00	20-Jan	Furniture and fit		
31-Jan	Sales		£30,00	20-Jan	Wages expense		
				21-Jan	Wages expense		
				23-Jan	Office expenses		
				28-Jan	Wages expenses		
				31-Jan	Balance		£323,00
			£674,00				£674,00
			Furniture and Fittings				
Date	Description		Amount	Date	Description		Amount
01-Jan	Balance		£198,00				
20-Jan	Cash		£32,00				
				31-Jan	Balance		£230,00
			£230,00				£230,00
			Harvey-receivable				
Date	Description		Amount	Date	Description		Amount
01-Jan	Blance		£39,00	23-Jan	Cash		£25,00
02-Jan	Cash		£124,00	31-Jan	Balance		£138,00
							£163,00
			£163,00				
			Rich-payable				
Date	Discription		Amount	Date	Description		Amount
15-Jan	Cash		£162,00	01-Jan	Balance		£12,00
31-Jan	Balance		-	07-Jan	Inventory		£150,00
			£162,00				£162,00
			Inventory				
Date	Description		Amount	Date	Description		Amount

01-Jan	Balance		£458,00	31-Jan	Cost of goods		£309,00
07-Jan	Rich-payable		£150,00				
14-Jan	Cash		£75,00				
				31-Jan	Balance		£374,00
		£683,00					£683,00
			Smith-receivable				
Date	Description		Amount	Date	Description		Amount
01-Jan	Balance		£18,00	07-Jan	Cash		£18,00
		£18,00		31-Jan	Balance		-
							£18,00
			Moon-receivable				
Date	Description		Amount	Date	Description		Amount
01-Jan			£26,00				
			£26,00				
				31-Jan	Balance		£26,00
							£26,00
			Max-payable				
Date	Description		Amount	Date	Description		Amount
07-Jan	Cah		£21,00	01-Jan	Balance		£21,00
31-Jan	Balance		-				
			£21,00				£21,00
			Capital				
Date	Description		Amount	Date	Description		Amount
				01-Jan	Balance		£1,049.00
31-Jan	Balance		£1,049				
			£1,049				£1,049
			Cost of goods sold				
Date	Description		Amount	Date	Description		Amount
31-Jan	Inventory		£309,00				
				31-Jan	Balance		£309,00
			£309,00				£309,00
			Wages expense				
Date	Description		Amount	Date	Description		Amount
05-Jan	Cah		£12,00				
14-Jan	Cash		£14,00				
21-Jan	Cash		£17,00				
28-Jan	Cash		£15,00	31-Jan	Balance		£58,00
			£58,00				£58,00
			Sales				

Date	Description		Amount	Date	Description		Amount
				02-Jan	Harvey-receivable		£124,00
				11-Jan	Cash		£64,00
				21-Jan	Cash		£110,00
				28-Jan	Cash		£84,00
31-Jan			£412,00	31-Jan	Cash		£30,00
			£412,00				£412.00
			Office Expenses				
Date	Description		Amount	Date	Description		Amount
21-Jan	Cash		£3,00				
				31-Jan	Balance		£3,00
			£3,00				£3,00

	Trial Balance as at 31 January		
Description		Dr	Cr
Cash		£323,00	
Inventory		£374,00	
Harvey-receivable		£138,00	
Moon-receivable		£26,00	
Furniture and fittings		£230,00	
Capital			£1,049.00
Sales			£412,00
Cost of goods sold		£309,00	
Wages expense		£58,00	
Office Expenses		£3,00	
Total		£1,46100	£1,46100

	Statement of Profit or Loss				SALES REVENUE
	For the month ended 31 January				minus
Description		Dr	Cr		EXPENSES
Sales			£412,00		equals
(-)Cost of goods Sold		£309,00			PROFIT
Cross Profit			£103,00		
(-)Expenses					
Wages expenses		£58,00			
Office Expenses		£3,00			
Total expenses		£61,00			
Net Profit			£42,00		

		Balance Sheet		
			At 31 January	
Description		Dr	Cr	
Asests				
Fixed Assets				
Furniture and fittings		£230,00		
Total Fixed Assets		£230,00		
Current Assets				
Cash		£323,00		
Inventory		£374,00		
Harvey-receivable		£138,00		
Moon-receivable		£26,00		
Total Current Assts		£861,00		
Total Assets			£1,091.00	

Task 4

		Cash in Account					
Date	Description		Amount	Date	Description		Amount
21-Jun	Sales		£6,000,00	25-Jun	Georgina-payable		£11,160.00
24-Jun	Claire-receivable		£7,125,00	27-Jun	Andrew,payable		£4,410.00
25-Jun	Hywel-receivable		£9,000,00				
			22,125,00				
			Hywel-receivable				
Date	Description		Amount	Date	Description		Amount
14-Jun	Sales		£9,000	25-Jun	Cash		£9,000
				27-Jun	Balance		
			£900				£9,000
			Georgiba-payable				
Date	Description		Amount	Date	Description		Amount
25-Jun	Cash		£11,160.00	13-Jun	Purchases		£12,000
25-Jun	Discount received		£840,00				
27-Jun	Balance		£1200,00				£12,000
			Sales				
Date	Description		Amount	Date	Description		Amount
				02-Jun	Claire-receivable		£8,500
				14-Jun	Hywel-receivable		£9,000
				20-Jun	Cash		£6,000
				24-Jun	Mandy-receivable		£5,000
27-Jun	Balance		£28,500				
			£28,500				£28,500
			Claire-receivable				
Date	Description		Amount	Date	Description		Amount
2-Jub	Sales		£8,500	22-Jun	Sales return		£1,000
				24-Jun	Cash		£7,125

				24-Jun	Discount allowed		£375,00
				27-Jun	Balance		-
			£8,500				£8,500
			Mandy-receivable				
Date	Description		Amount	Date	Description		Amount
24-Jun	Sales		£5,000				
				27-Jun	Balance		£5,000
			£5,000				£5,000
			Andrew-payable				
Date	Description		Amount	Date	Description		Amount
27-Jun	Cash		£4,410	21-Jun	Purchases		£4,500
27-Jun	Discount received		£90,000				
27-Jun	Balance		£4,500				£4,500
			Sales return				
Date	Description		Amount	Date	Description		Amount
22-Jun	Claire-receivable		£1,000				

				27-Jun	Balance		£1,000
			£1,000				£1,000
			Purchases				
Date	Description		Amount	Date	Description		Amount
13-Jun	Georgina-payable		£12,000				
21-Jun	Andrew-payable		£4,500				
				27-Jun	Balance		£16,500
			£16,500				£16,500
			Discount received				
Date	Description		Amount	Date	Description		Amount
				25-Jun	Georgina-payable		£840,00
				27-Jun	Andrew-payable		£90,00
27-Jun			£930,00				
			£930,00				£930,00
			Discount allowed				

Date	Description		Amount	Date	Description		Amount
24-Jun	Claire-receivable		£375,00				
				27-Jun	balance		£375,00
			£375,00				£375,00

		Trial Balance as at 27June			
Description				Dr	Cr
Cash				£6,555	
Mandy-receivable				£5,000	
Sales					£28,500
Sales return				£1,000	
Purchases				£16,500	
Discount allowed				£375,00	
Discount received					£930,00
				£29,430	£29,430

Task 5 Demonstrating your research, differentiate between revenue expenditure and capital expenditure with reference to International Accounting Standards.

A purpose has been done between capital and revenue expenditure. As suggested by Rouse (2010) Capital expenditure pertain on the Balance Sheet, while revenue expenditure is pertaining on the Profit and Loss Account as an inference of profit. The money that was spent are on fixed assets is a capital expenditure. For example:

- The cost of new van is a capital expenditure.
- The cost of gas to be faster the van is revenue expenditure

The relation between those two is a very significant, not only for the introduction the accounts, but for tax Couse as well. Revenue expenditure might be permitted as an illation from profit for tax resolves. Capital expenditure is an expense which relate to the assets and its improvement. On the other hand, Revenue expenditure they are used in everyday life. A very important feature between Capital expenditure and Revenue expenditure is Revenue expenditure trying to increase capacity, while Capital expenditure to maintain capacity, and incomes (Keydifference,2019).

Reference list

Colin,R. (2017) *Business accounting*. Islington: Straightforward Publishing.

David,R. (2010) *Understanding Accounts Made Easy*. London: Lawpack Publishing Limited.

'Difference Between Capital Expenditure and Revenue Expenditure'February 2015.Available from

<https://keydifferences.com/difference-between-capital-and-revenue-expenditure.html>