

Antoniya Toncheva

№ 1814109

Accounting Fundamentals (LCBB4001)

Lector: Gazi Arif

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Introduction:

In this report we will talk about different types of accounts, and everything related to them. I will explain what is accounting – accounting is the process which involves the identification, measurement, communication of financial information about a business.

- Users of accounting information (management and owners, employees, tax authorities, competitors, bank and other, prospective buyer)
- Major financial statement (profit and loss account, balance sheet, cash flow)
- The accounting equation (assets, liabilities equals, ownership interest)
- Classification of liabilities
 - Current liabilities (creditors, taxation)
 - Non-current liabilities (bank borrowing)

I will explain same key words:

- Revenues – the financial value of goods and service sold to customers
- Stock – goods in which the business normally deals that are held with the intention of resale
- Purchases – goods bought by the business for the prime purpose of selling them again
- Gross profit – the amount remaining after trading expenses (cost or sales) have been deducted from revenue
- Fixed assets – assets which have a long life bought with the intention to use term in the business
- Current assets – assets consisting of cash, goods for resale
- Debtor – a person who owes money to a business for goods and services supplied to him
- Creditor – a person to whom money is owed for goods and services
- Current liabilities – liabilities to be paid for within a year of the balance sheet date
- Non-current liabilities – liabilities that do not have to be paid within 12 months of the balance sheet

Task 1

Cash book for Maxim commenced Trading
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Income			Paid		
Date	Description	Cash	Date	Description	Cash
05-Apr	Starting cash	300	07-Apr	Goods purchase	200
08-Apr	Loan from Tatiana	250	15-Apr	Van	150
20-Apr	Sold goods	350	28-Apr	Paid Rent	50
30-Apr	Goods	100	29-Apr	Repaid part of Loan	200
			30-Apr	Took cash	60
Total		1000			660
			30-Apr	Balance c/d	340
Balance b/d		340			

Dr			Bank	Cr		
05-Apr	Cash	300	07-Apr	Goods	200	
08-Apr	Loan	250	15-Apr	Van	150	
20-Apr	Sold goods	350	28-Apr	Rent	50	
			29-Apr	Repay loan	200	
			30-Apr	Cash	60	
Total		900			660	
			30-Apr	Balance c/d	240	
		900	900			
Balance b/d		240				

Dr		Capital	Cr	
30-Apr	Cash	60	05-Apr	300
30-Apr	Balance c/d	240		
		300		300

Dr			Maxim Commenced Trading		Cr
07-Apr	Goods	200	20-Apr	Sold goods	350
30-Apr	Balance c/d	150			
		350			350
			Balance b/d	150	

Dr		Rent	Cr
	15-Apr	150	Balance c/d 150
		150	150
	Balance b/d		
	150		

Dr		Tatiana Loan	Cr
	29-Apr Repaid	200	08-Apr Loan 250
	30-Apr Balance c/d	50	
		250	250
		Balance b/d	50

Dr		Rent	Cr
	28-Apr	50	Balance c/d 50
		50	50
	Balance b/d	50	

Trial Balance

Maxim Commonced Traiding
at 30 April

	Dr	Cr
Bank	240	
Capital		240
Maxim Comm		150
Van	150	
Tatiana Loan		50
Rent	50	
TOTAL	440	440

Profit & Loss
Maxim Commenced Trading
at 30 April

Sales	£	£
		350
Less Cost of sales:		
Purchase goods	200	
Closing stock	-100	
Cross profit		250
Less Expenses:		
Rent	50	50
Net Profit		200

Statement of financial position
(Balance sheet)

Assets

Van	150
Bank	240
Total Assets (A)	390

Capital (C)

Liabilities

Tatiana Loan	200	250
Rent	50	
Creditors (Maxim)		150
Total Liabilities (L)		150

$$A = L + C$$

Task 2

Cash book for Pendo

Date	Description	Cash	Date	Description	Cash
01-Jan	Cash	5000	02-Jan	Motor van	600
04-Jan	Sergei Loan	1000	03-Jan	Goods purchase	1300
13-Jan	Sold goods	300	10-Jan	Motors expenses	200
20-Jan	Sold goods	500	24-Jan	Storage expenses	150
31-Jan	Closing stock	800	27-Jan	Repaid part Loan	350
			30-Jan	Took cash	175
Total		7600			2775
			30-Jan	Balance c/d	4825
		7600			7600

Balance b/d 4825

Bank

01-Jan	Cash	5000	02-Jan	Purchase goods	1300
04-Jan	Loan	1000	03-Jan	Paid Van	600
13-Jan	Sold goods	300	10-Jan	Motor expenses	200
20-Jan	Sold goods	500	24-Jan	Paid storage	150
			27-Jan	Repay Loan	350
			30-Jan	Cash	175
			31-Jan	Balance c/d	4025
Total		6800			6800

Balance b/d 4025

Dr			Capital		Cr
30-Jan	Cash	175	01-Jan	Cash	5000
31-Jan	Balance c/d	4825			
		5000			5000
			Balance b/d	4825	

Dr	Van		Cr
	Purchase		
02-Jan	van	600	31-Jan Balance c/d 800
10-Jan	Motor Exp.	200	
		800	800
		Balance b/d	800

Dr	Pendo (goods)		Cr
03-Jan	Purch.good	1300	13-Jan Sold goods 300
			20-Jan Sold goods 500
			31-Jan Balance c/d 500
		1300	1300
		Balance b/d	500

Dr	Sergei Loan		Cr
27-Jan	Repaid Loan	350	04-Jan Loan 1000
31-Jan	Balance c/d	650	
		1000	1000
		Balance b/d	650

Dr	Storage		Cr
24-Jan	Storage	150	31-Jan Balance c/d 150
		150	150
		Balance b/d	150

Trial Balance Pendo
at 31 January

	Dr	Cr
Bank	4025	
Capital		4825
Stock(Pendo)	500	
Van	800	
Sergei Loan		650
Storage	150	
Total	5475	5475

Profit & Lost
Pendo 31 January

£	£
Sales	500
Less cost for sale	
1300	
Closing stock	-800
0	0
Gross profit	
Less expenses	
Rent storage	150
Motor Expenses	200
	350
Net profit	-350

Balance Sheet Pendo
at 31 January

Assets		
	Van	600
	Bank	5025
Total Assets		5625
Capital		4825
Liabilities		
	Sergej	
	Loan	650
	Storage	150
Total Liabilities		800

$$A = C + L$$

Task 3

Dr			Cash	Cr		
01-Jan	Cash	343		14-Jan	Goods	75
11-Jan	Sale	64		20-Jan	Desk	32
21-Jan	Sale	110		31-Jan	Balance c/d	424
28-Jan	Sale	84				
30-Jan	Sale	30				
				Balance b/d	524	

Dr			Capital	Cr		
31-Jan	Balance c/d	343		01-Jan	Cash	343
				Balance b/d	343	

Dr			Furniture	Cr		
01-Jan	Furniture			31-Jan	Balance c/d	230
20-Jan	Desk					
				Balance b/d	230	

Dr			Inventory	Cr		
01-Jan	Inventory	458		31-Jan	Cash for inventory	374
				31-Jan	Balance c/d	84
Balance b/d 84						

Dr			Receivables	Cr		
01-Jan	Smith	18		07-Jan	Smith	18
01-Jan	Harvey	39		23-Jan	Harvey	25
01-Jan	Moon	26		31-Jan	Balance c/d	164
02-Jan	Harvey	124				
				Balance b/d	164	

Dr			Sales		Cr
31-Jan	Balance c/d	465	01-Jan	Smith	18
			01-Jan	Harvey	39
			01-Jan	Moon	26
			11-Jan	Sales	64
			21-Jan	Harvey	124
			21-Jan	Sales	110
			28-Jan	Sales	84
			Balance b/d 465		

Dr			Payables		Cr
09-Jan	Max	21	01-Jan	Rich	12
15-Jan	Rich	162	01-Jan	Max	21
			05-Jan	Rich	150
			Balance b/d 0		

Dr			Purchases		Cr
01-Jan	Rich	12	31-Jan	Balance c/d	258
01-Jan	Max	21			
05-Jan	Rich	150			
14-Jan	Goods	75			
			Balance b/d 258		

Dr			Bank		Cr
07-Jan	Smith	18	01-Jan	Furniture	198
23-Jan	Harvey	25	05-Jan	Wages	12
31-Jan	Balance c/d	399	09-Jan	Max	21
			14-Jan	Wages	14
			15-Jan	Rich	162
			21-Jan	Wages	17
			23-Jan	Office	3
			28-Jan	Wages	15
			Balance b/d 399		

Dr	Wages		Cr
05-Jan	wages	12	31-Jan Balance c/d 58
14-Jan	wages	14	
21-Jan	wages	17	
28-Jan	wages	15	
			Balance b/d 58

Dr	Office Expenses		Cr
23-Jan	Office	3	31-Jan Balance c/d 3
			Balance b/d 3

Trial Balance Mafuta at 31
January

	Dr	Cr
Sales		495
Receivable	164	
Cash	524	
Bank		399
Furniture	230	
Payables	0	
Office Exp.	3	
Purchases	258	
Wages	58	
Capital		343
Total	1237	1237

Profit & Loss Mafuta at 31 January

Sales		495
Less		
Purchases	258	
Wages	58	
Gross profit		179
Less overheads		
Office expenses	3	
Furniture	32	
Net profit		144

Task 4

Dr		Accounts Receivable		Cr	
2 June	Claire	8075	22June	Claire return goods	950
14 June	Hywel	9000	20June	Hywel return goods	9000
24 June	Mandy	4850	24June	Claire paid	7125
			25June	Jane	6000
27 June	Balance c/d	1150			
		23075			23075

Dr		Sales Discounts		Cr	
2 Jun	Claire	425	22Jun	Claire	50
24Jun	Jane	450	27Jun	Balance c/d	975
24Jun	Mandy	150			
		1025			1025

Dr		Sales		Cr	
22 Jun	Claire returns	1000	2Jun	Claire	8500
27Jun	Balance c/d	21500	14Jun	Hywel	9000
			24Jun	Mandy	5000
		22500			22500

Dr		Cash		Cr	
20Jun	Jane	6000	25Jun	Paid Georgia	11160
24Jun	Claire	7125	27Jun	Paid Andrew	4460
25Jun	Hywel	8550	27Jun	Balance c/d	6105
		21675			21675

Dr			Purchases			Cr		
13Jun	Georgia	12000	27Jun	Balance c/d	16500			
24Jun	Andrew	4500						
		16500						16500

Dr			Accounts Payable			Cr		
25Jun	Georgia paid	12000	13Jun	Georgia	12000			
27Jun	Andrew	4500	24Jun	Andrew	4500			
		16500						16500

Dr			Purchases discounts			Cr		
27Jun	Balance c/d	930	25Jun	Georgia	840			
			27Jun	Andrew	90			
		930						930

		Debit		Credit	
Accounts receivable				1150	
Sales discounts		975			
Sales discounts				21500	
Cash		6105			
purchases		16500			
Accounts payable		0			
Purchase discounts				930	
		23580		23580	

Conclusion

You should now have a clearer idea of the context in which accounting is set. You should also be aware that accounting is the recording and processing of data into information, of the characteristics of “good” information, and of the relationship between accounting and organisational objectives.