



University of Wales Trinity Saint David

REPORT

BAMB L4 T1G1

Moodle: Accounting fundamentals

Assessment 1

Prepared for:

Dr. Rexion Nting

Prepared by:

Student: Reneta Ivanova

Stud. Number: 1906323

Task 1.

Decision of task 1:

a) Balance and close the relevant ledger accounts:

Cash at bank a/c			
Dr	£	Cr	£
5 Apr Capital a/c	300	7 Apr Purchase goods a/c	200
8 Apr Loan from Tatiana a/c	250	15 Apr Purchase Motor van a/c	150
20 Apr Revenue /sold goods/ a/c	350	28 Apr Rent a/c	50
		29 Apr Loan /repaid/ a/c	200
		30 Apr Drawing a/c	60
		30 Apr Balance c/d	240
	<u>900</u>		<u>900</u>
3a 1 May Balance b/d	240		

Capital a/c			
Dr	£	Cr	£
30 Apr Drawing a/c	60	5 Apr Bank a/c	300
30 Apr Balance c/d	440	30 Apr I &E /Profit/	200
	<u>500</u>		<u>500</u>
		1 May Balance b/d	440

Purshase a/c			
Dr	£	Cr	£
7 Apr Bank a/c	200	30 Apr Trading a/c	200

Loan a/c			
Dr	£	Cr	£
29 Apr Bank a/c	200	8 Apr Bank a/c	250
30 Apr Balance c/d	50		
	<u>250</u>		<u>250</u>
		1 May Balance b/d	50

Motor van a/c			
Dr	£	Cr	£
15 Apr Bank a/c	150	30 Apr Balance Bank c/d	150
	<u>150</u>		<u>150</u>
1 May Balance b/d	150		

Rent a/c			
Dr	£	Cr	£
28 Apr Bank	50	30 Apr I &E a/c	50
	<u>50</u>		<u>50</u>

Revenue a/c			
Dr	£	Cr	£
30 Apr Trading a/c	350	20 Apr Bank a/c	350
	<u>350</u>		<u>350</u>

Drawing a/c			
Dr	£	Cr	£
30 April Bank a/c	60	30 April Capital a/c	60
	<u>60</u>		<u>60</u>

b) List of account balance at 30 April

	Dr	Cr
	£	£
Cash at bank	240	
Capital		300
Purchases	200	
Loan		50
Motor van	150	
Rent	50	
Revenue		350
Drawings	60	
	<u>700</u>	<u>700</u>

Account balance at 30 April, which shows the total of assets £700 balancing with the total of capital and liabilities £700.

c) Statement of profit or loss for the month ended 30 April

	£	£
Revenue		350
Purchase	200	
Less: Closing inventory	<u>(100)</u>	
Cost of sales		<u>(100)</u>
Gross profit		250
Less: Expenses Rent		<u>(50)</u>
Profit for the period		<u>200</u>

At this stage, there is a description of the list of balances relating to the closure of inventory. Double entry is a credit for sales expenses and debit of an inventory account. The balance of the stock account will then appear in the statement of financial position.

Statement of financial position as at 30 April

	£	£
Non current assets		
Motor van		150
Current assets		
Inventory	100	
Cash	240	
		340
Total assets		490
Capital account		
Introduced		300
Add: Profit for the period		200
		500
Less drawings		(60)
Current liabilities		440
Loan		50
Total capital and liabilities		490

The company has calculated the right-hand side of the accounting equation (equity + liabilities), we arrive at $(\$340 + \$150) = \$490$, which matches the value of the assets reported by the company.

Task 2:

Decision of task 2:

a) Balance and close the relevant ledger accounts:

Cash at bank a/c			
Dr	£	Cr	£
1 Jan Capital a/c	5,000	2 Jan Motor van a/c	600
4 Jan Loan from Sergei a/c	1,000	3 Jan Purchase a/c	1,300
13 Jan Revenue a/c	300	10 Jan Motor expenses a/c	200
20 Jan Revenue a/c	500	24 Jan Storage expenses a/c	150
		27 Jan Loan a/c	350
		30 Jan Drawing a/c	175
		31 Jan Balance c/f	4,025
	<u>6,800</u>		<u>6,800</u>
1 Feb Balance b/f	4,025		

Capital a/c			
Dr	£	Cr	£
31 Jan Balance c/f	5,000	1 Jan Bank a/c	5,000
	<u>5,000</u>		<u>5,000</u>
		1 Feb Balance b/f	5,000

Motor van a/c			
Dr	£	Cr	£
2 Jan Bank a/c	600	31 Jan Balance c/d	5,000
1 Feb Balance b/f	600		

Purchases a/c

Dr	£	Cr	£
3 Jan Bank a/c	1,300	31 Jan Balance a/c	1,300
1 Feb Balance b/d	1,300		

Loan a/c

Dr	£	Cr	£
27 Jan Bank a/c	350	4 Jan Bank a/c	1,000
31 Jan Balance c/d	650		
	1,000		1,000
		1 Feb Balance b/d	650

Motor van expensive a/c

Dr	£	Cr	£
10 Jan Bank a/c	200	31 Jan Balance c/d	200
1 Feb Balance b/d	200		

Revenue a/c

Dr	£	Cr	£
31 Jan Balance c/d	800	13 Jan Bank a/c	300
		20 Jan Bank a/c	500
	800		800
		1 Feb Balance b/d	800

Storage expensive a/c			
Dr	£	Cr	£
24 Jan Bank a/c	<u>150</u>	31 Jan Balance c/d	<u>150</u>
1 Feb Balance b/d	150		

Drawings a/c			
Dr	£	Cr	£
30 Jan Bank a/c	175	31 Jan Balance c/f	175
1 Fevuary Balance b/f	<u>175</u>		<u>175</u>

b) Trial balance at 31 January

	Dr	Cr
	£	£
Cash at bank	4,025	
Capital		5,000
Purchases	1,300	
Motor van	600	
Loan		650
Motor van expensive	200	
Revenue		800
Drawings	175	
Storage expensive	<u>150</u>	
	<u>6,450</u>	<u>6,450</u>

c) Statement of profit or loss for the month ended 31 January

	£	£
Revenue		800
Purchase	1,300	
Less: Closing inventory	<u>(800)</u>	
Cost of good sales		<u>(500)</u>
Gross profit		300
Less: Expenses		
Motor van expenses	200	
Storage expenses	<u>150</u>	
Profit for the period		<u>350</u>
		<u>(50)</u>
		<u> </u>

Statement of financial position as at 31 January

	£	£
Non current assets		
Motor van		600
Current assets		
Inventory	800	
Cash	4,025	
		4,825
Total assets		<u>5,425</u>
Capital account		
At 1 January		5,000
Add: Loss for the period		<u>(50)</u>
		4,950
Less: Drawings		<u>(175)</u>
Current liabilities		4,775
Loan		650
Total capital and liabilities		<u>5,425</u>

Task 3.

Decision of task 3:

a) Balance and close the relevant ledger accounts:

Bank a/c			
Dr	£	Cr	£
1 Jan Balance b/d	343	5 Jan Wages a/c	12
7 Jan Smith's a/c	18	9 Jan Max's a/c	21
11 Jan Sales a/c	64	14 Jan Wages a/c	14
21 Jan Sales a/c	110	14 Jan Purchases a/c	75
23 Jan Harvey's a/c	25	15 Jan Rich's a/c	162
28 Jan Sales a/c	84	20 Jan Fixtures and fittings a/c	32
31 Jan Sales a/c	30	21 Jan Wages a/c	17
		23 Jan Office experience a/c	3
		28 Jan Wages a/c	15
		31 Jan Balance c/d	323
	<u>674</u>		<u>674</u>
1 Feb Balance	323		

Capital a/c			
Dr	£	Cr	£
31 Jan Balance c/d	1,091	1 Jan Balance b/d	1,049
		31 Jan I & E a/c	42
	<u>1,091</u>		<u>1,091</u>
		1 Feb Balance b/d	1,091

Fixtures and fittings a/c

Dr	£	Cr	£
1 Jan Balance b/d	198	1 Jan Balance c/d	230
20 Jan Bank a/c	32		
	<u>230</u>		<u>230</u>
1 Feb Balance b/d	230		

Sales a/c

Dr	£	Cr	£
1 Jan Trading a/c	412	1 Jan Harvey's a/c	230
		11 Jan Bank a/c	64
		21 Jan Bank a/c	110
		28 Jan Bank a/c	84
		31 Jan Bank a/c	<u>30</u>
	<u>412</u>		<u>412</u>

Wages a/c

Dr	£	Cr	£
5 Jan Bank a/c	12	31 Jan I & E a/c	58
12 Jan Bank a/c	14		
21 Jan Bank a/c	17		
28 Jan Bank a/c	15		
	<u>58</u>		<u>58</u>

Purchases a/c

Dr	£	Cr	£
5 Jan Rich's a/c	150	31 Jan Trading a/c	225
12 Jan Bank a/c	75		
	<u>225</u>		<u>225</u>

Office experience a/c

Dr	£	Cr	£
23 Jan Rich's a/c	3	31 Jan I & E a/c	3
	<u>3</u>		<u>3</u>

Receivables – Smith's a/c

Dr	£	Cr	£
1 Jan Balance's b/d	18	7 Jan Bank a/c	18
	<u>18</u>		<u>18</u>

Receivables – Harvey's a/c

Dr	£	Cr	£
1 Jan Balance's b/d	39	31 Jan Bank a/c	25
2 Jan Sales a/c	124	31 Balance c/d	138
	<u>163</u>		<u>163</u>
1 Feb Balance b/d	138		

Receivables – Moon's a/c			
Dr	£	Cr	£
1 Jan Balance's b/d	26	31 Jan Bank c/d	26
	<u>26</u>		<u>26</u>
1 Feb Balance b/d	26		

Payable – Rich's a/c			
Dr	£	Cr	£
15 Jan Bank a/c	162	1 Jan Balance b/d	26
		5 Jan Purchases a/c	150
	<u>162</u>		<u>162</u>

Payable – Max's a/c			
Dr	£	Cr	£
9 Jan Bank a/c	21	1 Jan Balance b/d	21
	<u>21</u>		<u>21</u>

Inventory a/c			
Dr	£	Cr	£
1 Jan Balance a/c	<u>458</u>	31 Jan Trading a/c	<u>458</u>
31 Jan Trading a/c	<u>374</u>	31 Jan Balance c/d	<u>374</u>
1 Feb Balance b/d	374		

b) Trial balance at 31 January

	Dr	Cr
	£	£
Cash at bank	323	
Capital		1,049
Purchases	225	
Sales		412
Fixtures and fittings	230	
Receivables		
Harry	138	
Moon	26	
Office expensive	3	
Inventory	458	
Wages	58	
	<u>1,461</u>	<u>1,461</u>

The trial balance is not an account, but it is a schedule of all balances of all general ledger accounts at a specific date. The trial balance has columns for debit and credit, and the account that has a debit balance will be posted on the credit side with the actual balance amount.

As per the trial balance prepared for company, we can see that both sides of the trial balance are the same which indicates that there is no error in ledger posting during the financial year. Trial balance shows all debit and credit balance in one statement and from here we will start preparing other financial statements of the firm.

c) Statement of profit or loss for the month ended 31 January

	£	£
Revenue		412
Opening inventory	458	
Purchase	<u>225</u>	
	683	
Less: Closing inventory (see note)	(374)	
Cost of good sales		<u>(309)</u>
Gross profit		103
Less: Expenses		
Wages	58	
Office expenses	<u>3</u>	
		<u>(61)</u>
Profit for the period		<u><u>42</u></u>

Revenue is £412, while total expenses are (£309+£61). Total expenses are subtracted from total revenues to get a net income of £42. If total expenses were more than total revenues, company would have a net loss rather than a net income. This net income figure is used to prepare the statement of retained earnings.

Financial statements give a glimpse into the operations of a company, and investors, lenders, owners, and others rely on the accuracy of this information when making future investing, lending, and growth decisions. When one of these statements is inaccurate, the financial implications are great.

Balance sheets

	£	£
Non current assets		
Fixtures and fittings		230
Current assets		
Inventory	374	
Cash	323	
Trade receivables (138+26)	164	
		861
Total assets		<u>1,091</u>
Capital account		
At 1 January		1,049
Add: Profit for the period		<u>42</u>
		<u>1,091</u>

Statement of financial position at 31 January with profit £1,091. Company is minimize expenses by conducting a thorough investigation expenditures and eliminating non value added items (Fixtures and fittings).

Trade receivables refer to any receivable generated by selling a product or providing a service to a customer. Trade receivables for company is £164.

Task 4:

Decision of task 4:

Calculate Settlement Discount:

The settlement discount calculation is not show on the invoice you need to use a bit of scrap paper to work this out.

- ❖ Invoice paid: a seller Ricardo offer the buyer Claire a offered a 5% quick settlement discount of 8,500 on credit and he was to pay the next amount due after taking the discount offered.

Small cash discounts benefit the seller because they increase the likelihood that a buyer will pay quickly, therefore providing the seller with cash in a shorter period of time, as it is better to receive e.g. 95% of an invoice with a few days than wait 30 or more days to receive the full amount.

Having cash sooner means that the seller can in turn put the cash back into the business sooner – a good motivation for any organisation.

$8,500 * 5\% = 425$ is settlement discount amount.

$8,500 - 425 = 8,075$

This 8,075 is the amount that you will calculate the VAT amount on:

$8075 * 20\% = 1,615$

Record the 1,615 on the invoice , then add this amount to the 8,500 not total which equals a total amount payable of 10,115 (Gross Invoice Profit)

- ❖ Invoice paid: a seller Georgina offer the buyer Ricardo a offered a 7% quick settlement discount. of 12,000 on credit and Ricardo paid Georgina the amount due after deducting the discount offered.

$12,000 * 7\% = 840$ is settlement discount amount.

$12,000 - 840 = 11,160$

This 11,160 is the amount that you will calculate the VAT amount on:

$11,160 * 20\% = 2,232$

Record the 2,232 on the invoice , then add this amount to the 12,000 not total which equals a total amount payable of 14,232 (Gross Invoice Profit)

- ❖ Invoice paid: a seller Ricardo offer the buyer Hywel a offered a 5% trade discount of 9,000.

Trade discount amount = List price – Trade discount rate

$9,000 * 5\% = 450$ is trade discount amount.

Net price = List price – Trade discount amount

$9,000 - 450 = 8,550$

$9,000 - 8,550 = 450$ trade discount

- ❖ Invoice paid: a seller Andrew offer the buyer Ricardo a offered a 2% quick settlement discount. of 4,500 on credit Ricardo paid Andrew in full, after deducting the discount offered:

$4,500 * 2\% = 900$ is settlement discount amount.

$4,500 - 900 = 3,600$

This 3,600 is the amount that you will calculate the VAT amount on:

$3,600 * 20\% = 720$

Record the 720 on the invoice , then add this amount to the 4,500 not total which equals a total amount payable of 5,220 (Gross Invoice Profit).

- ❖ Invoice paid: a seller Ricardo offer the buyer Mandy a offered a 3% quick settlement discount of 5,500.

$5,500 * 3\% = 166,50$ is settlement discount amount.

$5,500 - 166,5 = 5,333$

This 3,600 is the amount that you will calculate the VAT amount on:

$5,333 * 20\% = 1,066$

Record the 1,066 on the invoice , then add this amount to the 5,500 not total which equals a total amount payable of 6,266 (Gross Invoice Profit).

A settlement discount is given for prompt payment so it is not recognised until payment is received. When the discount allowed is recognised as expense, when a trade discount is given is a recorded at the amount.

Purchases and trade payable will be reduced initially. Only if the goods had been paid for will there be a subsequent payment to the same supplier may be reduced accordingly.

Revenue a/c

Dr	£	Cr	£
27 Jun Trading a/c	28,500	2 Jun Claire - receivable a/c	8,500
		14 Jun Hywel – receivable a/c	9,000
		20 Jun Cash a/c	6,000
		24 Jun Mandy – receivable a/c	5,000
	<u>28,500</u>		<u>28,500</u>

Sales revenue a/c

Dr	£	Cr	£
22 Jun Claire - receivable a/c	1,000	27 Jun Trading a/c	1,000
	<u>1,000</u>		<u>1,000</u>

Purchases a/c

Dr	£	Cr	£
13 Jun Georgina - payable a/c	12,000	27 Jun Trading a/c	16,500
21 Jun Andrew – pay	4,500		
	<u>16,500</u>		<u>16,500</u>

Cash a/c

Dr	£	Cr	£
20 Jun Sales a/c	6,000	25 Jun Georgina - payable a/c	11,160
24 Jun Claire – receivable a/c	7,125	27 Jun Andrew -payable a/c	4,410
25 Jun Hywel – receivable a/c	9,000	27 Jun Balance c/d	6,555
	<u>22,125</u>		<u>22,125</u>
Bad b/d	6,555		

Discount allowed a/c

Dr	£	Cr	£
24 Jun Claire - receivable a/c	375	27 Jun I & E a/c	1,000
	<u>375</u>		<u>375</u>

Discount received a/c

Dr	£	Cr	£
27 Jun I & E a/c	930	25 Jun Georgina - payable a/c	840
		27 Jun Andrew - payable a/c	90
	<u>930</u>		<u>930</u>

Claire receivable a/c

Dr	£	Cr	£
27 Jun Sales a/c	8,500	22 Jun Sales return a/c	1,000
		24 Jun Cash a/c	7,125
		24 Jun Discount allowed a/	375
	<u>8,500</u>		<u>8,500</u>

Hywel - receivable a/c

Dr	£	Cr	£
27 Jun Sales a/c	9,000	25 Jun Cash a/c	9,000
	<u>9,000</u>		<u>9,000</u>

Mandy - receivable a/c			
Dr	£	Cr	£
24 Jun Sales a/c	5,000	27 Jun Balance c/d	5,000
Balance b/d	<u>5,000</u>		<u>5,000</u>

Georgina - payable a/c			
Dr	£	Cr	£
27 Jun Cash a/c	11,160	13 Jun Purchases a/c	12,000
25 Jun Discount received a/c	840		
	<u>12,000</u>		<u>12,000</u>

Andrew payable a/c			
Dr	£	Cr	£
27 Jun Cash a/c	4,410	21 Jun Purchases a/c	4,500
27 Jun Discount receivable	90		
	<u>4,500</u>		<u>4,500</u>

Accounts payable is a current liability account in which a company records the amounts it owes to suppliers or vendors for goods or services that it received on credit.

Accounts receivable is a current asset account in which a company records the amounts it has a right to collect from customers who received goods or services on credit.

Trial balance at 27 Jun

	Dr	Cr
	£	£
Revenue		28,500
Purchase	16,500	
Cash	6,555	
Sales returns	1,000	
Mandy receivable	5,000	
Discount allowed		930
Discount received	<u>375</u>	<u>930</u>
	<u>29,430</u>	<u>29,430</u>

As per the trial balance prepared for company, we can see that both sides of the trial balance are the same: debit and credit are equal on £29,430. Which indicates that there is no error in ledger posting during the financial year. Trial balance shows all debit and credit balance in one statement and from here we will start preparing other financial statements of the firm.

‘Discounts allowed’ to customers reduce the actual income received and will reduce the profit of the business. They are therefore an expense of the business so would go on the debit side of the trial balance with £930.

‘Discounts received’ from suppliers reduce the expense suffered for purchases and will increase the profit of the business. This reduction to an expense would, therefore, go on the credit side of the trial balance with £375.