

University of Wales
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PROGRAM: BA BUSINESS MANAGEMENT

SUBJECT: ACCOUNTING FUNDAMENTALS

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ACCOUNTING FUNDAMENTALS

Table of Contents

INTRODUCTION

TASK 1

(a) Ledgers accounts

(b) List of accounts balances at April,30

(c) Statement of Profit & loss for the month ended April,30

TASK 2

(a) Ledger Accounts

(b) Trial Balance at 31 January

(c) Statement of Profit and Loss for the month ended 31 January

TASK 3

(a) Ledgers accounts

(b) Trial Balance at 31 January

(c) Statement of Profit and Loss for the month ended 31 January

TASK 4

TASK 5

CONCLUSION

REFERENCES

INTRODUCTION

Accounting is the language apply by all companies to communicate with management, investors and of the organisation (Bushman and Williams, 2012). Accounting is depending on the fundamentals equation that are helping to solve complex activities and also defines business's success and failure. In this report covers various journal entries and accounts has been developed along with Profit & loss account, Balance sheet and trial balance account.

TASK 1

(a) Ledgers accounts

Cash a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April,5	To Capital a/c	300.00	April,7	By Purchase a/c	200.00
April,8	To Loan a/c	250.00	April,15	By Motor van a/c	150.00
April,20	To Sales a/c	350.00	April,28	By rent a/c	50.00
			April,29	By Loan a/c	200.00
			April,30	By Drawings a/c	60.00
				By Balance c/d	240.00
	Total	900.00		Total	900.00
May,1	To Balance b/d	240.00			

Capital a/c

Date		Particular	Amount (£)	Date	Particular	Amount (£)
April, 30		To balance c/d	300.00	April,5	By Cash a/c	300.00
				May, 1	By Balance c/d	300.00

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April,7	To Cash a/c	200.00	April,30	By Trading a/c	200.00

Loan a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April,29	To Cash a/c	200.00	April,8	By Cash a/c	250.00
April,30	To balance c/d	50.00			
		250.00			250.00
			May, 1	By Balance c/d	50.00

Motor Van a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April,15	To Cash a/c	150.00	April,30	By Balance c/d	150.00
May,1	To Balance b/d	150.00			

Rent a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April,28	To cash a/c	50.00	April,30	By profit & loss a/c	50.00

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April,30	By Trading a/c	350.00	April,20	To cash a/c	350.00

Drawings a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 30	To Cash a/c	60.00			

(b) List of accounts balances at April,30

Particulars	Debit (£)	Credit (£)
Cash A/c	240.00	
Capital a/c		300.00
Purchase a/c	200.00	
Loan a/c		50.00
Motor van a/c	150.00	
Rent a/c	50.00	
Sales a/c		350.00
Drawings a/c	60.00	
Total	700.00	700.00

(c) Statement of Profit & loss for the month ended April,30

Particulars	Amount (£)
Sales a/c	350.00
Less – Cost of goods sold	100.00
Gross Profit	250.00
Less – Expenses	
Rent a/c	50.00
Net Profit	200.00

Statement of Financial position as at April, 30

	Amount (£)	Amount (£)
Non Current assets		
Motor van		150.00
Current Assets		
Cash	240.00	
Closing Stock	100.00	340.00
Total Assets		490.00
Capital a/c	300.00	
Add – Net Profit	200.00	
Less – Drawings	60.00	440.00
Current Liabilities		
Short term loan		50.00
Total Liabilities		490.00

Working Note -

Cost of Goods Sold = Purchase – Closing stock

100.00 = 200.00 – 100.00

TASK 2

(a) Ledger Accounts

Cash a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan,1	To capital a/c	5000.00	Jan,2	By Motor Van a/c	600.00
Jan,4	To loan from Sergei	1000.00	Jan,3	By Purchase a/c	1300.00
Jan,13	To Sales a/c	300.00	Jan,10	By Motor Expenses a/c	200.00
Jan,20	To Sales a/c	500.00	Jan,24	By Storage expenses a/c	150.00
			Jan,27	By Loan a/c	350.00
			Jan,30	By Drawings a/c	175.00
			Jan,31	By Balance c/d	4025.00
		6800.00			6800.00
	To Balance c/d	4025.00			

Capital a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
January,31	To Balance c/d	5000.00	January,31	By cash a/c	5000.00
			February,1	By Balance b/d	5000.00

Motor Van a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan,2	To cash a/c	600.00	Jan,31	By Balance c/d	600.00
Feb, 1	To Balance b/d	600.00			

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 3	To cash a/c	1300.00	Jan, 31	By Balance c/d	1300.00
May, 1	To Balance b/d	1300.00			

Loan from Sergei a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 27	To cash a/c	350.00	Jan, 4	By cash a/c	1000.00
Jan, 31	To Balance c/d	650.00			
		1000.00			1000.00
			Feb, 1	By Balance b/d	650.00

Motor Van expenses a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 10	To cash a/c	200.00	Jan, 31	By Balance c/d	200.00
Feb, 1	To Balance b/d	200.00			

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 31	To Balance c/d	800.00	Jan, 13	By cash a/c	300.00
			Jan, 20	By cash a/c	500.00
		800.00			800.00
			Feb, 1	By Balance b/d	800.00

Storage Expenses a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 24	To cash a/c	150.00	Jan, 31	By Balance c/d	150.00
Feb, 1	To Balance b/d	150.00			

Drawings a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 30	To cash a/c	175.00	Jan, 31	By Balance c/d	175.00
Feb, 1	To Balance b/d	175.00			

(b) Trial Balance at 31 January

Particulars	Debit (£)	Credit (£)
Cash a/c	4025.00	
Capital a/c		5000.00
Motor van a/c	600.00	
Purchase a/c	1300.00	
Loan a/c		650.00
Motor van expenses a/c	200.00	
Sales a/c		800.00
Storage expenses a/c	150.00	
Drawings a/c	175.00	
	6450.00	6450.00

(c) Statement of Profit and Loss for the month ended 31 January

Particulars	Amount (£)	Amount (£)
Sales a/c		800.00
Less – Cost of Goods sold		500.00
Gross Profit		300.00
Less- Expenses		
Motor van expenses	200.00	
Storage expenses	150.00	350.00
Net Loss		50.00

Statement of financial position at January, 31

Particulars	Amount (£)	Amount (£)
Non Current assets		
Motor Van		600.00
Current assets		
Cash	4025.00	
Closing Stock	800.00	4825.00
Total assets		5425.00
Capital account	5000.00	
Less- Net loss	50.00	
Less – Drawings	175.00	4775.00
Current liabilities		
Short term loan		650.00
Total Liabilities		5425.00

Working Notes – Cost Of goods sold = Purchase – Closing inventories

= 1300.00 – 800.00 = 500.00

TASK 3

(a) Ledgers accounts

Cash a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	343.00	Jan, 5	By Wages a/c	12.00
Jan, 7	To Smith's a/c	18.00	Jan, 9	By Max's a/c	21.00
Jan, 11	To Sales a/c	64.00	Jan, 14	By Wages a/c	14.00
Jan, 21	To Sales a/c	110.00	Jan, 14	By Purchases a/c	75.00
Jan, 23	To Harvey's a/c	25.00	Jan, 15	By Rich's a/c	162.00
Jan, 28	To Sales a/c	84.00	Jan, 20	By Fixtures and fittings a/c	32.00
Jan, 31	To Sales a/c	31.00	Jan, 21	By Wages a/c	17.00

			Jan, 23	By office expenses a/c	3.00
			Jan, 28	By Wages a/c	15.00
			Jan, 31	By Balance c/d	323.00
		674.00			674.00
Feb, 1	To Balance b/d	323.00			

Capital a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Payables	33.00	Jan, 1	By Cash in hand a/c	343.00
Jan, 31	To balance c/d	1049.00		By Inventory	458.00
				By Furniture and fittings	198.00
				By Receivables	83.00
		1082.00			1082.00

Fixtures and fittings a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	198.00	Jan, 31	By Balance c/d	230.00
Jan, 20	To cash a/c	32.00			
		230.00			230.00
Feb, 1	To Balance b/d	230.00			

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 31	To Trading a/c	412.00	Jan, 2	By Harvey's a/c	124.00
			Jan, 11	By Cash a/c	64.00
			Jan, 21	By Cash a/c	110.00
			Jan, 28	By Cash a/c	84.00
			Jan, 31	By Cash a/c	30.00
		412.00			412.00

Wages a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 5	To cash a/c	12.00	Jan, 31	Profit and loss a/c	58.00
Jan, 14	To cash a/c	14.00			
Jan, 21	To cash a/c	17.00			
Jan, 28	To cash a/c	15.00			
		58.00			58.00

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 5	To Rich's a/c	150.00	Jan, 31	By Trading a/c	225.00
Jan, 14	To cash a/c	75.00			
		225.00			225.00

Office Expenses a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 23	To cash a/c	3.00	Jan, 31	Profit and loss a/c	3.00

Receivables from Smith's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	18.00	Jan, 7	By Cash a/c	18.00

Receivables from Harvey's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	39.00	Jan, 23	By Cash a/c	25.00
Jan, 2	To Sales a/c	124.00	Jan, 31	By Balance c/d	138.00
		163.00			163.00
Feb, 1	To Balance b/d	138.00			

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	26.00	Jan, 31	By Balance c/d	26.00
Feb, 1	To Balance b/d	26.00			

Payable to Rich's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 15	To cash a/c	162.00	Jan, 1	By Balance b/d	12.00
			Jan, 5	By purchase a/c	150.00
		162.00			162.00

Payable to Max's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 9	To cash a/c	21.00	Jan, 1	By Balance b/d	21.00

Inventory a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	458.00	Jan, 31	By Trading a/c	458
Jan, 31	To Trading a/c	374.00	Jan, 31	By Balance c/d	374.00
Feb, 1	To Balance b/d	374.00			

(b) Trial Balance at 31 January

Particulars	Debit (£)	Credit (£)
Cash in hand a/c	323.00	
Capital a/c		1049.00
Fixtures and fittings a/c	230.00	
Sales a/c		412.00
Wages a/c	58.00	
Purchase a/c	225.00	
Office expenses a/c	3.00	
Receivables a/c		
Harvey	138.00	
Moon	26.00	
Inventory a/c	458.00	
	1461.00	1461.00

(c) Statement of Profit and Loss for the month ended 31 January

Particulars		Amount (£)
Sales		412.00
Less- Cost of goods sold		309.00
Gross profit		103.00
Less – Expenses		
Wages	58.00	
Office Expenses	3.00	61.00
Net Profit		42.00

Statement of Financial position at 31 January

Particulars		Amount (£)
Non current assets		
Fixtures and fittings		230.00
Current assets		
Inventory	374.00	
Trade receivables (138+26)	164.00	
Cash	323.00	861.00
Total Assets		1091.00
Capital account	1049.00	
Add – Net Profit	42.00	1091.00
Total Liabilities		1091.00

Working Note: Cost of goods sold = Opening inventories + Purchase – Closing stock

= 458.00 + 225.00 – 374.00 = 309.00

TASK 4

(a) Ledgers account

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 27	To Trading a/c	28500.00	Jun, 2	By Claire – Receivable a/c	8500.00
			Jun, 14	By Hywel – Receivable a/c	9000.00
			Jun, 20	By Cash a/c	6000.00
			Jun, 24	By Mandy – Receivable a/c	5000.00
		28500.00			28500.00

Sales Returns a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 22	To Claire – Receivables	1000.00	Jun, 27	By Trading a/c	1000.00

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 13	To Georgina – Payable a/c	12000.00	Jun, 27	By Trading a/c	16500.00
Jun, 21	To Andrew – Payable a/c	4500.00			
		16500.00			16500.00

Cash a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 20	To Sales a/c	6000.00	Jun, 25	By Georgina – Payable a/c	11160.00
Jun, 24	To Claire – Receivable	7125.00	Jun, 27	By Andrew – Payable a/c	4410.00
Jun, 25	To Hywel – Receivables	9000.00	Jun, 27	By Balance c/d	6555.00
		22125.00			22125.00
	To Balance b/d	6555.00			

Discount allowed a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 24	To Claire – Receivable	375.00	Jun, 27	By Profit and loss a/c	375.00

Discount received a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 27	To Profit & loss a/c	930.00	Jun, 25	By Georgina – Payable a/c	840.00
			Jun, 27	By Andrew – Payable a/c	90.00
		930.00			930.00

Claire – receivable a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 2	To Sales a/c	8500.00	Jun, 22	By Sales return a/c	1000.00
			Jun, 24	By Cash a/c	7125.00
			Jun, 24	By Discount allowed a/c	375.00
		8500.00			8500.00

Hywel – receivable a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 14	To Sales a/c	9000.00	Jun, 25	By Cash a/c	9000.00

Mandy – receivables a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 24	To Sales a/c	5000.00	Jun, 27	By Balance c/d	5000.00
	To Balance b/d	5000.00			

Georgina – payable a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 25	To Cash a/c	11160.00	Jun, 13	By Purchase a/c	12000.00
Jun, 25	To Discount received a/c	840.00			
		12000.00			12000.00

Andrew – payable a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 27	To Cash a/c	4410.00	Jun, 21	By Purchase a/c	4500.00
Jun, 27	To Discount received a/c	90.00			
		4500.00			4500.00

Trial balance at 27 June

Particulars	Debit	Credit
Sales a/c		28500.00
Purchase a/c	16500.00	
Cash a/c	6555.00	
Sales return a/c	1000.00	
Mandy – Receivable	5000.00	
Discount allowed a/c		930.00
Discount Received a/c	375.00	
	29430	29430

TASK 5

Capital expenditure

It refers to finances that are used by a company for the purchase, improvement or maintenance of long term assets to modify the capability or efficiency of the company. Long term assets are mostly physically fixed and non expendable assets such as property, equipment or structure that have a useful life of more than one accounting period (Flagan and Seinfeld, 2012). It is also consider of purchase of items like as land & building, plant, machinery, furniture and fixtures, business vehicles software and intangible assets like as license and patent.

Revenue expenditure

It is a cost that is showing expenses in the accounting year in which it is related. In different words, according to concept of revenue recognition the cost of expenses are matched with the revenues of particular accounting year in which expenditure took place. These expenditure are incurred day to day conduct and administration of a business and the show effect of which is completely exhausted with in the current accounting year (DeBerardinis and Chandel, 2016). These expenses also known as expenses or expired costs like as salaries paid, rent, stationary purchased, travelling expenses and wages paid on goods purchased.

Difference between Capital expenditure and revenue expenditure

Basis	Capital Expenditure	Revenue Expenditure
Spent	It is an amount that spent to acquire long term assets	It is an amount that are expensed immediately.
Term	Capital expenditure is related to long term because it is charged to expenses step by step like depreciation	It is related to short term because of it is charged to expenses in the current period.
Shown in	These are showing in Income statement and Balance sheet of the company (Arghyrou and Kontonikas, 2012).	It is only showing in Income statement of the company
Benefit	It is providing benefit for long time for improve efficiency of the company	It is only providing benefits related to accounting year
Matching concept	It is not related to particular any accounting principles	It is related to accounting principle of revenue recognition.
Capitalization	Yes	No
Size	It is including larger monetary amounts because it is showing as a capital expenditure	It is showing as classified in different expenses like as sales transactions, period costs.
Items	In capital expenditure mostly including fixed assets that are giving long time benefit	In revenue expenditure including that items are related to particular incomes (Sathyan, 2016).

CONCLUSION

As per the above report it is concluded that Financial statements are prepared according to International accounting standards that are sets out the all requirements according to the company. It should be organized, the marginal necessitate for their content and dominant concepts as going concern, the accrual basis of accounting. After the research it is getting that revenue rendition are related to short time related to particular accounting period and capital expenditure are related to long time that are improve efficiency of the company.

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