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Module: LCBB4001

Assignment title: Accounting fundamentals

Accounting fundamentals

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Task 1:**Part a:**

Cash				Accounts receivables			
	Particulars	Debit	Credit		Particulars	Debit	Credit
apr.05	Capital	300		apr.15	Motor van		150
apr.08	Loan	250		apr.20	Sales	350	
apr.28	Rent		50				
apr.30	Drawings		60				
apr.29	Loan		200				
Accounts payable				Capital			
	Particulars	Debit	Credit		Particulars	Debit	Credit
apr.07	Purchases	200		apr.05	Cash		300
Purchases				Rent			
	Particulars	Debit	Credit		Particulars	Debit	Credit
apr.07	Accounts payable		200	apr.28	Cash	50	

Motor Van				Loan			
	Particulars	Debit	Credit		Particulars	Debit	Credit
apr.15	Accounts receivables	150		apr.08	Cash		250
				apr.29	Cash	200	
	Particulars	Debit	Credit		Particulars	Debit	Credit
apr.30	Cash		60	apr.20	Accounts receivables		350

Journal entries:

	Particulars	Debit	Credit
apr.05	Cash	300,00	
	Capital		300,00
apr.07	Purchases	200,00	
	Accounts payable		200,00
apr.08	Cash	250,00	
	Loan		250,00
apr.15	Motor van	150,00	
	Cash		150,00
apr.20	Accounts receivables	350,00	
	Sales		350,00
apr.28	Rent expense	50,00	
	Cash		50,00
apr.29	Loan	200,00	
	Cash		200,00
apr.30	Rent expense	60,00	
	Cash		60,00

Part b:

Particulars	Debit	Credit
Cash	240,00	
Accounts receivables	350,00	
Motor van	150,00	
Loan		50,00
Accounts payable		350,00
Capital		300,00
Drawings	60,00	
Purchases	200,00	
Sales		350,00
Rent expense	50,00	
Total	1 050,00	1 050,00

Part c:

Statement of income	
Particulars	Amount
Sales	350,00
Less: purchases	200,00
Gross profit	150,00
Less: expenses:	
Rent expense	<u>50,00</u>
Net profit	100,00

Statement of financial position	
Particulars	Amount
<u>Assets:</u>	
Cash	240,00
Accounts receivables	350,00
Motor van	150,00
Total Assets	740,00
<u>Liabilities and shareholders equity:</u>	
Loan	50,00
Accounts payable	350,00
Capital less drawings	<u>340,00</u>
Total liabilities and shareholders equity	740

Task 2:**Part a:**

Cash				Purchases			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.01	Capital	5000		jan.03	Cash	1300	
jan.02	Motor van		600				
jan.03	Purchases		1300				
jan.04	Loan	1000					
jan.10	Motor expenses		200				
jan.24	Storage expenses		150				
jan.20	Sales	800					
jan.27	Loan		350				
jan.30	Drawings		175				
Motor expenses				Capital			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.10	Cash	200		jan.01	Cash		5000
Storage expenses							
	Particulars	Debit	Credit				
jan.24	Cash	150					

Motor Van				Loan			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.02	Cash	600		jan.04	Cash		1000
				jan.27	Cash	350	
Drawings				Sales			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.30	Cash		175	jan.20	Cash		800

Journal entries:				
	Particulars	Debit	Credit	
jan.01	Cash	5 000,00		
	Capital		5 000,00	
jan.02	Motor van	600,00		
	Cash		600,00	
jan.03	Purchases	1 300,00		
	Accounts payable		1 300,00	
jan.04	Cash	1 000,00		
	Loan		1 000,00	
jan.10	Motor expense	200,00		
	Cash		200,00	
jan.13	Accounts receivables	300,00		
	Sales		300,00	
jan.20	Accounts receivables	500,00		
	Sales		500,00	
jan.24	Storage expense	150,00		
	Cash		150,00	
jan.27	Loan	350,00		
	Cash		350,00	
jan.30	Drawings	175,00		
	Cash		175,00	

Part b:

Particulars	Debit	Credit
Cash	4 025,00	
Motor van	600,00	
Drawings	175,00	
Loan		650,00
Capital		5 000,00
Purchases	1 300,00	
Sales		800,00
Motor expenses	200,00	
Storage expenses	<u>150,00</u>	
Total	6 450,00	6 450,00

Part c:

Statement of income	
Particulars	Amount
Sales	800,00
Less: cost of goods sold	500,00
Gross profit	300,00
Less: expenses:	
Motor expenses	200,00
Storage expenses	<u>150,00</u>
Net profit	-50,00

Statement of financial position	
Particulars	Amount
<u>Assets:</u>	
Cash	4 025,00
Inventory	800,00
Motor van	600,00
Total Assets	5 425,00

<u>Liabilities and shareholders equity:</u>	
Loan	650,00
Accounts payable	
Capital less drawings	<u>4 775,00</u>
Total liabilities and shareholders equity	5425

Task 3:**Part a:**

Cash				Purchases			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.01	Opening balance	343,00		jan.05	Accounts payable	150	
jan.07	Accounts receivables	18		jan.14	Cash	75	
jan.09	Accounts payable		21				
jan.09	Sales	64					
jan.14	Wages		14				
jan.14	Purchases		75				
jan.15	Accounts payable		12				
jan.20	Office desk		32				
jan.21	Wages		17				
jan.21	Sales	110					
jan.23	Office expenses		3				
jan.28	Accounts receivables	25					
jan.28	Sales	84					
jan.31	Sales	30					
jan.28	Wages	15					
Office desk				Office expenses			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.20	Cash	32		jan.23	Cash	3	
Wages expense				Accounts receivables			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.05	Cash	12		jan.01	Opening balance	83	
jan.14	Cash	14		jan.02	Sales	124	
jan.21	Cash	17		jan.23	Cash	25	
jan.28	Cash	15					

Accounts payable				Furniture and fixtures			
	Particulars	Debit	Credit		Particulars	Debit	Credit
jan.01	Opening balance		33	jan.01	Opening balance	198	
jan.07	Cash		18				
jan.09	Cash	21					
jan.15	Cash	12					
Drawings				Sales			
	Particulars	Debit	Credit		Particulars	Debit	Credit
				jan.02	Accounts receivables		124
				jan.11	Accounts receivables		64
				jan.24	Cash		110
				jan.28	Cash		84
				jan.31	Cash		30

Inventory			
	Particulars	Debit	Credit
jan.01	Opening balance	458	

Journal entries:				
	Particulars	Debit	Credit	
jan.02	Accounts receivables	124,00		
	Sales		124,00	
jan.05	Wages	12		
	Cash		12,00	
jan.07	Purchases	150		
	Accounts payable		150,00	
jan.09	Accounts payable	21,00		
	Cash		21,00	
jan.11	Cash	64,00		
	Sales		64,00	
jan.14	Wages	14,00		
	Cash		14,00	

jan.15	Purchases	75,00		
	Accounts payable		75,00	
jan.15	Accounts payable	12,00		
	Cash		12,00	
jan.20	Office desk	32,00		
	Cash		32,00	
jan.21	Cash	110,00		
	Sales		110,00	
jan.21	Wages	17,00		
	Cash		17	
jan.23	Office expenses	3		
	Cash		3	
jan.23	Cash	25		
	Accounts receivables		25	
jan.28	Cash	84		
	Sales		84	
jan.28	Wages	15		
	Cash		15	
jan.31	Cash	30		
	Sales		30	

Part b:

Particulars	Debit	Credit
Cash in hand	473,00	
Inventory	458,00	
Furniture and fixtures	198,00	
Receivables	164,00	
Office desk	32,00	
Accounts payable		150,00
Capital		1 049,00
Sales		412,00
Purchases	225,00	
Wages expenses	58,00	
Office expenses	<u>3,00</u>	
Total	1 611,00	1 611,00

Part c:

Statement of income	
Particulars	Amount
Sales	412,00
Less: cost of goods sold	309,00
Gross profit	103,00
Less: expenses:	
Wages expenses	58,00
Office expenses	3,00
Net profit	42,00

Statement of financial position	
Particulars	Amount
<u>Assets:</u>	
Cash	473,00
Inventory	374,00
Furniture and fixtures	198,00
Receivables	164,00
Office desk	32,00
Total Assets	1 241,00
<u>Liabilities and shareholders equity:</u>	
Accounts payable	150,00
Capital less drawings	1 091,00
Total liabilities and shareholder's equity	1 241,00

Task 4:

Particulars	Debit	Credit
Accounts receivables	-	
Accounts payable		4 850,00
Cash	6 505,00	
Sales		22 075,00
Purchases	<u>20 420,00</u>	
Total	26 925,00	26 925,00

Claire				Georgina			
	Particulars	Debit	Credit		Particulars	Debit	Credit
june.02	Sales	8 075		june.13	Purchases		11 160
june.22	Sales return		1 000	june.25	Cash	11 160	
june.24	Cash		<u>7 075</u>				
	Total	-			Total	-	
Jane				Andrew			
	Particulars	Debit	Credit		Particulars	Debit	Credit
june.20	Sales	<u>6 000</u>		june.21	Purchases		4 410
				june.27	Cash	<u>4 410</u>	
	Total	6 000			Total	0	

Hywel			
	Particulars	Debit	Credit
june.14	Sales	9 000	
june.25	Cash		<u>9 000</u>
	Total	-	
Mandy			
	Particulars	Debit	Credit
june.24	Purchases		<u>4 850</u>
	Total		4 850

Task 5:

Capital expenditure is the business expense which is made for the purposes of acquiring an asset with the aim of improving the capacity of that asset. Hence, this is the amount of money which is spent by the company to purchase the long term capital asset or for the purposes of improving or increasing the capacity of the existing capital asset. This amount of an expense is made in order to growth the business and also to increase the products earned by the company and then, reduce the cost of production. This is the sort of spending that takes care of the future economic benefits of the company. An example of this includes the purchase of a new machinery that could lead to an increase in the production of the revenue for the company (Accounting tools, 2019).

The revenue expenditure on the other hand, includes the expenses to be incurred on some daily basis or during the day to day business operations. Hence, these are the expenses that are incurred on some regular basis. These are incurred in the normal course of the business or are the costs that are incurred in the normal course of the business operations and hence, are recognised immediately. The examples include stationery expense, electricity expense etc. these are the expenses that are charged as against the income of the current year or the current period.

The following are the differences between the two:

1. The term of the capital expenditure is long whereas the term of revenue expenditure is short. The revenue expense are exhausted within the year whereas, the capital expense gives the benefits for oms future years.
2. In respect of value, the capital expenditure sees that an asset is procured or the value of the existing asset is improved whereas in respect of the revenue expenditure, nor the acquisition nor the value helps in the enhancement of the asset.
3. The revenue expenditure has no physical existence whereas the capital expenditure has some physical existence since it is mainly on plant, machinery etc.
4. The capital expenditure is non-recurring in nature whereas the revenue expenditure is recurring in nature.

5. The capital expenditure helps the company in progressing whereas the revenue expense helps in maintaining the business.
6. With regard to capital expenditure, the same reflects in the balance sheet, on the assets side whereas the revenue expenditure reflects in the income statement or in the trading profit and loss account.
7. The capital expenditure is added to the cost of the asset whereas the revenue expense is not capitalised.
8. The revenue goes on to reduce the income earned by the company whereas the capital expenditure does not reduce the income earned by the company.
9. The capital expenditure seeks to improve the revenue earning capacity whereas the revenue expenditure does not.
10. The capital expenditure is matched up with the capital income whereas the revenue expense is matched up with the revenue income (Economic discussion, 2019).

References:

AccountingTools. (2019). *The difference between capital expenditures and revenue expenditures* — AccountingTools. [online] Available at: <https://www.accountingtools.com/articles/the-difference-between-capital-expenditures-and-revenue-expe.html> [Accessed 23 Dec. 2019].

Economics Discussion. (2019). *Revenue Expenditure and Capital Expenditure*. [online] Available at: <http://www.economicsdiscussion.net/expenditure/revenue-expenditure-and-capital-expenditure-of-india-notes/749> [Accessed 23 Dec. 2019].