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Student number: 1907709

MODULE: LCBB4001 – ACCOUNTING FUNDAMENTALS

Lecturer: Rexon Nting

ACCOUNTING FUNDAMENTALS

January 2020

Task 1 / (a)

Journal Entries

Date	Account Name	Debit (Dr) / £	Credit (Cr) / £
Apr-05	Cash	300.00	
	Capital		300.00
Apr-07	Goods	200.00	
	Cash		200.00
Apr-08	Cash	250.00	
	Loan		250.00
Apr-15	Motor van	150.00	
	Cash		150.00
Apr-20	Cash	350.00	
	Goods		350.00
Apr-28	Rent expense	50.00	
	Cash		50.00
Apr-29	Loan	200.00	
	Cash		200.00
Apr-30	Drawings	60.00	
	Cash		60.00

Cash			
Date	Account Name	Debit	Credit
		£	£
Apr-05	Capital	300	
Apr-07	Goods		200
Apr-08	Loan	250	
Apr-15	Motor Van		150
Apr-20	Goods	350	
Apr-28	Rent		50
Apr-29	Loan		200
Apr-30	Drawings		60
Apr-30	Balance c/d		<u>240</u>
		<u>900</u>	<u>900</u>
May-01	Balance b/d	240	

Capital			
Date	Account Name	Debit	Credit
		£	£
Apr-05	Cash		300
Apr-30	Balance c/d	<u>300</u>	
		<u>300</u>	<u>300</u>
May-01	Balance b/d		300

Loan			
Date	Account Name	Debit	Credit
		£	£
Apr-08	Cash		250
Apr-29	Cash	200	
Apr-30	Balance c/d	<u>50</u>	
		<u>250</u>	<u>250</u>
May-01	Balance b/d		50

Rent			
Date	Account Name	Debit	Credit
		£	£
Apr-28	Cash	50	
Apr-30	Balance c/d		<u>50</u>
		<u>50</u>	<u>50</u>
May-01	Balance b/d	50	

Goods			
Date	Account Name	Debit	Credit
		£	£
Apr-07	Purchase cash	200	
Apr-20	Sale cash		350
Apr-30	Balance c/d	<u>150</u>	
		<u>350</u>	<u>350</u>
May-01	Balance b/d		150

Motor Van			
Date	Account Name	Debit	Credit
		£	£
Apr-15	Cash	150	
Apr-30	Balance c/d		<u>150</u>
		<u>150</u>	<u>150</u>
May-01	Balance b/d	150	

Drawings			
Date	Account Name	Debit	Credit
		£	£
Apr-30	Cash	60	
Apr-30	Balance c/d		<u>60</u>
		<u>60</u>	<u>60</u>
May-01	Balance b/d	60	

Task 1 / (b)

List of account balances at 30 April

Account Name	Debit £	Credit £
Cash	240	
Capital		300
Goods		150
Loan		50
Motor Van	150	
Rent	50	
Drawings	60	
Total	<u>500</u>	<u>500</u>

Task 1 / (c)

Statement of profit or loss for month ended 30 April

Income Statement		
	£	£
Sales		350
Less: cost of goods sold	100	
Gross profit		<u>250</u>
Less: expenses		
Rent expense	<u>50.00</u>	
Net profit		200

Statement of financial position for month ended 30 April

Statement of financial position		£
Non-current assets		
Motor Van		150
Current assets		
Cash		240
Inventory		100
Total Assets		<u>490</u>
Liabilities		
Loan		<u>50</u>
Owner's Equity		
Capital		300
Add: Profit		200
Less: Drawings		60
Total Owner's Equity		<u>440</u>
Total liabilities and owner's equity		490

Task 2 / (a)

Journal Entries

Date	Account Name	Debit (Dr) / £	Credit (Cr) / £
Jan-01	Cash	5000	
	Capital		5000
Jan-02	Motor Van	600	
	Cash		600
Jan-03	Goods purchase	1300	
	Cash		1300
Jan-04	Cash	1000	
	Loan Sergei		1000
Jan-10	Motor van expenses	200	
	Cash		200
Jan-13	Cash	300	
	Goods sold		300
Jan-20	Cash	500	
	Goods sold		500
Jan-24	Storage expenses	150	
	Cash		150
Jan-27	Loan Sergei	350	
	Cash		350
Jan-30	Drawings	175	
	Cash		175

Dr			Cash			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-01	Capital	5000	Jan-02	Motor Van	600			
Jan-04	Loan Sergei	1000	Jan-03	Goods purchase	1300			
Jan-13	Goods sold	300	Jan-10	Motor van expenses	200			
Jan-20	Goods sold	500	Jan-24	Storage expenses	150			
			Jan-27	Loan Sergei	350			
			Jan-30	Drawings	175			
			Jan-31	Balance c/d	4025			
		<u>6800</u>						<u>6800</u>
Feb-01	Balance b/d	4025						
Dr			Capital			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-31	Balance c/d	5000	Jan-01	Cash	5000			
		<u>5000</u>						<u>5000</u>
			Feb-01	Balance b/d	5000			
Dr			Motor van			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-02	Cash	600	Jan-31	Balance c/d	600			
		<u>600</u>						<u>600</u>
Feb-01	Balance b/d	600						
Dr			Goods			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-03	Cash	1300	Jan-13	Cash	300			
			Jan-20	Cash	500			
			Jan-31	Balance c/d	500			
		<u>1300</u>						<u>1300</u>
Feb-01	Balance b/d	500						
Dr			Loan Sergei			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-27	Cash	350	Jan-04	Cash	1000			
Jan-31	Balance c/d	650						
		<u>1000</u>						<u>1000</u>
			Feb-01	Balance b/d	650			
Dr			Motor van expenses			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-10	Cash	200	Jan-31	Balance c/d	200			
		<u>200</u>						<u>200</u>
Feb-01	Balance b/d	200						
Dr			Storage expenses			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-24	Cash	150	Jan-31	Balance c/d	150			
		<u>150</u>						<u>150</u>
Feb-01	Balance b/d	150						
Dr			Drawings			Cr		
Date	Account Name	£	Date	Account Name	£			
Jan-30	Cash	175	Jan-31	Balance c/d	175			
		<u>175</u>						<u>175</u>
Feb-01	Balance b/d	175						

Task 2 / (b)

Trial Balance as at 31 January

Account Name	Debit	Credit
	£	£
Cash	4025	
Capital		5000
Motor van	600	
Goods	500	
Loan Sergei		650
Motor Van expenses	200	
Storage expenses	150	
Drawings	175	
Total	<u>5650</u>	<u>5650</u>

Task 2 / (c)

Statement of profit or loss for month ended 31 January

Income Statement		
	£	£
Sales		800
Less: cost of goods sold	500	
Gross profit		<u>300</u>
Less: expenses		
Motor van expense	200	
Storage expense	150	
Net profit (loss)		<u>(50)</u>

Statement of financial position for month ended 31 January

Statement of financial position	
	£
Non-current assets	
Motor Van	600
Current assets	
Cash	4025
Inventory	800
Total Assets	<u>5425</u>
Liabilities	
Loan	<u>650</u>
Owner's Equity	
Capital	5000
Add: Profit	(50)
Less: Drawings	175
Total Owner's Equity	<u>4775</u>
Total liabilities and owner's equity	<u>5425</u>

Task 3 / (a)

Journal Entries

Date	Account name	Debit (Dr) / £	Credit (Cr) / £
Jan-02	Accounts receivables - Harvey	124	
	Sales		124
Jan-05	Wages	12	
	Cash		12
Jan-05	Purchases	150	
	Accounts payable Rich		150
Jan-07	Cash	18	
	Accounts receivables Smith		18
Jan-09	Accounts payable - Max	21	
	Cash		21
Jan-11	Cash	64	
	Sales		64
Jan-14	Wages	14	
	Cash		14
Jan-14	Purchases	75	
	Cash		75
Jan-15	Accounts payable - Rich	162	
	Cash		162
Jan-20	Furniture and fittings – office desk	32	
	Cash		32
Jan-21	Wages	17	
	Cash		17
Jan-21	Cash	110	
	Sales		110
Jan-23	Office expenses	3	
	Cash		3
Jan-23	Cash	25	
	Accounts receivables - Harvey		25
Jan-28	Cash	84	
	Sales		84
Jan-28	Wages	15	
	Cash		15
Jan-31	Cash	30	
	Sales		30

<i>Dr</i>			<i>Cash</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-01	Opening balance	343		Jan-05	Wage expense	12					
Jan-07	Accounts receivables Smith	18		Jan-09	Accounts payable Max	21					
Jan-11	Sales	64		Jan-14	Wage expense	14					
Jan-20	Sales	110		Jan-14	Purchase	75					
Jan-23	Accounts receivables Harvey	25		Jan-15	Accounts payable Rich	162					
Jan-28	Sales	84		Jan-20	Furniture and fittings	32					
Jan-31	Sales	30		Jan-21	Wage expense	17					
				Jan-23	Office expenses	3					
				Jan-28	Wage expense	15					
				Jan-31	Balance c/d	<u>323</u>					
		<u>674</u>									<u>674</u>
Feb-01	Balance b/d	323									
<i>Dr</i>			<i>Capital</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-31	Balance c/d	<u>1049</u>		Jan-01	Cash	<u>1049</u>					
		<u>1049</u>				<u>1049</u>					
				Feb-01	Balance b/d	1049					
<i>Dr</i>			<i>Furniture and fittings</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-01	Opening balance	198		Jan-31	Balance c/d	<u>230</u>					
Jan-20	Cash	32				<u>230</u>					
		<u>230</u>				<u>230</u>					
Feb-01	Balance b/d	230									
<i>Dr</i>			<i>Accounts receivable - Harvey</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-01	Opening balance	39		Jan-23	Cash	25					
Jan-02	Sales	124		Jan-31	Balance c/d	<u>138</u>					
		<u>163</u>				<u>163</u>					
Feb-01	Balance b/d	138									
<i>Dr</i>			<i>Accounts receivable - Smith</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-01	Opening balance	18		Jan-07	Cash	<u>18</u>					
		<u>18</u>				<u>18</u>					
<i>Dr</i>			<i>Accounts receivable - Moon</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-01	Opening balance	26		Jan-31	Balance c/d	<u>26</u>					
		<u>26</u>				<u>26</u>					
Feb-01	Balance b/d	26									
<i>Dr</i>			<i>Accounts payable - Rich</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-15	Cash	162		Jan-01	Opening balance	12					
		<u>162</u>		Jan-05	Purchase	150					
		<u>162</u>				<u>162</u>					
<i>Dr</i>			<i>Accounts payable - Max</i>						<i>Cr</i>		
Date	Account Name	£		Date	Account Name	£					
Jan-09	Cash	21		Jan-01	Opening balance	21					
		21				21					

Dr			Sales	Cr		
Date	Account Name	£		Date	Account Name	£
Jan-31	Balance c/d	412		Jan-02	Accounts receivable Harvey	124
				Jan-11	Cash	64
				Jan-21	Cash	110
				Jan-28	Cash	84
				Jan-31	Cash	30
			<u>412</u>			<u>412</u>
				Feb-01	Balance b/d	412
Dr			Wages	Cr		
Date	Account Name	£		Date	Account Name	£
Jan-05	Cash	12		Jan-31	Balance c/d	58
Jan-14	Cash	14				
Jan-21	Cash	17				
Jan-28	Cash	15				
			<u>58</u>			<u>58</u>
Feb-01	Balance b/d	<u>58</u>				
Dr			Purchases	Cr		
Date	Account Name	£		Date	Account Name	£
Jan-5	Accounts payable Rich	150		Jan-31	Balance c/d	225
Jan-14	Cash	75				
			<u>225</u>			<u>225</u>
Feb-01	Balance b/d	225				
Dr			Office expense	Cr		
Date	Account Name	£		Date	Account Name	£
Jan-20	Cash	3		Jan-31	Balance c/d	3
			<u>3</u>			<u>3</u>
Feb-01	Balance b/d	3				

Task 3 / (b)

Trial Balance as at 31 January

Account name	Debit	Credit
	£	£
Cash in hand	323	
Inventory	458	
Furniture and fixtures	230	
Accounts Receivables	164	
Capital		1049
Sales		412
Purchases	225	
Wages expenses	58	
Office expenses	3	
Total	<u>1461</u>	<u>1461</u>

Task 3 / (c)

Statement of profit or loss for month ended 31 January

Statement of income

Particulars	Amount
Sales	412.00
Less: cost of goods sold	<u>309.00</u>
Gross profit	103.00
Less: expenses:	
Wages expenses	58.00
Office expenses	<u>3.00</u>
Net profit	42.00

Statement of financial position for month
ended 31 January

Statement of financial position	
	£
<u>Assets:</u>	
Cash	323
Inventory	374
Furniture and fixtures	230
Receivables	164
Total Assets	<u>1091</u>
<u>Liabilities and shareholders' equity:</u>	
Owner's capital	1049
Add: Profit	42
Total liabilities and shareholders' equity	<u>1091</u>

Task 4 / (a)

Ledger Accounts cash						
Date	Account Name		Debit	Credit	Balance	
20-Jun	Sales revenue		6,000		£ 6,000.00	
24-Jun	Trade receivable- Claire		7,125		£13,125.00	
25-Jun	Trade receivable- Hywel		8,550		£21,675.00	
25-Jun	Trade payables- Georgina			11,160	£10,515.00	
27-Jun	Trade payables- Andrew			4,410	£ 6,105.00	Dr

sales revenue						
2-Jun	Trade receivable-Claire			8,500	£ 8,500.00	
13-Jun	Trade receivable- Hywel			8,550	£17,050.00	
20-Jun	Cash			6,000	£23,050.00	
24-Jun	Trade receivable- Mandy			5,000	£28,050.00	Cr

Purchase						
13-Jun	Trade payable- Georgina		12,000		£12,000.00	
21-Jun	Trade payable- Andrew		4,500		£16,500.00	Cr

Trade receivable- Claire						
2-Jun	Sales revenue		8,500		£ 8,500.00	
22-Jun	Sales returns			1,000	£ 7,500.00	
24-Jun	Cash			7,125	£ 375.00	
24-Jun	Sales discount			375	£ -	Dr

Trade receivable- Hywel						
14-Jun	Sales revenue		8,550		£ 8,550.00	
24-Jun	Cash			8,550	£ -	Dr

Trade payable- Georgina						
21-Jun	Purchase				£12,000.00	
25-Jun	Cash		11,160		£ 840.00	
25-Jun	Purchase discount		840		£ -	Cr

Trade payable- Andrew						
21-Jun	Purchase			£ 4,500.00	£ 4,500.00	
27-Jun	Cash		4,410		£ 90.00	
27-Jun	Purchase discount		90		£ -	Cr

Sales return						
22-Jun	Trade receivable- Claire		£ 1,000.00		£ 1,000.00	
	Cash			£ 18.00	£ 982.00	Dr

Trade receivable- Mandy						
24-Jun	Sales revenue		£ 5,000.00		£ 5,000.00	
	sales					
	Sales discount					
24-Jun	Trade receivable- Claire		£ 375.00		£ 375.00	Dr

Purchase discount						
25-Jun	Trade payable- Georgina			840	£ 840.00	
27-Jun	Trade payable- Andrew			90	£ 930.00	Cr

Task 4 (b)

Ricardo			
Trial balance			
1	Cash	£ 6,105.00	
2	Sales revenue		£ 28,050.00
3	Trade receivable- Claire	-	
4	Purchase	£ 16,500.00	
5	Trade receivable- Hywel	-	
6	Trade payable- Georgina		-
7	Trade payable- Andrew		-
8	Sales return	£ 1,000.00	
9	Trade receivable- Mandy	£ 5,000.00	
10	Sales discount	£ 375.00	
11	Purchase discount		£ 930.00
		£ 28,980.00	£ 28,980.00

Task 5:

The capital expenditures are, according to Horngren et al. (2015), “The amount spent by organisation is to acquire or improve a long-term asset such as equipment or buildings is called capital expenditure”. These are the cost that are relied upon to be brought about on the beneficial resources of the organization and are as a rule of a long haul in nature though; the income use is the one which is associated with a particular income exchange or a working period. The expense includes the cost of goods sold or the repairs and the maintenance expenses. Hence, the difference between the above stated 2 expenses are as follows:

- With regard to timing of these expenses, the capital expenditures are charged as an expense over a longer period of time through the charging of depreciation expenses whereas the revenue expenditure is the one which is charged as an expense in the current period of after a short period of time.
- With regard to consumption, the capital expenditure is assumed to have been consumed over the period of the useful life of the fixed asset.
- With regard to size, the capital expenses involve a much more amount when compared with the amount involved in the revenue expenditure. This is mainly due to the fact that the expense is classified as the capital expenditure in case the same is more than the threshold value and if not, then the same is considered to be a revenue expenditure. But then there is certain a huge amount of expense which could still be classified as the revenue expenditure as long as the same is connected with the sale of the transactions or the period costs (Accounting tools, 2019).
- The capital expenditure is incurred when the fixed assets are purchased whereas the revenue expenditure is incurred on the day to day business operations of the company and also, on the maintenance of the fixed assets.

- With regard to the earning capacity, the capital expenditure leads to an increase in the earning capacity of the company whereas the revenue expenditure does not lead to an increase in the existing capacity of the asset.
- The capital expense is incurred for the capital items and hence are recorded on the assets size of the balance sheet whereas the revenue expense is incurred for the purposes of book keeping in accounting (Accounting coach, 2019).
- The benefits of capital expense are spread over a period of years whereas the benefits of revenue expense are for a limited period of time or for an accounting year only.
- The capital expense is non-recurring in nature and is one time in nature whereas the revenue expense is recurring and is regular in nature
- The amount spent on fixed assets is considered as the capital expenditure whereas the money spent on the fixed asset after the same has been used is considered to be a revenue expenditure.
- The capital expense leads to the acquisition of the assets and the same is used for the purposes of earning profits and then the same is sold once they become unfit for the business whereas the revenue expense does not result in the acquisition of the asset and the same is considered as the daily activity (Toppr, 2019).

Revenue expenditure: The use which is caused to meet the operational exercises which are required for normal premise (Kieso, 2013). Income use are the costs that are identified with explicit income exchanges in the working circle, for example, acquisition of materials, carriage, cargo, selling and regulatory costs, cost of products sold or fixes and upkeep cost and so forth, (Parsons, 2012).

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