

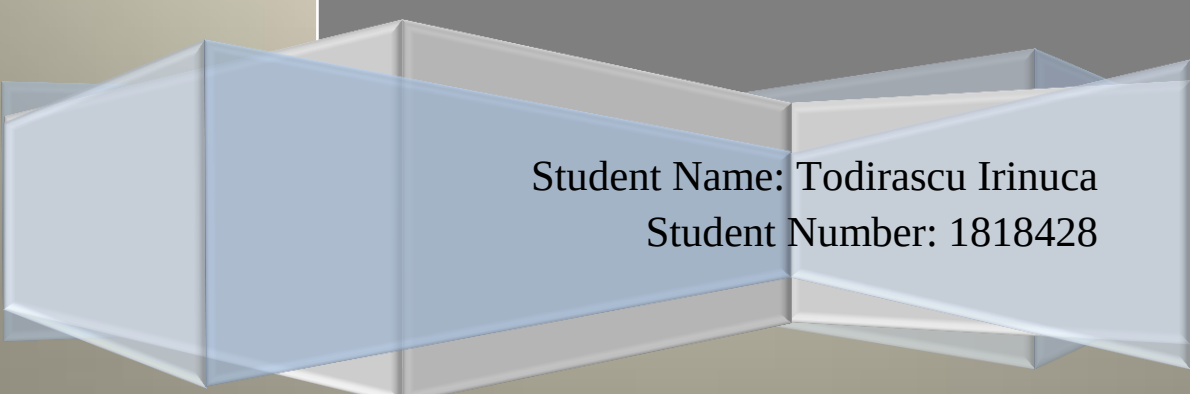
Module Code: Accounting Fundamentals

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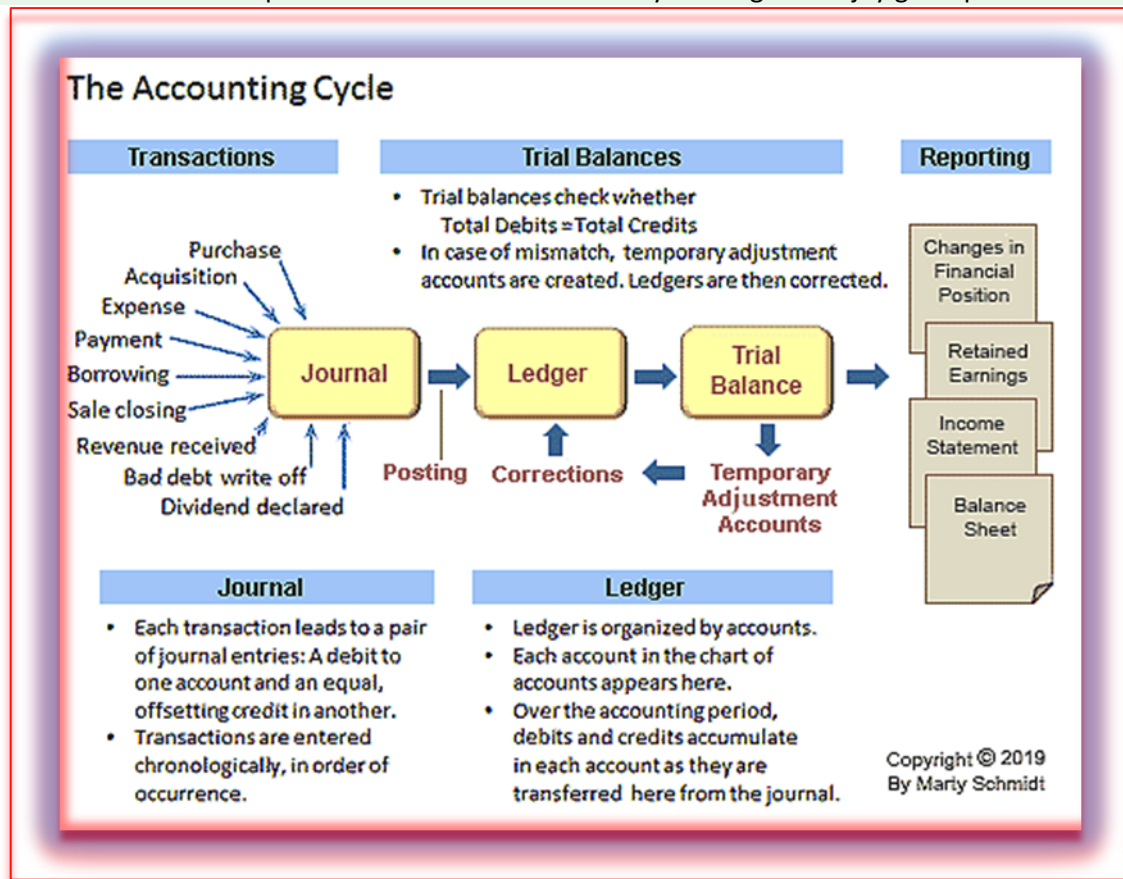
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Introduction for double entry of system

For successful run of business according to market strategy and business requirement, we need to understand concepts of accounting fundamental. Proper use of rules and regulation for decide the cost and service of product in market account, company faces various challenges for identify the need of business and account concept helps to manager deal all the activities and operation of business for smoothly running and enjoy great profit share in market.



An accounting system is the system used to manage the income, expenses, and other financial activities of a business. Because every business transaction affects at least two accounts, our accounting system is known as a double-entry system. Practice of the accounting in the double entry of system including many steps: Preparation of the journal entry, Ledger accounts and Trial balances. After those steps we can know the profit of the company or loss by having a statement..

A **double-entry bookkeeping** system is a set of rules for recording financial information in a financial accounting system in which every transaction or event changes at least two different nominal ledger accounts:

debit: an entry in the left hand column of an account to record a debt; debits increase asset and expense accounts and decrease liability, income, and equity accounts

credit: an entry in the right hand column of an account; credits increase liability, income, and equity accounts and decrease asset and expense accounts

In financial accounting or bookkeeping, "Dr" (Debit) indicates the left side of a ledger account and "Cr" (Credit) indicates the right.

The Accounting Definition

Debits and credits serve as the two balancing aspects of every financial transaction in double-entry bookkeeping. Debits are entered on the left side of a ledger, and credits are entered on the right side of a ledger. Whether a debit increases or decreases an account depends on what kind of account it is. In the accounting equation $\text{Assets} = \text{Liabilities} + \text{Equity}$, if an asset account increases (by a debit), then one must also either decrease (credit) another asset account or increase (credit) a liability or equity account.

This assignment includes all fundamental accounting concepts which every business required in their initial phase. In this report we explain the proper use of accounting principles, rules and regulation for success of company (Gordon, 2016). It's basic requirement of company to understand to manage and maintain all financial data and information. Cost accounting techniques are very useful to ascertainment of cost as well as costing operations. Nature, purpose and method of cost accounting also covered in this report for analyze the business operation of company.

Task 1 – Solution
(1A) Journal Entry and Ledger Balances of Maxim Ltd

Journal Book of Maxim Ltd.					
Date	Particulars		L.F.	Amt. Dr. (£)	Amt. Cr. (£)
05-Apr	By Cash A/c		Dr.	300.00	
		to Capital A/c			300.00
	(Introduced cash into the business of £300)				
07-Apr	By Purchased A/c		Dr.	200.00	
		to Cash A/c			200.00
	(Purchased goods for £200)				
08-Apr	By Cash A/c		Dr.	250.00	
		to Loan Tatiana A/c			250.00
	(Received loan from Tatiana of £250 repayable within 12 months)				
15-Apr	By Motor Van A/c		Dr.	150.00	
		to Cash A/c			150.00
	(Purchased a motor van for £150)				
20-Apr	By Cash A/c		Dr.	350.00	
		to Sales A/c			350.00
	(Sold goods for £350)				
28-Apr	By Rent A/c		Dr.	50.00	
		to Cash A/c			50.00
	(Paid rent of £50)				
29-Apr	By Loan Tatiana A/c		Dr.	200.00	
		to Cash A/c			200.00
	(Repaid part of the loan £200)				
30-Apr	By Drawings A/c		Dr.	60.00	
		to Cash A/c			60.00
	(Drew cash from the business £60)				
30-Apr	By Closing Stock A/c		Dr.	100.00	
		to Trading A/c			100.00
	(Maxim had £100 goods in hand at the end of month)				
(Carried Forward) Balance C/F				1,660.00	1,660.00

L.F. ledger foglio

Ledger Balances of Maxim Ltd

DR		Maxim Ltd Cash A/c				CR	
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
5/4	Capital A/c		300				
				7/4	Purchased A/c		200
8/4	Loan Tatiana A/c		250				
				15/4	Motor Van A/c		150
20/4	Sales A/c		350				
				28/4	Rent A/c		50
				29/4	Loan Tatiana A/c		200
				30/4	Drawings		60
				30/4	Balance c/d		240
30/4	Total		900	30/4	Total		900
1/5	Balance b/d		240				

DR	Maxim Ltd Capital A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				5/4	Cash A/c		300
30/4	Balance c/d		300				
30/4	Total		300	30/4	Total		300
				1/5	Balance b/d		300

DR	Maxim Ltd Purchases A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
7/4	Cash A/c		200				
				30/4	Balance c/d		200
30/4	Total		200	30/4	Total		200
1/5	Balance b/d		200				

DR	Maxim Ltd Loan Tatiana A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				8/4	Cash A/c		250
29/4	Cash A/c		200				
30/4	Balance c/d		50				
30/4	Total		250	30/4	Total		250
				1/5	Balance b/d		50

DR	Maxim Ltd Motor Van A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
15/4	Cash A/c		150				
				30/4	Balance c/d		150
30/4	Total		150	30/4	Total		150
1/5	Balance b/d		150				

DR	Maxim Ltd Sales A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				20/4	Cash A/c		350
30/4	Balance c/d		350				
30/4	Total		350	30/4	Total		350
				1/5	Balance b/d		350

DR	Maxim Ltd Rent A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
28/4	Cash A/c		50				
				30/4	Balance c/d		50
30/4	Total		50	30/4	Total		50
1/5	Balance b/d		50				

DR	Maxim Ltd Drawings						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
30/4	Cash A/c		60				
				30/4	Balance c/d		60
30/4	Total		60	30/4	Total		60
1/5	Balance b/d		60				

DR	Maxim Ltd Closing Stock A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
30/4	Trading A/c		100				
				30/4	Balance c/d		100
30/4	Total		100	30/4	Total		100
1/5	Balance b/d		100				

DR	Maxim Ltd Trading A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				30/4	Closing Stock A/c		100
30/4	Balance c/d		100				
30/4	Total		100	30/4	Total		100
				1/5	Balance b/d		100

(1B) Trial Balance from the Above Ledger ended 30st April of Maxim Ltd

Trial Balance as on 30st April of Maxim Ltd				
S.No.	Heads of Accounts	L.F.	Dr. (-) (£)	Cr. (+) (£)
1	Cash A/c		240	
2	Capital A/c			300
3	Purchased A/c		200	
4	Loan Tatiana A/c			50
5	Motor Van A/c		150	
6	Sales A/c			350
7	Rent A/c		50	
8	Drawings A/c		60	
9	Closing Stock A/c		100	
10	Trading A/c			100
Total			700	700
			(800)	(800)

L.F. ledger foglio

(1C) Statement of Profit or Loss for the month ended 30 April of Maxim Ltd

P&L Statement of Profit or Loss ended 30st April of Maxim Ltd			
Particulars	Amt. Dr. (£)	Particulars	Amt. Cr. (£)
To Opening Inventory	0.00	By Sales	350.00
To Purchases	200.00	By Closing Stock	100.00
To Gross Profit	250.00		
Total	450.00	Total	450.00
To Rent	50.00	By Gross Profit	250.00
To Net Profit	200.00	By Net Loss	0.00
Total	250.00	Total	250.00

Balance Sheet as on 30st April of Maxim Ltd (Statement of Financial Position)			
Liabilities	Amt. (£)	Assets	Amt. (£)
Capital & Reverses	300.00	Non-current assets	
Add - Net Profit	200.00	Motor vehicles	150.00
Less - Drawings	-60.00		
		Current Assets	
		Cash in hand	240.00
Long Term Liabilities		Closing Stock	100.00
Loans	50.00		
Total	490.00	Total	490.00

Task 2 – Solution**(2A) Journal Entry and Ledger Balances of Pendo Ltd.**

Journal Book of Pendo Ltd.					
Date	Particulars		L.F.	Amt. Dr. (£)	Amt. Cr. (£)
01-Jan	By Cash A/c		Dr.	5,000.00	
		to Capital A/c			5,000.00
	(1 Jan Pendo paid £5,000 into the business)				
02-Jan	By Motor Van A/c		Dr.	600.00	
		to Cash A/c			600.00
	(2 Jan Bought a motor van for £600)				
03-Jan	By Purchased A/c		Dr.	1,300.00	
		to Cash A/c			1,300.00
	(3 Jan Bought goods for £1,300)				
04-Jan	By Cash A/c		Dr.	1,000.00	
		to Loan Sergei A/c			1,000.00
	(4 Jan Received a loan from Sergei £1,000 repayable within 12 months)				
10-Jan	By Motor Van Exp. A/c		Dr.	200.00	
		to Cash A/c			200.00
	(10 Jan Paid expenses on the motor van of £200)				
13-Jan	By Cash A/c		Dr.	300.00	
		to Sales A/c			300.00
	(13 Jan Sold goods for £300)				
20-Jan	By Cash A/c		Dr.	500.00	
		to Sales A/c			500.00
	(20 Jan Sold goods for £500)				
24-Jan	By Storage Exp. A/c		Dr.	150.00	
		to Cash A/c			150.00
	(24 Jan Paid storage expenses £150)				
27-Jan	By Loan Sergei Repaid A/c		Dr.	350.00	
		to Cash A/c			350.00
	(27 Jan Repaid Sergei part of his loan £350)				
30-Jan	By Drawings A/c		Dr.	175.00	
		to Cash A/c			175.00
	(30 Jan Withdrew cash from the business £175)				
31-Jan	By Closing Stock A/c		Dr.	800.00	
		to Trading A/c			800.00
	(31 Jan Closing inventory was £800.)				
(Carried Forward) Balance C/F				10,375.00	10,375.00

Ledger Balances of Pendo Ltd.

DR	Pendo Ltd Cash A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Capital A/c		5000				
				2/1	Motor Van A/c		600
				3/1	Purchased A/c		1300
4/1	Loan Sergei A/c		1000				
				10/1	Motor Van Exp. A/c		200
13/1	Sales A/c		300				
20/1	Sales A/c		500				
				24/1	Storage Exp. A/c		150
				27/1	Loan Sergei Repaid A/c		350
				30/1	Drawings		175
				31/1	Balance c/d		4025
31/1	Total		6800	31/1	Total		6800
1/2	Balance b/d		4025				

DR	Pendo Ltd. Capital A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				1/1	Cash A/c		5000
31/1	Balance c/d		5000				
31/1	Total		5000	31/1	Total		5000
				1/2	Balance b/d		5000

DR	Pendo Ltd Motor Van A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
2/1	Cash A/c		600				
				31/1	Balance c/d		600
31/1	Total		600	31/1	Total		600
1/2	Balance b/d		600				

DR	Pendo Ltd. Purchases A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
3/1	Cash A/c		1300				
				31/1	Balance c/d		1300
31/1	Total		1300	31/1	Total		1300
1/2	Balance b/d		1300				

DR	Pendo Ltd Loan Sergei A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				4/1	Cash A/c		1000
27/1	Cash A/c		350				
31/1	Balance c/d		650				
31/1	Total		1000	31/1	Total		1000
				1/2	Balance b/d		650

DR	Pendo Ltd Motor Van Exp. A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
10/1	Cash A/c		200				
				31/1	Balance c/d		200
31/1	Total		200	31/1	Total		200
1/2	Balance b/d		200				

DR	Pendo Ltd Storage Exp. A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
24/1	Cash A/c		150				
				31/1	Balance c/d		150
31/1	Total		150	31/1	Total		150
1/2	Balance b/d		150				

DR	Pendo Ltd Drawings						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
30/1	Cash A/c		175				
				31/1	Balance c/d		175
31/1	Total		175	31/1	Total		175
1/2	Balance b/d		175				

DR	Pendo Ltd Closing Stock A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
31/1	Trading A/c		800				
				31/1	Balance c/d		800
31/1	Total		800	31/1	Total		800
1/2	Balance b/d		800				

DR	Pendo Ltd Trading A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				31/1	Closing Stock A/c		800
31/1	Balance c/d		800				
31/1	Total		800	31/1	Total		800
				1/2	Balance b/d		800

DR	Pendo Ltd Sales A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				13/1	Cash A/c		300
				20/1	Cash A/c		500
31/1	Balance c/d		800				
31/1	Total		800	31/1	Total		800
				1/2	Balance b/d		800

(2B) Trial Balance from the Above Ledger ended 31 January of Pendo Ltd.

Trial Balance as on 31 January of Pendo Ltd.				
S.No.	Heads of Accounts	L.F.	Dr. (-) (£)	Cr. (+) (£)
1	Cash A/c		4025	
2	Capital A/c			5000
3	Motor Van A/c		600	
4	Purchased A/c		1300	
5	Loan Sergei A/c			650
6	Motor Van Exp. A/c		200	
7	Storage Exp. A/c		150	
8	Drawings A/c		175	
9	Closing Stock A/c		800	
10	Trading A/c			800
11	Sales A/c			800
	Total		6450	6450
			(7250)	(7250)

(2C) Statement of Profit or Loss for the month ended 31 January of Pendo Ltd.

<i>P&L Statement of Profit or Loss</i> <i>as on 31 January of Pendo Ltd.</i>			
<i>Particulars</i>	<i>Amt. Dr. (£)</i>	<i>Particulars</i>	<i>Amt. Cr. (£)</i>
To Opening Inventory	0.00	By Sales	800.00
To Purchases	1,300.00	By Closing Stock	800.00
To Gross Profit	300.00		
Total	1,600.00	Total	1,600.00
To Motor Van Exp.	200.00	By Gross Profit	300.00
To Storage Exp.	150.00	By Net Loss	50.00
Total	350.00	Total	350.00

<i>Balance Sheet</i> <i>as on 31 January of Pendo Ltd.</i> <i>(Statement of Financial Position)</i>			
<u>Liabilities</u>	<u>Amt. (£)</u>	<u>Assets</u>	<u>Amt. (£)</u>
Capital & Reverses	5,000.00	Non-current assets	
Less - Net Loss	-50.00	Motor vehicles	600.00
Less - Drawings	-175.00		
		Current Assets	
		Cash	4,025.00
Long Term Liabilities		Closing Stock	800.00
Loans	650.00		
Total Liabilities	5,425.00	Total Assets	5,425.00

Task 3 – Solution

(3A) Journal Entry and Ledger Balances of Mafuta Ltd.

	Mafuta Ltd. Opening Balance Sheet		
	Particulars	Amt. Dr. (£)	Amt. Cr. (£)
<u>Assets</u>	<u>Opening Assets</u>		
	a) Fixed Assets		
	• Furniture and fittings	198	
	b) Current Assets		
	• Cash in hand	343	
	• Inventory	458	
	c) Accounts Receivable (debtors)		
	• Smith	18	
	• Harvey	39	
	• Moon	26	
	Total Assets	1082	
<u>Liabilities</u>	<u>Opening Liabilities</u>		
	a) Current Liabilities		
	Accounts Payable		
	• Rich		12
	• Max		21
	b) CAPITAL (Balancing Figure)		1049
	Total Liabilities		1082

Journal Book of Mafuta Ltd.

Date	Particulars		L.F.	Amt. Dr. (£)	Amt. Cr. (£)
02-Jan	By Harvey A/c		Dr.	124.00	
		to Sales A/c			124.00
	(2 Jan Goods sold to Harvey on credit) £124				
05-Jan	By Wages A/c		Dr.	12.00	
		to Cash A/c			12.00
	(5 Jan Paid wages) £12				
05-Jan	By Purchased A/c		Dr.	150.00	
		to Rich A/c			150.00
	(5 Jan Bought goods on credit from Rich) £150				
07-Jan	By Cash A/c		Dr.	18.00	
		to Smith A/c			18.00
	(7 Jan Smith settled his account)				
09-Jan	By Max A/c		Dr.	21.00	
		to Cash A/c			21.00
	(9 Jan Paid the amount owing to Max)				
11-Jan	By Cash A/c		Dr.	64.00	
		to Sales A/c			64.00
	(11 Jan Cash sales) £64				
14-Jan	By Wages A/c		Dr.	14.00	
		to Cash A/c			14.00
	(14 Jan Paid wages) £14				
14-Jan	By Purchased A/c		Dr.	75.00	
		to Cash A/c			75.00
	(14 Jan Bought goods for cash) £75				
15-Jan	By Rich A/c		Dr.	162.00	
		to Cash A/c			162.00
	(15 Jan Paid Rich for balance owing on his account)				
20-Jan	By Office Desk A/c		Dr.	32.00	
		to Cash A/c			32.00
	(20 Jan Bought for cash a new office desk) £32				
21-Jan	By Wages A/c		Dr.	17.00	
		to Cash A/c			17.00
	(21 Jan Paid wages) £17				
21-Jan	By Cash A/c		Dr.	110.00	
		to Sales A/c			110.00
	(21 Jan Cash sales) £110				
23-Jan	By Office Exp. A/c		Dr.	3.00	
		to Cash A/c			3.00
	(23 Jan Paid office expenses) £3				
23-Jan	By Cash A/c		Dr.	25.00	
		to Harvey A/c			25.00
	(23 Jan Harvey paid on account) £25				
28-Jan	By Cash A/c		Dr.	84.00	
		to Sales A/c			84.00
	(28 Jan Cash sales) £84				
28-Jan	By Wages A/c		Dr.	15.00	
		to Cash A/c			15.00
	(28 Jan Paid wages) £15				
31-Jan	By Cash A/c		Dr.	30.00	
		to Sales A/c			30.00
	(31 Jan Cash sales) £30				
31-Jan	By Closing Stock A/c		Dr.	374.00	
		to Trading A/c			374.00
	(31 Jan Inventory at cost was) £374				
(Carried Forward) Balance C/F				1,330.00	1,330.00

Ledger Balances of Mafuta Ltd.

DR	Mafuta Ltd Cash A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Balance b/d		343				
				5/1	Wages A/c		12
7/1	Smith A/c		18				
				9/1	Max A/c		21
11/1	Sales A/c		64				
				14/1	Wages A/c		14
				14/1	Purchased A/c		75
				15/1	Rich A/c		162
				20/1	Office Desk A/c		32
21/1	Sales A/c		110	21/1	Wages A/c		17
23/1	Harvey A/c		25	23/1	Office Exp. A/c		3
28/1	Sales A/c		84	28/1	Wages A/c		15
31/1	Sales A/c		30				
				31/1	Balance c/d		323
31/1	Total		674	31/1	Total		674
1/2	Balance b/d		323				

DR	Mafuta Ltd Rich A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				1/1	Balance b/d		12
				5/1	Purchased A/c		150
15/1	Cash A/c		162				
31/1	Total		162	31/1	Total		162

DR	Mafuta Ltd Harvey A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Balance b/d		39				
2/1	Sales A/c		124				
				23/1	Cash A/c		25
				31/1	Balance c/d		138
31/1	Total		163	31/1	Total		163
1/2	Balance b/d		138				

DR	Mafuta Ltd Smith A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Balance b/d		18				
				7/1	Cash A/c		18
31/1	Total		18	31/1	Total		18

DR	Mafuta Ltd Max A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				1/1	Balance b/d		21
9/1	Cash A/c		21				
31/1	Total		21	31/1	Total		21

DR	Mafuta Ltd Inventory Stock A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Balance b/d		458				
				31/1	Balance c/d		458
31/1	Total		458	31/1	Total		458
1/2	Balance b/d		458				

DR	Mafuta Ltd Furniture and fittings A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Balance b/d		198				
				31/1	Balance c/d		198
31/1	Total		198	31/1	Total		198
1/2	Balance b/d		198				

DR	Mafuta Ltd Moon A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
1/1	Balance b/d		26				
				31/1	Balance c/d		26
31/1	Total		26	31/1	Total		26
1/2	Balance b/d		26				

DR	Mafuta Ltd. Capital A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				1/1	Balance b/d		1049
31/1	Balance c/d		1049				
31/1	Total		1049	31/1	Total		1049
				1/2	Balance b/d		1049

DR		Mafuta Ltd Sales A/c				CR	
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				2/1	Harvey A/c		124
				11/1	Cash A/c		64
				21/1	Cash A/c		110
				28/1	Cash A/c		84
				31/1	Cash A/c		30
31/1	Balance c/d		412				
31/1	Total		412	31/1	Total		412
				1/2	Balance b/d		412

DR		Mafuta Ltd Wages A/c				CR	
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
5/1	Cash A/c		12				
14/1	Cash A/c		14				
21/1	Cash A/c		17				
28/1	Cash A/c		15				
				31/1	Balance c/d		58
31/1	Total		58	31/1	Total		58
1/2	Balance b/d		58				

DR		Mafuta Ltd. Purchases A/c				CR	
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
5/1	Rich A/c		150				
14/1	Cash A/c		75				
				31/1	Balance c/d		225
31/1	Total		225	31/1	Total		225
1/2	Balance b/d		225				

DR		Mafuta Ltd Office Desk A/c				CR	
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
20/1	Cash A/c		32				
				31/1	Balance c/d		32
31/1	Total		32	31/1	Total		32
1/2	Balance b/d		32				

DR	Mafuta Ltd Office Exp. A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
23/1	Cash A/c		3				
				31/1	Balance c/d		3
31/1	Total		3	31/1	Total		3
1/2	Balance b/d		3				

DR	Mafuta Ltd Closing Stock A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
31/1	Trading A/c		374				
				31/1	Balance c/d		374
31/1	Total		374	31/1	Total		374
1/2	Balance b/d		374				

DR	Mafuta Ltd Trading A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				31/1	Closing Stock A/c		374
31/1	Balance c/d		374				
31/1	Total		374	31/1	Total		374
				1/2	Balance b/d		374

(3B) Trial Balance from the Above Ledger ended 31 January of Mafuta Ltd.

Trial Balance as on 31 January of Mafuta Ltd.				
S.No.	Heads of Accounts	L.F.	Dr. (-) (£)	Cr. (+) (£)
1	Cash Balance A/c		323	
2	Rich A/c		~~162~~	~~162~~
3	Harvey A/c		138	
4	Smith A/c		~~18~~	~~18~~
5	Max A/c		~~21~~	~~21~~
6	Inventory Stock A/c		458	
7	Furniture and fittings A/c		198	
8	Moon A/c		26	
9	Capital A/c			1049
10	Sales A/c			412
11	Wages A/c		58	
12	Purchased A/c		225	
13	Office Desk A/c		32	
14	Office Exp. A/c		3	
15	Closing Stock		~~374~~	
16	Trading A/c			~~374~~
Total			1461	1461
			(2036)	(2036)

(3C) Statement of Profit or Loss for the month ended 31 January of Mafuta Ltd.

<i>P&L Statement of Profit or Loss ended 31 January of Mafuta Ltd.</i>			
<i>Particulars</i>	<i>Amt. Dr. (£)</i>	<i>Particulars</i>	<i>Amt. Cr. (£)</i>
To Opening Stock	458.00	By Sales	412.00
To Purchases	225.00	By Closing Stock	374.00
To Gross Profit	103.00		
Total	786.00	Total	786.00
To Office Exp.	3.00	By Gross Profit	103.00
To Wages	58.00		
To Net Profit	42.00	By Net Loss	0.00
Total	103.00	Total	103.00

<i>Balance Sheet as on 31 January of Mafuta Ltd. (Statement of Financial Position)</i>			
<u>Liabilities</u>	<u>Amt. (£)</u>	<u>Assets</u>	<u>Amt. (£)</u>
Capital & Reverses	1,049.00	Non-current assets	
Add - Net Profit	42.00	Furniture and fittings	198.00
		Office Desk	32.00
		Current Assets	
		Cash	323.00
		Inventory Stock	374.00
		Debitors	
		Harvey	138.00
		Moon	26.00
Total	1,091.00	Total	1,091.00

Task 4 – Solution**(4A) Journal Entry and Ledger Balances of Ricardo trader.**

Journal Book of Ricardo Ltd.					
Date	Particulars		L.F.	Amt. Dr. (£)	Amt. Cr. (£)
02-Jun	By Claire A/c		Dr.	8,500.00	
		to Sales A/c			8,500.00
	By Discount Allowed 5% A/c			425.00	
		to Claire A/c			425.00
	(2 June Sold goods to Claire for £8,500 on credit; offered a 5% quick settlement discount)				
13-Jun	By Purchased A/c		Dr.	12,000.00	
		to Georgina A/c			12,000.00
	By Georgina A/c			840.00	
		to Discount Received 7% A/c			840.00
	(13 June Bought goods from Georgina for £12,000 on credit; Georgina offered a 7% quick settlement discount)				
14-Jun	By Hywel A/c		Dr.	9,000.00	
		to Sales A/c			9,000.00
	By Discount Allowed 5% A/c			450.00	
		to Hywel A/c			450.00
	(14 June Sold goods to Hywel for £9,000 after a 5% trade discount)				
20-Jun	By Cash A/c		Dr.	6,000.00	
		to Sales A/c			6,000.00
	(20 June Sold goods to Jane for £6,000 cash)				
21-Jun	By Purchased A/c		Dr.	4,500.00	
		to Andrew A/c			4,500.00
	By Andrew A/c			90.00	
		to Discount Received 2% A/c			90.00
	(21 June Bought goods on credit for £4,500 from Andrew who offered a 2% quick settlement discount)				
22-Jun	By Sales Return A/c		Dr.	1,000.00	
		to Claire A/c			1,000.00
	By Claire A/c			50.00	
		to Discount Allowed 5% A/c			50.00
	(22 June Claire returned goods sold of £1,000)				
24-Jun	By Mandy A/c		Dr.	5,000.00	
		to Sales A/c			5,000.00
	By Discount Allowed 3% A/c			150.00	
		to Mandy A/c			150.00
	(24 June (i) Mandy bought goods worth £5,000 and was offered a 3% quick settlement discount)				
24-Jun	By Cash A/c		Dr.	7,125.00	
		to Claire A/c			7,125.00
	(24 June (ii) Claire took advantage of Ricardo's discount and paid the net amount due after taking the discount offered)				
25-Jun	By Cash A/c		Dr.	8,550.00	
		to Hywel A/c			8,550.00
	(25 June (i) Hywel settled the amount due in full)				
25-Jun	By Georgina A/c		Dr.	11,160.00	
		to Cash A/c			11,160.00
	(25 June(ii) Ricardo paid Georgina the amount due after deducting the discount offered)				
27-Jun	By Andrew A/c		Dr.	4,410.00	
		to Cash A/c			4,410.00
	(27 June Ricardo paid Andrew in full, after deducting the discount offered)				
(Carried Forward) Balance C/F				79,250.00	79,250.00

Ledger Balances of Ricardo

DR	Ricardo Ltd Claire A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
2/6	Sales A/c		8500	2/6	Discount Allowed (5%) A/c		425
22/6	Discount Allowed (5%) A/c		50	22/6	Sales Return A/c		1000
				24/6	Cash A/c		7125
27/6	Total		8550	27/6	Total		8550

DR	Ricardo Ltd Purchases A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
13/6	Georgina A/c		12000				
21/6	Andrew A/c		4500				
				27/6	Balance c/d		16500
27/6	Total		16500	27/6	Total		16500
27/6	Balance b/d		16500				

DR	Ricardo Ltd Sales Return A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
22/6	Claire A/c		1000				
				27/6	Balance c/d		1000
27/6	Total		1000	27/6	Total		1000
27/6	Balance b/d		1000				

DR	Ricardo Ltd Sales A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				2/6	Claire A/c		8500
				14/6	Hywel A/c		9000
				20/6	Cash A/c		6000
				24/6	Mandy A/c		5000
27/6	Balance c/d		28500				
27/6	Total		28500	27/6	Total		28500
				27/6	Balance b/d		28500

DR	Ricardo Ltd Georgina A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
13/6	to Discount Received (7%) A/c		840	13/6	Purchases A/c		12000
25/6	Cash A/c		11160				
27/6	Total		12000	27/6	Total		12000

DR	Ricardo Ltd Hywel A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
14/6	Sales A/c		9000				
				14/6	Discount Allowed (5%) A/c		450
				25/6	Cash A/c		8550
27/6	Total		9000	27/6	Total		9000

DR	Ricardo Ltd Mandy A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
24/6	Sales A/c		5000	24/6	Discount Allowed (3%)A/c		150
				27/6	Balance c/d		4850
27/6	Total		5000	27/6	Total		5000
27/6	Balance b/d		4850				

DR	Ricardo Ltd Cash A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
20/6	Sales A/c		6000				
24/6	Claire A/c		7125				
25/6	Hywel A/c		8550	25/6	Georgina A/c		11160
				27/6	Andrew A/c		4410
				27/6	Balance c/d		6105
27/6	Total		21675	27/6	Total		21675
27/6	Balance b/d		6105				

DR	Ricardo Ltd Andrew						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
21/6	Discount Received (2%) A/c		90	21/6	Purchased A/c		4500
27/6	Cash A/c		4410				
27/6	Total		4500	27/6	Total		4500

DR	Ricardo Ltd Discount Received A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
				13/6	Georgina (7%) A/c		840
				21/6	Andrew (2%) A/c		90
27/6	Balance c/d		930				
27/6	Total		930	27/6	Total		930
				27/6	Balance b/d		930

DR	Ricardo Ltd Discount Allowed A/c						CR
Date	Particulars	JF	Amt.(£)	Date	Particulars	JF	Amt.(£)
2/6	Claire (5%) A/c		425				
14/6	Hywel (5%) A/c		450				
				22/6	Claire (5%) A/c		50
24/6	Mandy (3%) A/c		150				
				27/6	Balance c/d		975
27/6	Total		1025	27/6	Total		1025
27/6	Balance b/d		975	27/6	Balance b/d		0

(4B) Trial Balance from the Above Ledger ended 27 June of Ricardo

Trial Balance as on 27 June of Ricardo				
S.No.	Heads of Accounts	L.F.	Dr. (-) (£)	Cr. (+) (£)
1	Claire A/c		0	0
2	Sales A/c			28500
3	Sales Return A/c		1000	
4	Purchases A/c		16500	
5	Georgina A/c		0	0
6	Hywel A/c		0	0
7	Cash A/c		6105	
8	Andrew A/c		0	0
9	Mandy A/c		4850	
10	Discount Received A/c			930
11	Discount Allowed A/c		975	
Total			29430	29430

(4C) Statement of Profit or Loss for the month ended 27 June of Ricardo

<i>P&L Statement of Profit or Loss ended 31 January of Mafuta Ltd.</i>			
<i>Particulars</i>	<i>Amt. Dr. (£)</i>	<i>Particulars</i>	<i>Amt. Cr. (£)</i>
To Opening Stock	0.00	By Sales	27,500.00
To Purchases	16,500.00	By Closing Stock	0.00
To Gross Profit	11,000.00		
Total	27,500.00	Total	27,500.00
Discount Allowed	975.00	By Gross Profit	11,000.00
Mandy	4,850.00		
To Net Profit	5,175.00	By Net Loss	0.00
Total	11,000.00	Total	11,000.00

Task 5.

Expenses are those costs which are incurred to earn revenues whereas expenditures are those costs which are incurred to purchase or increase the value of the fixed assets of the organization. Expenses are those which are incurred for a short-term basis and expenditures are incurred for a long-term period.

❖ **Definition of Capital Expenditure and Revenue Expenditure**

A Capital expenditure or capital expense (capex or CAPEX) is an amount spent to acquire or significantly improve the capacity or capabilities of a long-term asset such as equipment or buildings. Usually the cost is recorded in a Balance Sheet account that is reported under the heading of Property, Plant and Equipment. Capital expenditures are for fixed assets, which are expected to be productive assets for a long period of time.

The asset's cost (except for the cost of land) will then be allocated to depreciation expense over the useful life of the asset. The amount of each period's depreciation expense is also credited to the contra-asset account Accumulated Depreciation.

Examples of Capital Expenditures include the amounts spent to acquire or significantly improve assets such as land, buildings, equipment, furnishings, fixtures, vehicles. The total amount spent on capital expenditures during an accounting year is reported under investment activities on the statement of cash flows.

Capital expenditures contrast with operating expenses (opex), which are ongoing expenses that are inherent to the operation of the asset. Opex includes items like electricity or cleaning. The difference between opex and capex may not be immediately obvious for some expenses; for instance, repaving the parking lot may be thought of inherent to the operation of a shopping mall. The dividing line for items like these is that the expense is considered capex if the financial benefit of the expenditure extends beyond the current fiscal year.

A Revenue expenditure is an amount that is spent for an expense that will be matched immediately with the revenues reported on the current period's Income Statement.

Examples of revenue expenditures include the amounts spent on repairs and maintenance, selling, general and administrative expenses.

$$\text{Capital expenditure} + \text{Revenue expenditure} = \text{Total expenditure}$$

❖ **The difference between Capital expenditure and Revenue expenditure**

is the *Time* because Capital expenditure is charged to expense gradually via depreciation, and over long time and Revenue expenditure are charged in the current period, and the *Consumption* a capital expenditure is assumed to be consumed in the useful life of the related fixed asset and Revenue expenditure is consumed in a short time.

Book of original entry

A journal entry is used to record the debit and credit sides of a transaction in the accounting records. It is used in a double-entry accounting system, where both a debit and a credit are needed to complete each entry.

The Journal is a book where all the financial transactions are recorded for the first time. When the transactions are entered in the journal, then they are posted into individual accounts known as Ledger. The Journal is a subsidiary book, whereas Ledger is a principal book.

Journal called "book of original entry" is the first form of transaction. In the journal, the accountant debits and credits the right account and record the transaction in the books of accounts for the very first time using the double entry system. It is important because if it is done wrong, ledger can't be done right. The format include date, particulars, ledger folio, debit amount Dr (£) and credit amount Cr (£)

In bookkeeping, Balance B/F and Balance C/F are a couple of accounting jargons used while journalizing. They play a role during totalling and carrying forward of balances from one page of the journal book to the next one.

Balance B/F – Balance Brought Forward | Balance C/F – Balance Carried Forward

At the end of a journal page the debit and the credit balance is totalled and carried forward to the next page, this balance pushed forward from the current page to the next page is termed as "Balance C/F" or "Total C/F" (Carried Forward).

In ledger called "book of second entry", the accountant creates a "T" format and then puts the journal in the right order, where we use date, particulars and amount in each side. We can say that ledger is an extension of a journal. But since we create the trial balance, income statement, and balance sheet from looking at the ledger, the ledger is also so very important. Balancing is mandatory in ledger..

The Finance System is a double-entry accounting system. This means that entries of equal and opposite amounts are made to the Finance System for each transaction. As a matter of accounting convention, these equal and opposite entries are referred to as a debit (Dr) entry and a credit (Cr) entry.

Balance B/F & Balance C/F is used in journal books whereas Balance B/D & Balance C/D is used with ledger accounts.

Hence,

- b/f is followed by c/f

b / f: means anticipated or carried forward from a previous page or column. B / F is the quantity in the upper part of a column equal to the quantity in the lower part of the same column on the previous page. The advance balance for a new accounting period is the balance reported for the previous accounting period.

c / f: carried forward. This does not necessarily mean that the balance is a debt. It only means the balance of the accounting period to be concluded. The value of debit or credit depends on the side of the account where the balance is found. "Balance c / f" is usually used as a balancing line to calculate the closing balance figure.

- b / d is followed by c / d

b / d: means dejected. Normally "b / d" is "Balance b / d" at the top of a T-account. This shows the reduced amount of a previous period (the balance reported from a previous year), or the initial balance of an account.

"Balance b / d" can also show the final balance as a line at the bottom of the account.

C / d: means brought down. that is, the balance of an account at the end of an accounting period, which will be carried forward to become the balance at the beginning of a new period

A thorough accounting system and a well-maintained general ledger allow you to properly assess the financial health of your company.

P&L statement

A P&L usually has five main components: revenue (sales/turnover), cost of goods sold (COGS), gross profit (revenue minus COGS), expenses, net profit (gross profit minus expenses)

Formula: $\text{Sales} - \text{COGS} = \text{gross profit} - \text{expenses} = \text{net profit}$

The net profit will show whether your business has earned or lost money. It is useful to analyse four key benchmarks or performance indicators (KPIs).

Gross profit is an indicator of efficiency. The higher the gross profit margin the better, as your business keeps more from each dollar of sales. If your gross profit margin decreases over time you will need to determine the reason and take action to address the decline.

The net profit margin is an indicator of how much profit you make (before tax) from every dollar you spend. A fall in net profit margin generally means you are paying more in expenses, which needs to be monitored. More profitable businesses generally spend less of their income on expenses.

Shell of a P&L statement:

- Net Sales
- Gross Margin - Selling and Administrative Expenses = Net Operating Profit
- Net Operating Profit + (Other Income - Other Expenses) = Net Profit Before Income Taxes
- Net Profit Before Taxes - Income Taxes = Net Profit (or Net Loss)

And

Net sales = gross sales – (customer discounts, returns, and allowances)

Gross profit = net sales – cost of goods sold (COGS)

Operating profit (EBIT) = gross profit – total operating expenses

Net profit = operating profit – taxes – interest

Net profit = net sales – cost of goods sold – operating expense – taxes – interest

Balance sheet

A balance sheet is a snapshot of what a business owns (assets) and owes (liabilities) at a specific point in time. A balance sheet is usually completed at the end of a month or financial year and is an indicator of the financial health of your business.

A balance sheet is in three sections:

assets – including cash, stock, equipment, money owed to business, goodwill

liabilities – including loans, credit card debts, tax liabilities, money owed to suppliers

owner's equity – the amount left after liabilities are deducted from assets

Assets and liabilities are divided into current (short-term) and non-current (long-term) as shown below:

Current assets – Items of value that are expected to be consumed or converted into cash within the next 12 months, such as stock that turns over regularly and payments from debtors.

Non-current assets – Items not expected to be consumed or converted into cash within the next 12 months, such as equipment, vehicles, buildings, and goodwill.

Current liabilities – Items expected to be paid within the next 12 months, such as credit card debts, tax owed, short-term loans, and stock purchases.

Non-current liabilities – Items not expected to be settled within the next 12 months, such as mortgages on buildings and long-term loans.

Financial health indicators

P&L and balance sheet can be analysed in more detail to determine key performance indicators (KPIs) as outlined below:

Analysis	KPI	Formula
What level of sales do I need to cover all my expenses?	Breakeven point (BEP)	$\text{COGS} + \text{expenses}$
Is my business operating profitably?	Gross profit margin Net profit margin	$\text{Gross profit} \div \text{revenue} \times 100$ $\text{Net profit} \div \text{revenue} \times 100$
Does my business have too much debt?	Debt to income ratio	$\text{Total liabilities} \div \text{sales} \times 100$
Can my business survive an economic downturn?	Debt to equity ratio	$\text{Total liabilities} \div \text{equity} \times 100$
Can my business afford to pay its bills?	Liquidity ratio	$\text{Current liabilities} \div \text{current assets} \times 100$
How much working capital should I retain in the business?	Working capital ratio	$\text{Current assets} \div \text{current liabilities}$
Is my business earning a worthwhile return?	Return on investment (ROI)	$\text{Net profit} \div \text{equity} \times 100$
How quickly is my stock turning over?	Inventory turnover	$\text{Closing stock} \div \text{COGS} \times 365$
How many days do customers take to pay me?	Accounts receivable	$\text{Accounts receivable} \div \text{net sales} \times 365$
How quickly am I paying invoices?	Accounts payable turnover	$\text{Accounts payable} \div \text{purchases} \times 365$
Are my expenses under control?	Expenses ratio	$\text{COGS} + \text{total expenses} - (\text{depreciation and interest}) \div \text{revenue} \times 100$

Concept of Cost Accounting

The Concept of Cost Accounting it's a method of accounting where include all cost in perform any project, product and process are analyze. In take better decision, this analysis helps to the management. It is a science and art. Cost accounting is the processes that can be determine the cost of services and goods. Recording, analyzing and summarizing are the function which are included in the cost accounting system. Its main purpose is ascertainment of cost and it can be used in taking the right decision and evaluation of performance. Cost accountings help to the organization calculation the cost of the various types of goods. Cost accounting concerned with every unit of cost, service, process, order and job etc. may be applicable, and involves the production cost, distribution cost and selling cost.

According to Wheldon, "It's the accounting application and methods, techniques and principle of costing in the cost ascertainment and analysis of enough cost acquire as compare with standard of previous experience".

Cost accounting feature depend on different areas like records expenditure and income related the production of services and goods, deals with control of cost, ascertainment of cost and reduction of cost, give statically data.

Nature of cost accounting

Cost account deals with the cost of control and ascertainment. For the management, it's the great source of information in controlling and planning aspect. It helps to the management proper utilization of resource. There is various different nature of cost accounting which is described below:

Determination of different total cost components:

The main objective is to identify cost per unit to complete our cost determination of work. It is a process of accumulation, classification and analyzing the cost of product. Total cost includes material, labor and expenses.

Related with both science and art.:

It is a science because it is an own rules and principle which are follow by every company on regular basis in the systematic manner. Further cost accounting related with art because using the techniques and principle that can be solve the problems of business through cost information.

Accounting should have specialized accounting:

It has its own concepts although its function is based on system of double entry. The specialized branches involve collection related to covers, necessary classifications, recording related to transactions, apportionment, cost determination and controls related to cost. In the topic of cost accounting specialized branch of accounting is included

Determination of different total cost components:

It ascertains service and product cost through process of the classification, recording, analysis and accumulation. The component of cost involves such as labor, expense and material. The main objective is to identify cost per unit to complete our cost determination of work.

Helps management:

For various management levels, this system of accounting gives important information to the management which can helps to taking better decision for the business purpose.

Behavior of Cost Accounting

Cost behavior - describes the relationship between total cost and activity level of organization. It is used by management to identify operation cost and its changes in organization. With the help of mathematical tools management used to identify cost behavior and there effects on business. It can be shown in three forms as fixed, variable and missed cost. After the process annual budget manger read the behavior cost and specify areas where its need to be update.

Fixed cost - It name implies that fixed cost remains unchanged in all operation of business and constant disregarding of operation level. As there are no new production units produced, fixed cost incurred and fixed cost per unit is done in every rise in production (Innes, 1990). Such as change on rent of building rent there are no any changes in income level of tenant directly.

Variable cost - As it names implies that changes with change in operation level of business as in same proportion as output change (Innes, 1990). Total variable cost generate whenever high production is done and decrease as production being low vice versa such as direct material cost and each commodity.

Mixt cost – Combination of variable and fixed cost but does not change proportionality with output. Such as cost of delivery has fixed component of depreciation of trucks cost with fuel expense as variable component (Graves, 1971)

The Purpose of Cost Accounting is to help in in gives timely and area identify where company operated and the use of accounting is in Business policies and decisions making, Control of cost, Computation of cost, Reduction of cost and Determination of price for selling goods etc.

As Techniques of Cost Accounting are used Uniform costing, Marginal costing, Standard costing, Historical costing and Direct costing.

As Method of Cost Accounting, depends on the process of manufacturing and can be Job costing, Contact costing, Batch costing, Process costing, Unit costing, Operating costing or Multiple costing.

The basic accounting principale and guidelines provide by GAAP for better understanding of accounting principles are the follows: Economic Entity Assumptions, Time Period Assumtion, Cost Principle, Full Disclosure Principle, Going Concern Principle and Matching Principle.

❖ Reference list

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