

Accounting Fundamentals

Student name: Denis Nachev

ID: 1814720

Lecturer name: Gaza Arif

Date: 28.04.2019

Code: LCB4001

TASK 1

Cash in Account						
Date	Description		Amount	Date	Description	Amount
5.4.2019	Capital		£300,00	7.4.2019	Inventory	£200,00
8.4.2019	Loan from Tatiana		£250,00	15.4.2019	Motor Van	£150,00
20.4.2019	Sales		£350,00	28.4.2019	Rent expenses	£50,00
				29.4.2019	Loan from Tatiana	£200,00
				30.4.2019	Drawings	£60,00
			£900,00			£240,00
				30.4.2019	Balance	£900
			Motor Van			
Date	Description		Amount	Date	Description	Amount
15.4.2019	Cash		£150,00			
				30.4.2019	Balance	£150,00
			£150,00			£150,00
			Capital			
Date	Description		Amount	Date	Description	Amount
				5.4.2019	Cash	£300,00
30.4.2019	Balance		£300,00			£300,00
			£300,00			
			Sales			
Date	Description		Amount	Date	Description	Amount
				20.4.2019	Cash	£350,00
30.4.2019	Balance		£350,00			
			£350,00			£350,00
			Rent expenses			
Date	Description		Amount	Date	Description	Amount
28.4.2019	Cash		£50,00			
				30.4.2019	Balance	£50,00
			£50,00			£50,00
			Inventory			
Date	Description		Amount	Date	Description	Amount
7.4.2019	Cash		£200,00	30.4.2019	Cost of Goods Sold	£100,00
				30.4.2019	Balance	£100,00
			£200,00			£200,00
			Loan from Tatiana			
Date	Description		Amount	Date	Description	Amount
29.4.2019	Cash		£200,00	8.4.2019	Cash	£250,00
30.4.2019	Balance		£50,00			
			£250,00			£250,00
			Drawings			
Date	Description		Amount	Date	Description	Amount
30.4.2019	Cash		£60,00			
				30.4.2019	Balance	£60,00
			£60,00			£60,00
			Cost of goods sold			
Date	Description		Amount	Date	Description	Amount
29.4.2019	Stock		£100,00			
				30.4.2019	Balance	£100,00
			£100,00			£100,00

Tria balance as at 31 April				
Description			Dr	Cr
Cash			£240,00	
Inventory			£100,00	
Motor Van			£150,00	
Loan from Tatiana				£50,00
Capital				£300,00
Drawings			£60,00	
Sales				£350,00
Cost of goods sold			£100,00	
Rent expenses			£50,00	
			£700,00	£700,00

Statement of Profit or Loss			
For the month ended 30 April			
Discription		Dr	Cr
Sales			£350,00
(-)Cost of goods Sold		£100	
Gross Profit			£250,00
(-)Expenses			
Rent expenses		£50,00	
Total Expenses		£50,00	
Net Profit			£200,00

		Balance Sheet		
		As at 30 April		
Description			Dr	Cr
Assets				
Fixed Assets				
Motor Van			£150,00	
Total Fixed Assets			£150,00	
Current Assets				
Cash			£240,00	
Inventory			£100,00	
Total Current Assets			£340,00	
Total Assets				£490,00
Capital and Liabilities				
Current Liabilities				
Loan from Tatiana			£50,00	
Total Liabilities				£50,00
Capital			£300,00	
(+) Net Profit			£200,00	
Gross Capital			£500,00	
(-) Drawing			£60,00	
Net Capital				£440,00
Total Liabilities and Capital				£490,00

TASK 2

Cash in Account						
Date	Description	Amount	Date	Description	Amount	
1.1.2019	Capital	£5 000	2.1.2019	Inventory	£600,00	
4.1.2019	Loan from Sergei	£1 000	3.1.2019	Motor Van	£1 300	
13.1.2019	Sales	£300,00	10.1.2019	Storage expenses	£200,00	
20.1.2019	Sales	£500,00	24.1.2019	Loan from Sergei	£150,00	
			27.1.2019	Drawings	£350,00	
			30.1.2019		£175,00	
			31.1.2019	Balance	£4 025	
		£6 800			£6 800	
		Motor Van				
Date	Description	Amount	Date	Description	Amount	
2.1.2019	Cash	£600,00				
			31.1.2019	Balance	£600,00	
		£600,00			£600,00	
		Capital				
Date	Description	Amount	Date	Description	Amount	
			1.1.2019	Cash	£5 000	
31.1.2019	31.1.2019	£5 000				
		£5 000			£5 000	
		Sales				
Date	Description	Amount	Date	Description	Amount	
			13.1.2019	Sales	£300,00	
			20.1.2019	Sales	£500,00	
31.1.2019	Balance	£800,00				
		£800,00			£800,00	
		Cost of goods sold				

Date	Description		Amount	Date	Description		Amount
31.1.2019	Inventory		£500,00				
				31.1.2019	Balance		£500,00
			£500,00				£500,00
			Inventory				
Date	Description		Amount	Date	Description		Amount
3.1.2019	Cash		£1 300	31.1.2019	Cost of Goods		£500,00
				31.1.2019	Balance		£800,00
			£1 300				£1 300
			Loan from Sergei				
Date	Description		Amount	Date	Description		Amount
27.1.2019	Cash		£350,00	4.1.2019	Cash		£1 000
31.1.2019	31.1.2019		£650,00				
			£1 000				£1 000
			Drawings				
Date	Description		Amount	Date	Description		Amount
31.1.2019	Cash		£175,00				
				31.1.2019	Balance		£175 000
			£175,00				£175,00
			Motor Van expense				
10.1.2019	Cash						
				31.1.2019	Balance		£200,00
			£200,00				£200,00
			Storage Expense				
Date	Description		Amount	Date	Description		Amount
24.1.2019	Cash		£150,00				
				31.1.2019	Balance		£150,00
			£150,00				£150,00

			Trial Balance as at 31 January		
Description			Dr	Cr	
Cash			£4 025		
Inventory			£800,00		
Motor van			£600,00		
Loan from Sergei				£650,00	
Capital				£5 000	
Drawings			£175,00		
Sales				£800,00	
Cost of goods sold			£500,00		
Motor van expense			£200,00		
Storage expense			£150,00		
			£6 450	£6 450	

	Statement of Profit or Loss			
	For the month ended 31 January			
Description			Dr	Cr
Sales				£800,00
(-) Cost of goods Sold			£500,00	
Gross profit				£300,00
(-) expenses				
Motor Van expenses			£200,00	
Storage expense			£150,00	
Total expenses			£350,00	
Net Loss				(-)£50,00
		Balance sheet		
		At 31 January		
Description			Dr	Cr
Assets				
Fixed Assets				
Motor Van			£600,00	
Total Fixed Assets			£600,00	
Current Assets				
Cash			£4 025	
Inventory			£800,00	
Total Current Assets			£4 825	
Total Assets				£5 425
Capital and Liabilities				
Current Liabilities				
Loan from Sergei			£650,00	
Total Liabilities				£650,00
Capital			£5 000	
(-) Net Loss			£50,00	
Gross Capital			£4 950	
(-) Drawing			£175,00	
Net Capital				£4 755
Total Liabilities and Capital		Capital		£5 425

TASK 3

Cash in Account						
Date	Description	Amount	Date	Description	Amount	
1.1.2019	Balance	£343 000	5.1.2019	Wages expense		
7.1.2019	Smith-receivable	£18,00	9.1.2019	Max-payable		
11.1.2019	Sales	£64,00	14.1.2019	Wages expense		
21.1.2019	Sales	£110,00	14.1.2019	Inventory		
23.1.2019	Harvey-receivable	£25,00	15.1.2019	Rich-payable		
28.1.2019	Sales	£84,00	20.1.2019	Furniture and fit		
31.1.2019	Sales	£30,00	20.1.2019	Wages expense		
			21.1.2019	Wages expense		
			23.1.2019	Office expenses		
			28.1.2019	Wages expenses		
			31.1.2019	Balance		£323,00
		£674,00				£674,00
		Furniture and Fittings				
Date	Description	Amount	Date	Description	Amount	
1.1.2019	Balance	£198,00				
20.1.2019	Cash	£32,00				
			31.1.2019	Balance		£230,00
		£230,00				£230,00
		Harvey-receivable				
Date	Description	Amount	Date	Description	Amount	
1.1.2019	Blance	£39,00	23.1.2019	Cash		£25,00
2.1.2019	Cash	£124,00	31.1.2019	Balance		£138,00
						£163,00
		£163,00				
		Rich-payable				
Date	Discription	Amount	Date	Description	Amunt	
15.1.2019	Cash	£162,00	1.1.2019	Balance		£12,00
31.1.2019	Balance	-	7.1.2019	Inventory		£150,00
		£162,00				£162,00
		Inventory				
Date	Description	Amount	Date	Description	Amount	
1.1.2019	Balance	£458,00	31.1.2019	Cost of goods		£309,00
7.1.2019	Rich-payable	£150,00				
14.1.2019	Cash	£75,00				
			31.1.2019	Balance		£374,00
		£683,00				£683,00
		Smith-receivable				
Date	Description	Amount	Date	Description	Amount	
1.1.2019	Balance	£18,00	7.1.2019	Cash		£18,00
		£18,00	31.1.2019	Balance		-
						£18,00
		Moon-receivable				

Date	Description	Amount	Date	Description	Amount
1.1.2019		£26,00			
		£26,00			
			31.1.2019	Balance	£26,00
					£26,00
		Max-payable			
Date	Description	Amount	Date	Description	Amount
7.1.2019	Cah	£21,00	1.1.2019	Balance	£21,00
31.1.2019	Balance	-			
		£21,00			£21,00
		Capital			
Date	Description	Amount	Date	Description	Amount
			1.1.2019	Balance	£1 049
31.1.2019	Balance	£1 049			
		£1 049			£1 049
		Cost of goods sold			
Date	Description	Amount	Date	Description	Amount
31.1.2019	Inventory	£309,00			
			31.1.2019	Blance	£309,00
		£309,00			£309,00
		Wages expense			
Date	Description	Amount	Date	Description	Amount
5.1.2019	Cash	£12,00			
14.1.2019	Cash	£14,00			
21.1.2019	Cash	£17,00			
28.1.2019	Cash	£15,00	31.1.2019	Balance	£58,00
		£58,00			£58,00
		Sales			
Date	Description	Amount	Date	Description	Amount
			2.1.2019	Harvey-reveivable	£124,00
			11.1.2019	Cash	£64,00
			21.1.2019	Cash	£110,00
			28.1.2019	Cash	£84,00
31.1.2019		£412,00	31.1.2019	Cash	£30,00
		£412,00			£412
		Office Expenses			
Date	Description	Amount	Date	Description	Amount
21.1.2019	Cash	£3,00			
			31.1.2019	Balance	£3,00
		£3,00			£3,00

Statement of Profi or Loss				SALES REVENUE
For the month ended 31 January				minus
Description	Dr	Cr		EXPENSES
Sales		£412,00		equals
(-)Cost of goods Sold	£309,00			PROFIT
Cross Profit		£103,00		
(-)Expenses				
Wages expenses	£58,00			
Office Expenses	£3,00			
Total expenses	£61,00			
Net Profit		£42,00		

Trial Balance as at 31 January			
Description		Dr	Cr
Cash		£323,00	
Inventory		£374,00	
Harvey-receivable		£138,00	
Moon-receivable		£26,00	
Furniture and fittings		£230,00	
Capital			£1 049
Sales			£412,00
Cost of goods sold		£309,00	
Wages expense		£58,00	
Office Expenses		£3,00	
Total		£1 461	£1 461

Balance Sheet				
		At 31 Jan		
Description		Dr	Cr	
Assets				
Fixed Assets				
Furniture and fittings		£230,00		
Total Fixed Assets		£230,00		
Current Assets				
Cash		£323,00		
Inventory		£374,00		
Harvey-receivable		£138,00		
Moon-receivable		£26,00		
Total Current Assets		£861,00		
Total Assets			£1,091,00	
Capital and Liabilities				
Capital		£1 049		
(+) Net Profit		£42,00		
Gross Capital		£1 091		
(-) Drawing		(-)		
Net Capital		£1,091,00		
Total Liabilities and Capital			£1,091,00	

TASK 4

		Cash in Account				
Date	Description	Amount	Date	Description	Amount	
21.6.2019	Sales	£6,000,00	25.6.2019	Georgina-payable	£11 160	
24.6.2019	Claire-receivable	£7,125,00	27.6.2019	Andrew, payable	£4 410	
25.6.2019	Hywel-receivable	£9,000,00				
		22,125,00				
		Hywel-receivable				
Date	Description	Amount	Date	Description	Amount	
14.6.2019	Sales	£9 000	25.6.2019	Cash	£9 000	
			27.6.2019	Balance		
		£900			£9 000	
		Georgina-payable				
Date	Description	Amount	Date	Description	Amount	
25.6.2019	Cash	£11 160	13.6.2019	Purchases	£12 000	
25.6.2019	Discount received	£840,00				
27.6.2019	Balance	£1200,00			£12 000	
		Sales				
Date	Description	Amount	Date	Description	Amount	
			2.6.2019	Claire-receivable	£8 500	
			14.6.2019	Hywel-receivable	£9 000	
			20.6.2019	Cash	£6 000	
			24.6.2019	Mandy-receivable	£5 000	
27.6.2019	Balance	£28 500				
		£28 500			£28 500	
		Claire-receivable				
Date	Description	Amount	Date	Description	Amount	
27.6.2019	Sales	£8 500	22.6.2019	Sales return	£1 000	
			24.6.2019	Cash	£7 125	
			24.6.2019	Discount allowed	£375,00	
			27.6.2019	Balance	-	
		£8 500			£8 500	
		Mandy-receivable				
Date	Description	Amount	Date	Description	Amount	
24.6.2019	Sales	£5 000				
			27.6.2019	Balance	£5 000	
		£5 000			£5 000	
		Andrew-payable				

Date	Description	Amount	Date	Description	Amount
27.6.2019	Cash	£4 410	21.6.2019	Purchases	£4 500
27.6.2019	Discount received	£90 000			
27.6.2019	Balance	£4 500			£4 500
		Sales return			
Date	Description	Amount	Date	Description	Amount
22.6.2019	Claire-receivable	£1 000			
			27.6.2019	Balance	£1 000
		£1 000			£1 000
		Purchases			
Date	Description	Amount	Date	Description	Amount
13.6.2019	Georgina-payable	£12 000			
21.6.2019	Andrew-payable	£4 500			
			27.6.2019	Balance	£16 500
		£16 500			£16 500
		Discount received			
Date	Description	Amount	Date	Description	Amount
			25.6.2019	Georgina-payable	£840,00
			27.6.2019	Andrew-payable	£90,00
27.6.2019		£930,00			
		£930,00			£930,00
		Discount allowed			
Date	Description	Amount	Date	Description	Amount
24.6.2019	Claire-receivable	£375,00			
			27.6.2019	balance	£375,00
		£375,00			£375,00

		Trial Balance as at 27 June			
Description				Dr	Cr
Cash				£6 555	
Mandy-receivable				£5 000	
Sales					£28 500
Sales return				£1 000	
Purchases				£16 500	
Discount allowed				£375,00	
Discount received					£930,00
				£29 430	£29 430

TASK 5

Business expenditure generally means the expenses that incur in every business – the money you spend exclusively on it. It falls into two categories – capital and revenue expenditure.

Capital expenditure characterizes the expenses made in order for the business to maintain or improve its assets such as property, buildings or equipment. Investing such amount of money in a long-term asset is very beneficial for the company because it helps increase the profit and grow the business. Capital expenditure is everything from repairing the roof of the building to purchasing new furniture for the office.

Revenue expenditure, unlike capital expenditure, involves costs that incur on a daily basis. Those are simple business expenses such as electricity bills, salaries, printing, inventory, taxes, etc. The revenue expenditures happen after a fixed asset had been put into service and just keeps it working. For instance, if the company made a capital expenditure to install a new printer it needs a certain amount of money for consumables for it to keep working every day.

The main difference between the two categories is that capital expenditure is aimed at improving the earning, while the revenue expenditure is working towards maintaining the earning capacity.

1. Time frame

Another difference is the longevity of the effect the expenses may have on the business. While the capital expenditure will benefit the company for years, the revenue one is short-term and only in current accounting year.

2. Value

With capital expenditure, the value of the asset is somehow improved, while with revenue expenditure it is not.

3. Size

Capital expenditures tend to be larger monetary amounts than revenue expenditures.

4. Occurrence

Revenue expenditure, unlike capital expenditure, is regular costs which occur repeatedly.

5. Physical existence

Capital expenditure has a physical existence unlike revenue expenditure which is incurred on business items used on a daily basis.

6. Capitalization

Capital Expenditure is capitalized as opposed to revenue expenditure, which is not.

7. Recording

The capital expenditure items are shown on the assets side of the balance sheet. While the revenue expenditure items are recorded in profit and loss accounts in the books of accounting.

No business can exist without neither capital expenditure nor revenue expenditure. They are both essential so that the business can profit both in present and in following years. Both have benefits for business. Thanks to capital expenditure, a company can purchase an asset but without revenue expenditure it cannot maintain daily business process.

References:

Averkamp, H. - What is a revenue expenditure? <https://www.accountingcoach.com/blog/what-is-a-revenue-expenditure> (Accessed on 28.04.2019)

Kenton, W. - Capital Expenditure – CapEx Definition
<https://www.investopedia.com/terms/c/capitalexpenditure.asp> (Accessed on 28.04.2019)

Morton, P. - What is meant by business expenditure and how can you keep track of it?
<https://www.turbinehq.com/blog/business-expenditure-and-how-to-track-it> (Accessed on 28.04.2019)

Nderitu, G. - Difference between Capital Expenditure and Revenue Expenditure
<http://www.differencebetween.net/business/difference-between-capital-expenditure-and-revenue-expenditure/> (Accessed on 28.04.2019)