

UNIVERSITY OF WALES TRINITY SAINT DAVID_ LONDON
ACCOUNTING FUNDAMENTAL

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INTRODUCTION

Accounting fundamentals are the set of different types of principles, rules and regulations that are introduced by the legal authorities in order to successfully execute the business. It is very important for all the organisations to follow the principles so that transparent books can be formulated to evaluate success of business (Brigham and Houston, 2012). Accounting is the activity which is performed by accountants to communicate organisation's performance and its market image to the managers and other concerned persons (Dubois and Prade, 2012). Under this report various ledgers, trial balance, balance sheets, profit and loss accounts have been generated so that organisation's actual performance can be analysed. Brief description of capital and revenue expenditures have also been provided in this assignment.

TASK 1

(a). Relevant ledger accounts

Drawing Account

Date	Particular	Amount	Date	Particular	Amount
30-Apr	To Cash Account	60	30-Apr	By balance c/d	60
		60			60

Sales account

Date	Particular	Amount	Date	Particular	Amount
30-Apr	To Trading Account	350	20-Apr	By cash Account	350
		350			350

Rent account

Date	Particular	Amount	Date	Particular	Amount
28-Apr	To cash Account	50	30-Apr	By profit & loss Account	50
		50			50

Motor Van account

Date	Particular	Amount	Date	Particular	Amount
15-Apr	To Cash Account	150	30-Apr	By Balance c/d	150
		150			150
01-May	To Balance b/d	150			

Loan account

Date	Particular	Amount	Date	Particular	Amount
29-Apr	To Cash Account	200	08-Apr	By Cash Account	250
30-Apr	To balance c/d	50			
		250			250
			01-May	By Balance c/d	50

Purchase account

Date	Particular	Amount	Date	Particular	Amount
07-Apr	To Cash Account	200	30-Apr	By Trading Account	200
		200			200

Capital account

Date	Particular	Amount	Date	Particular	Amount
30-Apr	To balance c/d	360	05-Apr	By Cash Account	300
				By Drawings Account	60
		360			360

Cash account

Date	Particular	Amount	Date	Particular	Amount
05-Apr	To Capital Account	300	07-Apr	By Purchase Account	200
08-Apr	To Loan Account	250	15-Apr	By Motor Van Account	150
20-Apr	To Sales Account	350	28-Apr	By rent Account	50
			29-Apr	By Loan Account	200
			30-Apr	By Drawings Account	60
			30-Apr	By Balance c/d	240
	Total	900		Total	900
01-May	To Balance b/d	240			

(b). List of account balance on 30 April

Trial Balance

Particulars	Debit (£)	Credit (£)
Cash Account	240	
Capital Account		300
Purchase Account	200	
Loan Account		50
Motor van Account	150	
Rent Account	50	
Sales Account		350
Drawings Account	60	
	700	700

(c). Statement of profit and loss and statement of financial position

Balance Sheet

	Amount	Amount
Non-Current assets		
Motor van		150
Current Assets		
Cash Account	240	
Inventory	100	340
Total Assets		490
Capital Account	300	
Add: Net Profit	200	
Less: Drawings	-60	440
Current Liabilities		
Short term loan		50
Total Liabilities		490

TASK 2

(a). Different ledger accounts

Drawings account

Date	Particular	Amount	Date	Particular	Amount
30-Jan	To cash Account	175	31-Jan	By Balance c/d	175
		175			175
01-Feb	To Balance b/d	175			

Sales account

Date	Particular	Amount	Date	Particular	Amount
31-Jan	To Balance c/d	800	13-Jan	By cash Account	300
			20-Jan	By cash Account	500
		800			800
			01-Feb	By Balance b/d	800

Storage expenses account

Date	Particular	Amount	Date	Particular	Amount
24-Jan	To cash Account	150	21-Jan	By Balance c/d	150

		150			150
01-Feb	To Balance b/d	150			

Motor Van expenses account

Date	Particular	Amount	Date	Particular	Amount
10-Jan	To cash Account	200	31-Jan	By Balance c/d	200
		200			200
01-Feb	To Balance b/d	200			

Motor Van account

Date	Particular	Amount	Date	Particular	Amount
02-Jan	To cash Account	600	31-Jan	By Balance c/d	600
		600			600
01-Feb	To Balance b/d	600			

Loan from Sergei account

Date	Particular	Amount	Date	Particular	Amount
27-Jan	To cash Account	350	04-Jan	By cash Account	1000
31-Jan	To Balance c/d	650			
		1000			1000
			01-Feb	By Balance b/d	650

Purchase account

Date	Particular	Amount	Date	Particular	Amount
03-Jan	To cash Account	1300	31-Jan	By Balance c/d	1300
		1300			1300
01-Feb	To Balance b/d	1300			

Capital account

Date	Particular	Amount	Date	Particular	Amount
31-Jan	To Balance c/d	5000	31-Jan	By cash Account	5000
		5000			5000
			01-Feb	By Balance b/d	5000

Cash account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To capital Account	5000	02-Jan	By Motor Van Account	600
04-Jan	To loan from Sergei	1000	03-Jan	By Purchase Account	1300
13-Jan	To Sales Account	300	10-Jan	By Motor Expenses Account	200
20-Jan	To Sales Account	500	24-Jan	By Storage Expenses Account	150

			27-Jan	By Loan Account	350
			30-Jan	By Drawings Account	175
			31-Jan	By Balance c/d	4025
		6800			6800
01-Feb	To Balance c/d	4025			

(b). Trial balance at 31 January

Trial balance

Particulars	Debit	Credit
Cash Account	4025	
Capital Account		5000
Motor van Account	600	
Purchase Account	1300	
Loan Account		650
Motor van expenses Account	200	
Sales Account		800
Storage expenses Account	150	
Drawings Account	175	
	6450	6450

(c). Profit and loss account and Statement of financial position at 31 January

Profit and loss account

Particulars	Amount	Amount
Sales		800
Less: Cost of Goods sold		-500
Gross Profit		300
Less: Expenses		
Motor van expenses	-200	
Storage expenses	-150	350
Net Loss		50

Balance sheet

	Amount	Amount
Non-Current assets		
Motor Van		600
Current assets		
Cash	800	
Closing Stock	4025	4825

Total assets		5425
Capital account	5000	
Less: Net loss	50	
Less: Drawings	175	4775
Current liabilities		
Short term loan		650
Total Liabilities		5425

TASK 3

(a). Relevant ledger accounts

Inventory account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Balance b/d	458	31-Jan	By Trading Account	458
		458			458

Payable to Rich's account

Date	Particular	Amount	Date	Particular	Amount
15-Jan	To cash Account	162	01-Jan	By Balance b/d	12
			05-Jan	By purchase Account	150
		162			162

Payable to Max's account

Date	Particular	Amount	Date	Particular	Amount
09-Jan	To cash Account	21	01-Jan	By Balance b/d	21
		21			21

Receivable from Moon's account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Balance b/d	26	31-Jan	By Balance c/d	26
		26			26
01-Feb	To Balance b/d	26			

Receivables from Harvey's Account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Balance b/d	39	23-Jan	By Cash Account	25
02-Jan	To Sales Account	124	31-Jan	By Balance c/d	138
		163			163
01-Feb	To Balance b/d	138			

Office expenses account

Date	Particular	Amount	Date	Particular	Amount
23-Jan	To cash Account	3	31-Jan	Profit and loss Account	3
		3			3

Receivables from Smith's account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Balance b/d	18	07-Jan	By Cash Account	18
		18			18

Wages account

Date	Particular	Amount	Date	Particular	Amount
05-Jan	To cash Account	12	31-01-18	Profit and loss Account	58
14-Jan	To cash Account	14			
21-Jan	To cash Account	17			
28-Jan	To cash Account	15			
		58			58

Purchase account

Date	Particular	Amount	Date	Particular	Amount
05-Jan	To Rich's Account	150	31-Jan	By Trading Account	225
14-Jan	To cash Account	75			
		225			225

Fixture and fittings account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Balance b/d	198	31-Jan	By Balance c/d	230
20-Jan	To cash Account	32			

		230			230
01-Feb	To Balance b/d	230			

Sales account

Date	Particular	Amount	Date	Particular	Amount
31-Jan	To Trading Account	412	02-Jan	By Harvey's Account	124
			11-Jan	By Cash Account	64
			21-Jan	By Cash Account	110
			28-Jan	By Cash Account	84
			31-Jan	By Cash Account	30
		412			412

Capital account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Payables	33	01-Jan	By Cash in hand Account	343
31-Jan	To balance c/d	1049	01-Jan	By Inventory	458
			01-Jan	By Furniture and fittings	198
			01-Jan	By Receivables	83
		1082			1082

Cash account

Date	Particular	Amount	Date	Particular	Amount
01-Jan	To Balance b/d	343	05-Jan	By Wages Account	12
07-Jan	To Smith's Account	18	09-Jan	By Max's Account	21
11-Jan	To Sales Account	64	14-Jan	By Wages Account	14
21-Jan	To Sales Account	110	14-Jan	By Purchases Account	75
23-Jan	To Harvey's Account	25	15-Jan	By Rich's Account	162
28-Jan	To Sales Account	84	20-Jan	By Fixtures and fittings Account	32
31-Jan	To Sales Account	31	21-Jan	By Wages Account	17
			23-Jan	By office expenses Account	3
			28-Jan	By Wages Account	15
			31-Jan	By Balance c/d	323
		674			674
01-Feb	To Balance b/d	323			

(b). Trial balance on 31 January

Trial Balance

Particulars	Debit	Credit
Cash in hand Account	323	
Capital Account		1049
Fixtures and fittings Account	230	
Sales Account		412
Wages Account	58	
Purchase Account	225	
Office expenses Account	3	
Receivables Account		
Harvey	138	
Moon	26	
Inventory Account	458	
	1461	1461

(c). Statement of profit and loss and statement of financial position on 31 January

Profit and loss account

Particulars	Amount	Amount
Sales		412
Less: Cost of goods sold		-309
Gross profit		103
Less: Expenses		
Wages	-58	
Office Expenses	-3	-61
Net Profit		42

Balance Sheet

Particulars	Amount	Amount
Non-current assets		
Fixtures and fittings		230

Current assets		
Inventory	374	
Trade receivables (138+26)	164	
Cash	323	861
Total Assets		1091
Capital account	1049	
Add: Net Profit	42	1091
Total Liabilities		1091

TASK 4

Relevant ledger accounts and trial balance

Purchase account

	Purchase Account				
Date	Particular	Amount	Date	Particular	Amount
13-Jun	To Georgina – Payable Account	12000	27-Jun	By Trading Account	16500
21-Jun	To Andrew – Payable Account	4500			
		16500			16500

Sales account

Date	Particular	Amount	Date	Particular	Amount
27-Jun	To Trading Account	28500	02-Jun	By Claire – Receivable Account	8500
			14-Jun	By Hywel – Receivable Account	9000
			20-Jun	By Cash Account	6000
			24-Jun	By Mandy – Receivable Account	5000
		28500			28500

Sales return account

Date	Particular	Amount	Date	Particular	Amount
22-Jun	To Claire – Receivables	1000	27-Jun	By Trading Account	1000
		1000			1000

Cash account

Date	Particular	Amount	Date	Particular	Amount
20-Jun	To Sales Account	6000	25-Jun	By Georgina – Payable Account	11160
24-Jun	To Claire – Receivable	7125	27-Jun	By Andrew – Payable Account	4410
25-Jun	To Hywel – Receivables	9000	27-Jun	By Balance c/d	6555
		22125			22125
01-Jul	To Balance b/d	6555			

Andrew payable account

Date	Particular	Amount	Date	Particular	Amount
27-Jun	To Cash Account	4410	21-Jun	By Purchase Account	4500
24-Jun	To Discount received Account	90			
		4500			4500

Georgina Payable account

Date	Particular	Amount	Date	Particular	Amount
25-Jun	To Cash Account	11160	1386	By Purchase Account	12000
25-Jun	To Discount received Account	840			
		12000			12000

Hywel receivable account

Date	Particular	Amount	Date	Particular	Amount
14-Jun	To Sales Account	9000	25-Jun	By Cash Account	9000
		9000			9000

Mandy's receivable account

Date	Particular	Amount	Date	Particular	Amount
24-Jun	To Sales Account	5000	27-Jun	By Balance c/d	5000
		5000			5000
01-Jul	To Balance b/d	5000			

Discount received account

Date	Particular	Amount	Date	Particular	Amount
27-Jun	To Profit & loss Account	930	25-Jun	By Georgina – Payable Account	840
			27-Jun	By Andrew – Payable Account	90
		930			930

Discount allowed account

Date	Particular	Amount	Date	Particular	Amount
24-Jun	To Claire – Receivable	375	27-Jun	By Profit and loss Account	375
		375			375

Claire receivable account

Date	Particular	Amount	Date	Particular	Amount
02-Jun	To Sales Account	8500	22-Jun	By Sales return Account	1000
			24-Jun	By Cash Account	7125
			24-Jun	By Discount allowed Account	375
		8500			8500

Trial balance

Particulars	Debit	Credit
Sales Account		28500
Purchase Account	16500	
Cash Account	6555	
Sales return Account	1000	
Mandy – Receivable	5000	
Discount allowed Account		930
Discount Received Account	375	
	29430	29430

TASK 5

Differentiation between revenue and capital expenditures with reference to International Accounting Standards

Revenue expenditures: These expenses are related to the revenues that are generated by the company every year. It includes cost of sales, repair and other expenses. These are faced by an organisation in a short time period (Hull and et.al., 2013). All the operating expenses are considered as revenues expenditures. Rent, carriage, salary, wages, postage, printing, advertisement, insurance are the examples of such type of expending. It is very important for all the companies to control such type of expenses so that profit can be maximised.

Capital expenditures: Such type of expenditures are related to fixed assets that are mainly kept by the organisation for a long period of time. Such type of expenses occurs when organisation buy business assets to operate business in more effective way. While companies are

willing to increase productivity by investing money in the organisation than they buy equipment and other type of assets so that work quality can be enhanced at the same time capital expenditures take place (O'hayre and et.al., 2016).

IAS (International Accounting Standards): These are the set of regulations that are introduced by IASC (International Accounting Standards Committee) for all the companies. It is very important for the business entities to follow all those principles so that effective accounting books can be formulated (*International accounting standards*, 2018). According to IAS there are various differences in capital and revenue expenditures. All of them are as follows:

Difference between capital and revenue expenditures with reference to international accounting standards:

Basis	Revenue Expenditure	Capital Expenditure
Definition	All the expenses that are related to revenues and faced in short term are called revenue expenditures (Toms and Fleischman, 2015.).	Such type of expenses that are mainly related to the buying of assets and faced by the companies in long term are called capital expenditures.
Recording	Revenue expenses are recorded in profit and loss account of the company.	Capital expenditures are recorded in profit and loss account as well as balance sheet.
Benefit	Revenue expenses provide benefits in a specific accounting yea (Vesselinov, 2016).	Capital expenditures provide benefits in long term.
Capitalisation	Revenue expenses are not capitalised while recoding them in the accounting books.	Capital expenditures are capitalised by the accountant while recording them in the books of accounting (Ward and Calabrese, 2018).
Time period	These are mainly for short time period.	All such type of expenses are related to long time period

All the above described differences are identified with the help of different standards of International Accounting Standards that are induced by legal authorities for the companies so that effective final accounts can be formulated by the organisations (Wright, 2017).

CONCLUSION

From the above project report, it has been concluded that accounting is the process of recording different types of transactions in the books of accounting so that company's performance can be analysed. There are two different types of expenses that are faced by an organisation. These expenditures are capital and revenue. It is very important for the accountants of the business entities to keep detailed information of such expenses so that monetary resources can be used appropriately. To analyse actual financial position and market image of a company it is very important to formulate all the statements appropriately and properly.

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