

MARIANA IOANA BOCUT

STUDENT NUMBER (1813126)

ACCOUNTING FUNDAMENTALS

MODULE NUMBER (LCBB4001)

LECTURER NAME :REXON NTING

Table of Contents

Introduction.....	2
Task One:.....	2
(a) General Ledger accounts.....	2
(b) List of balances.....	4
(c) Final accounts.....	5
Task two:.....	6
(a) General Ledger accounts.....	6
(b) Trial Balance.....	8
(c) Final accounts.....	9
Task three:.....	9
(a) General Ledger accounts.....	9
(c) Final accounts.....	12
Task four:.....	13
(a) General Ledger accounts.....	13
Task 5: Distinguishing capital expenses from revenue expenses.....	16
Conclusion.....	16
Reference List.....	18

Introduction

Accounting fundamentals are implemented while preparing the financial statement of an organisation. The three key financial statements which include cash flow statement, income statement and Balance Sheet are prepared with the help of accounting fundamentals. The study includes preparation of journal entries, ledger accounts and trial balance for different owners. In addition, final accounts including income statement and balance sheet are also prepared for the four owners. Lastly, difference between the capital expenses as well as revenue expenses has been prepared.

Task One:

(a) General Ledger accounts

Capital Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
30-04	To Balance C/d	300	5-04	By Cash Account	300
	Total	300		Total	300
			1-05	By balance b/d	300

Purchase Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
7-04	To Cash Account	200	30-04	By Balance C/d	200
	Total	200		Total	200
1-05	To balance B/d	200			

Closing Stock Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
30-04	To Trading Account	100	30-04	By balance C/d	100
	Total	100		Total	100
1-05	To Balance B/d	100			

Cash Account					
Date	Items	Pounds	Date	Items	Pounds Cr

		Dr			
5-04	To Capital Account	300	7-04	By Purchase Account	200
8-04	To loan From Tatiana Account	250	15-04	By Motor van Account	150
20-04	To Sales Account	350	28-04	By rent Account	50
				By loan from Tatiana	
			29-04	Account	200
			30-04	By Drawings Account	60
			30-04	By Balance C/d	140
	Total	800		Total	800
1-05	To balance B/d	140			

Rent Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
28-04	To Cash Account	50	30-04	By balance C/d	50
	Total	50		Total	50
30-04	To Balance B/d	50			

Motor Van Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
15-04	To Cash Account	150	30-04	By balance C/d	150
	Total	150		Total	150
30-04	To Balance B/d	150			

Sales Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
30-04	To Balance C/d	350	20-04	By Cash Account	350
	Total	350		Total	350
			1-05	By balance B/d	350

Drawings Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
30-04	To Cash Account	60	30-04	By balance C/d	60
	Total	60		Total	60
1-05	To balance B/d	60			

Trading Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
30-04	To Balance B/d	100	30-04	By Closing Account	100
	Total	100		Total	100
			1-05	By balance B/d	100

Loan From Titiana Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
29-04	To Cash Account	200	8-04	By cash Account	250
30-04	To Balance C/d	50			
	Total	250		Total	250
			1-05	By Balance B/d	50

(b) List of balances

Account Balances		
Items	Debit	Credit
Trading Account	100	
Purchase Account	200	
Drawings Account	60	
Capital Account		300
Cash Account	140	
Motor Van Account	150	
Loan from Titiana Account		50
Rent Account	50	
Sales Account		350
Total	700	700

(c) Final accounts

Income Statement	
Items	Pounds
Income from Sales	350
Deduct: Expenses related to Purchases	200
Deduct: Expenses related to Rent	50
Net Income	100

Statement of Financial position	
Items	Pounds
Assets	
Motor Van	150
Inventory	100
Cash Balance	140
Total assets	290
Liabilities	
Loan balance	50
Equity Capital deducting drawings and profit	340
Total liabilities	390

Task two:

(a) General Ledger accounts

Cash Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To capital Account	5000	1-01	By Motor van Account	600
	To loan from Sergie				
4-01	Account	1000	3-01	By Purchase Account	1300
13-01	To sales Account	300	10-01	By Motor van Account	200
20-01	To sales Account	500	24-01	By Storage expenses Account	150
				By Loan from Sergie	
			27-01	Account	350
			30-01	By drawings Account	175
			31-01	By Balance c/d	4025
	Total	6800		Total	6800
1-02	To balance B/d	4025			

Capital Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
31-01	To balance c/d	5000	1-01	By cash Account	5000
	Total	5000		Total	5000
			1-02	By balance b/d	5000

Motor Van Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To cash Account	600			
10-01	To cash Account	200	31-01	By balance c/d	800
	Total	800		Total	800
1-02	To balance b/d	800			

Drawings Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
30-01	To Cash Account	175	31-01	By balance B/d	175
	Total	175		Total	175
1-02	To balance B/d	175			

Purchases Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
3-01	To Cash Account	1300	31-01	By balance C/d	1300
	Total	1300		Total	1300
1-02	To balance B/d	1300			

Loan from Sergie Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
27-01	To Cash Account	350	4-01	By Cash Account	1000
31-01	To balance C/d	650			
	Total	1000		Total	1000
			1-02	By balance B/d	650

Sales Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
31-01	To balance C/d	800	13-01	By Cash Account	300
			20-01	By Cash Account	500
	Total	800		Total	800
			1-02	By balance B/d	800

Storage expense Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr

24-01	To Cash Account	150	31-01	By balance C/d	150
	Total	150		Total	150
1-02	To balance B/d				

Closing stock Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
31-01	To Trading Account	800	31-01	By balance C/d	800
	Total	800		Total	800
1-02	To balance b/d	800			

(b) Trial Balance

Trial Balance			
Items	Pounds	Pounds	
Drawings account	175		
Storage Expense account	150		
Motor Van account	800		
Sales account		800	
Loan From Sergie account		650	
Cash account	4025		
Purchase account	1300		
Capital account		5000	
Total	6450	6450	

(c) Final accounts

Income Statement		
Items	Pounds	Pounds
Income from Sales		800
Deduct: Motor Van Expenses	200	
Deduct: Expense related to Purchase	1300	
Deduct: Storage Expenses	150	
Net Loss		(850)
Balance sheet		
Items	Pounds	

Cash Balance	4025
Motor Van	600
Stock	800
Total assets	1400
Liabilities	
Equity Share Capital	5000
Deduct: Drawings	850
Deduct: Loss	175
Shortfall	800
loan from Sergie	650
Total	5425

Task three:

(a) General Ledger accounts

Balance of Opening Capital			
Assets	Pounds	Liabilities	Pounds
Inventory	458		
Cash	343	Opening Capital	1049
Furniture	83		
Receivables	198	Payables	33
Total	1082	Total	1082

Cash Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To Capital Account	343	5-01	By Wages Account	12
7-01	To Smith Account	18	9-01	By Max Account	21
11-01	To Sales Account	64	14-01	By Wages Account	14
21-01	To Sales Account	110	14-01	By Purchase Account	75
23-01	To Harvey Account	163	15-01	By Rich Account	162
28-01	To Sales Account	84	20-01	By Office Desk Account	32
31-01	To Sales Account	30	21-01	By Wages Account	17
			23-01	By Office expenses Account	3

			28-01	By Wages Account	15
			31-01	By Balance C/d	461
	Total	812		Total	812
1-02	To balance B/d	461			

Stock Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To balance B/d	458		By Cash Account	
			31-01	By balance C/d	374
	Total	458		Total	458
1-02	To balance B/d	374			

Max Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
9-01	To Cash Account	21	1-01	By Balance b/d	21
	Total	21		Total	21

Capital Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
			1-01	To Balance b/d	1049
31-01	By balance C/d	1049			
	Total	1049		Total	1049
			1-01	To Balance b/d	1049

Smith Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To Balance b/d	18	7-01	By Cash Account	18
	Total	18		Total	18

Harvey Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To Balance b/d	39	23-01	By Cash Account	25
2-01	To Sales Account	124	31-01	By balance C/d	138
	Total	163		Total	163

Moon Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-01	To Balance b/d	26	31-01	By balance C/d	26
	Total	26		Total	26
1-02	To balance B/d	26			

Rich Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
15-01	To Cash Account	162	1-01	By Balance b/d	12
			5-01	By purchase Account	150
	Total	162		Total	162

(b) Trial Balance

Trial Balance		
Items	Pounds	Pounds
Sales Account		412
Office desk Account	32	
Moon Account	26	
Wages Account	58	
Cash Account	461	
Capital Account		1049
Purchase Account	225	
Stock Account	458	
Harvey Account	138	
Office Expenses Account	63	
Total	1461	1461

(c) Final accounts

Income Statement	
Items	Pounds
Income Sales	412
Deduct: Office Expenses	-3
Deduct: purchase	-225
Deduct: Wages	58
Net income	126

Balance Sheet	
Items	Pounds
Assets	
Cash Balance	605
Office desk	32
Closing stock	374
Moon	26
Harvey	138
Total assets	196
Liabilities	
Equity Capital	1049
Add: profits	126
Total liabilities	1175

Task four:

(a) Generals Ledger accounts

Sales Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
			1-06	By Balance b/d	0
			2-06	By Clair Account	8075
			2-06	By Discount Allowed Account	575
			14-06	By Hywel Account	9000
			20-06	By Cash Account	6000
27-06	To Balance c/d	28650	24-06	By Mandy Account	5000
	Total	28650		Total	28650
			1-07	By Balance b/d	28650

Purchases Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-06	To Balance b/d	0			
13-06	To Georgina Account	11160			
13-06	To Discount Received Account	840			
21-06	To Andrew Account	4410			
21-06	To Discount Received Account	90	27-06	By Balance c/d	16500
	Total	16500		Total	16500
1-07	To Balance b/d	16500			

Clair Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-06	To Balance b/d	0	22-06	By Sales Return Account	1000
2-06	To Sales	8500	27-06	By Balance c/d	7500
	Total	8500		Total	8500
1-07	To Balance b/d	7500			

Georgina Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
			1-06	By Balance b/d	0
27-06	To Balance c/d	12000	13-06	By Purchases Account	12000
	Total	12000		Total	12000
			1-07	By Balance b/d	12000

Hywel Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
			1-06	By Balance b/d	0
27-06	To Balance c/d	9000	14-06	By Purchases Account	9000
	Total	9000		Total	9000
			1-07	By Balance b/d	9000

Andrew Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
			1-06	By Balance b/d	0
27-06	To Balance c/d	4500	21-06	By Purchases Account	4500
	Total	4500		Total	4500
			1-06	By Balance b/d	4500

Mandy Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-06	To Balance b/d	0			
24-06	To Sales Account	5000	27-06	By Balance c/d	5000
	Total	5000		Total	5000
1-07	To Balance b/d	5000			

Cash Account

Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-06	To Balance b/d	0			
20-06	To Sales Account	6000	27-06	By Balance c/d	6000
	Total	6000		Total	6000
1-07	To Balance b/d	6000			

Sales Return Account					
Date	Items	Pounds Dr	Date	Items	Pounds Cr
1-06	To Balance b/d	0			
22-06	To Claire Account	1000	27-06	By Balance c/d	1000
	Total	1000		Total	1000
1-07	To Balance b/d	1000			

Trial Balance as at 27 06e		
Items	Debit	Credit
Cash Account	6000	
Sales Account		28650
Purchases Account	16650	
Sales Return Account	1000	
Hywel Account	9000	
Georgina Account		12000
Mandy Account	5000	
Anew Account		4500
Clair Account	7500	
Total	37650	45150

Task 5: Distinguishing capital expenses from revenue expenses

Capital expenses	Revenue expenses
As specified by IAS Standards the expenses which are related to non-recurring activities belong to this group.	As discussed by IAS Standards the expenses which are not related to non-recurring activities belong to this group.
Purchase of properties belong to this group (Nishimura, 2019)	Payment of rent and wages belong to this group
These transaction need to be reported in the Balance Sheet of the company	These transaction need to be reported in the Income Statement of the company

This expenditure is relatively larger and is related with long time span.	This expenditure is relatively smaller and is related with short time span (Gray, 2019).
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Conclusion

The IAS Standards helps companies in the process of preparation of financial accounting statements. These standards guides the way of an organisation with the help of which transactions are recorded in the process of true disclosure. Specific formats are referred in order to prepare the financial statements as guided by the accounting standards. The study helps in understanding the process of accounting for four different owners having sole proprietorship business. The most important difference between the two expenditures has been identified to be their nature and time span of increment.

Reference List

Gray, R., (2019). Sustainability Accounting and Education: Conflicts and Possibilities. In *Incorporating Sustainability in Management Education* (pp. 33-54). Palgrave Macmillan, Cham.

Nishimura, A., (2019). Uncertainty and Management Accounting: Opportunity, Profit Opportunity, and Profit. In *Management, Uncertainty, and Accounting* (pp. 73-95).