
ACCAUNTING FUNDAMENTALS

MODULE CODE: LCBB4001

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APRIL 30, 2019

[COMPANY NAME]

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Introduction Accounting

Accounting is related to financial information. Economic information is related to the holding activity of the enterprise. It is also associated with data on individual business operations, events, and facts of the resulting public reproduction process. Reporting information is defined as a set of information about past and current stop operations and events of the reproduction process /operating, statistical and accounting /. Accounting information is a product of accounting and generates reporting data about the entity's assets. It is done at the micro level. Accounting information is created continuously and provides information about the entity's overall financial position. It has a continuous and all-embracing character. Accounting information is created historically as current and historical information. Accounting information is analytical and generalized.

Important is to present the data and to use it correctly for recording them in a double angle. This should be done by introducing a journal, ledger and trial balance. Then the trial balance is used to concoct a trading account, a profit and loss accounts, and a balance sheet.

Financial Journal-contains all receipts and payments, as well as bank deposits and withdrawals. After the cash ledger is saved, the ledger is posted to the general ledger. As an internal verification method, the cache directory is periodically aligned with the bank statements.

Ledger Account-contains a record of business transactions. That is a separate ledger entry. It is assigned to a particular asset, liability, equity item, revenue type, or expense type. The information is stored in a general ledger with starting and ending balances. They are corrected during an accounting period with debits and credits. Individual transactions are identified in a general ledger with a transaction number or other notation. So we can investigate the reason why a business transaction has been entered into a ledger account. Transactions can be caused by regular business activity. An example of this is customers invoicing or saving vendors ' invoices. They can also include corrective entries that require the use of journal entries. The information in the Ledger account is summarized in the account amounts shown in the Trial Balance report. That is in turn used to compile financial statements.

Trial Balance -The total amount of accounts of the business owner, its assets, liabilities, revenues, expenses, and capital, both at a given time. It's called the trial balance because there will always be equal amounts on the debit and credit sides of the trial balance.

The statement of profit and loss -This is the income report, the income statement, the activity report or the income statement. More specifically, it is the statement of profit and loss that takes into account revenue, expenditure and most of the gains and losses that occurred during the period specified in its title.

On the accrual basis of accounting, the revenue and expenditure recorded in the profit and loss account should be:

- The revenues earned during the reporting period;
- The costs corresponding to the revenue to be reported or expired during the reporting period.

The net amount of revenue, expenses, gains and losses that are reported is called net income. Net income is located at the bottom line of this financial statement.

Statement of financial position, this is another name for the balance sheet, and it is one of the leading financial statements.

It takes into accounts for the assets, liabilities, and differences in the total amounts of the entity in the final reporting period .

The structure of the balance sheet is similar to the basic accounting equation.

The statement of financial position must reflect basic accounting principles and guidelines, such as the principle of cost, compliance and full disclosure, in order to name a few.

TASK 1

a) Journal Entries in the books

Date	Description	Debit	Credit
05-Apr	Cash	£300.00	
	Capital		£300.00
07-Apr	Purchases	£200.00	
	Cash		£200.00
08-Apr	Cash	£250.00	
	Loan from Tatiana		£250.00
15-Apr	Motor Van	£150.00	
	Cash		£150.00
20-Apr	Cash	£350.00	
	Sales		£350.00
28-Apr	Rent	£50.00	
	Cash		£50.00
29-Apr	Loan from Tatiana	£200.00	
	Cash		£200.00
30-Apr	Drawings	£60.00	
	Cash		£60.00

Ledger account

Cash

Date	Description	Debit	Date	Description	Credit
5.04	Capital	£ 300.00			
			7.04	Purchase	£ 200.00
8.04	Loan Tatiana	£ 250.00			
			15.04	Motor Van	£ 150.00
20.04	Sales	£ 350.00			
			28.04	Rent	£ 50.00
			29.04	Loan Tatiana	£ 200.00
			30.04	Drawing	£ 60.00
			30.04	Balance c/d	£ 240.00
		£ 900.00			£ 900.00
1.05	Balance b/d	£ 240.00			

Loan Tatiana

Date	Description	Debit	Date	Description	Credit
29.04	Cash	£ 200.00	8.04	Cash	£250.00
30.04	Balance c/d	£ 50.00			
		£ 250.00			£250.00
			1.05	Balance b/d	£50.00

Capital

data	description	debit	data	description	credit
30.04	cash	£60.00	5.04	cash	£ 300.00
	balances c/d	£240.00			
	total	£300.00		balances b/d	£ 240.00

Trial balance at 30 Apr

	Debit	Credit
Cash	£240.00	
Capital		£300.00
Purchases	£200.00	
Loan		£50.00
Motor Van	£150.00	
Sales		£350.00
Rent	£50.00	
Drawing	£60.00	
	£700.00	£700.00

Closing stock at 30 April: 100

c) Statement of Loss or Profit

Description	Debit	Credit
Sales		£350.00
Cost of goods sold		
Purchases	£200.00	
	-	
Less Closing stock	£100.00	
Net cost of goods sold	£100.00	
Gros profit		£250.00
Less Expenses		
Rent	£50.00	
Total Expenses	£50.00	
Net profit		<u>£200.00</u>

Statement of financial position at 30 April		
Description	Debit	Credit
Non-current assets		
Motor Van	£150.00	
Total non-current assets		£150.00
Current assets		
Inventory	£100.00	
Cash	£240.00	
Total current assets		£340.00
Total assets		<u>£490.00</u>
Total Liabilities		
Current liabilities		
Loan		£50.00
Total Liabilities		£50.00
Capital	£300.00	
Add net profit	£200.00	
Less drawings	-£60.00	
Net Capital		£440.00
Total liabilities + capital		<u>490</u>

TASK 2

a) Journal

Date	Description	Debit	Credit
01-Jan	Cash	£5,000.00	
	Capital		£5,000.00
02-Jan	Motor van	£600.00	
	Cash		£600.00
03-Jan	Purchases	£1,300.00	
	Cash		£1,300.00
04-Jan	Cash	£1,000.00	
	Loan Ser		£1,000.00
	Expenses motor		
10-Jan	van	£200.00	
	Cash		£200.00
13-Jan	Cash	£300.00	
	Sales		£300.00
20-Jan	Cash	£500.00	
	Sales		£500.00
24-Jan	Expenses	£150.00	
	Cash		£150.00
27-Jan	Loan Sergei	£350.00	
	Cash		£350.00
30-Jan	Drawings	£175.00	
	Cash		£175.00

Ledger accounts

Cash

Date	Description	Debit	Date	Description	Credit
01-Jan	Capital	£5,000.00	02-Jan	Motor van	£600.00
			03-Jan	Purchases	£1,300.00
04-Jan	Loan Ser	£1,000.00		Expenses motor	
			10-Jan	van	£200.00
13-Jan	Sales	£300.00			
20-Jan	Sales	£500.00	24-Jan	Expenses	£150.00
			27-Jan	Loan	£350.00
			30-Jan	Drawing	£175.00
			30-Jan	Balance c/d	£4,025.00
		£6,800.00			£6,800.00
01-Feb	Balance b/d	£4,025.00			

Loan Sergey

Date	Description	Debit	Date	Description	Credit
27-Jan	Cash	£350.00	04-Jan	Cash	£1,000.00
30-Jan	Balance c/d	£650.00			
		£1,000.00			£1,000.00
			01-Feb	Balance b/d	£650.00

Sales

Date	Description	Debit	Date	Description	Credit
			13-Jan	Cash	300
			20-Jan	Cash	500
30-Jan	Balance c/d	800			800
			01-Feb	Balance b/d	800

b)

Trial Balance

Description	Debit	Credit
Cash	£4,025.00	
Loan		£650.00
Sales		£800.00
Capital		£5,000.00
Motor van	£600.00	
Purchases	£1,300.00	
Expenses Motor van	£200.00	
Expenses	£150.00	
Drawing	£175.00	
	£6,450.00	£6,450.00

Closing stock at 31 Jan : £ 800

c) Statement of profit or loss for the month ended 31 Jan

Description	£	£
Sales		800
cost of goods sold		
Purchases	1300	
Less Closing stock	-800	
Net cost of goods sold	500	
Gros profit		300
Less Expenses		
Expenses Motor van	200	
Expenses	150	
Total Expenses	350	
Net Profit		-50

TASK 3

a) Ledger accounts

Trade Receivables Account - Smith					
Date		Debit	Date		Credit
1.01	Sales	£18.00	7.01	Cash	£18.00
		£18.00			£18.00

Trade Receivables Account - Moon					
Date		Debit	Date		Credit
1.01	Sales	£26.00			
			31.01	Bal c/d	£26.00
		£26.00			£26.00
	Bal b/d	£26.00			

Trade Payable Account - Max					
Date		Debit	Date		Credit
9.01	Cash	£21.00	1.01	Purchases	£21.00
		£21.00			£21.00

Cash					
Date		Debit	Date		Credit
1.01	Capital	£343.00	5.01	Wages	£12.00
7.01	Tr. Rec. Account - Smith	£18.00	9.01	Tr. Pay. Account - Max	£21.00
11.01	Sales	£64.00	14.01	Wages	£14.00
23.01	Tr. Rec. Account - Harvey	£25.00	14.01	Purchases	£75.00
21.01	Sales	£110.00	15.01	Tr. Pay. Account - Rich	£162.00
28.01	Sales	£84.00	20.01	Office desk	£32.00
31.01	Sales	£30.00	21.01	Wages	£17.00
			23.01	Office expense	£3.00
			28.01	Wages	£15.00
			31.01	Bal c/d	£323.00
		£674.00			£674.00
	Bal b/d	£323.00			

Inventory

Date		Debit	Date		Credit
1.01	Capital	£458.00			
			31.01	Bal c/d	£458.00
		£458.00			£458.00
	Bal b/d	£458.00			

Capital

Date		Debit	Date		Credit
			1.01	Cash	£343.00
			1.01	Inventory	£458.00
31.01	Bal c/d	£999.00	1.01	Furniture and fittings	£198.00
		£999.00			£999.00
				Bal b/d	£999.00

Office desk

Date		Debit	Date		Credit
20.01	Cash	£32.00			
			31.01	Bal c/d	£32.00
		£32.00			£32.00
	Bal b/d	£32.00			

Trade Receivables Account - Harvey

Date		Debit	Date		Credit
1.01	Sales	£39.00	23.01	Cash	£25.00
2.01	Sales	£124.00			
			31.01	Bal c/d	£138.00
		£163.00			£163.00
	Bal b/d	£138.00			

Trade Payable Account - Rich

Date		Debit	Date		Credit
15.01	Cash	£ 162.00	1.01	Purchases	£12.00
			5.01	Purchases	£150.00
		£ 162.00			£162.00

Sales

Date		Debit	Date		Credit
			1.01	Tr. Rec. Account - Smith	£18.00
			1.01	Tr. Rec. Account - Harvey	£39.00
			1.01	Tr. Rec. Account - Moon	£26.00
			2.01	Tr. Rec. Account - Harvey	£124.00
			11.01	Cash	£64.00
			21.01	Cash	£110.00
			28.01	Cash	£84.00
			31.01	Cash	£30.00
31.01	Bal c/d	£495.00			
		£495.00			£495.00
				Bal b/d	£495.00

Purchases

Date		Debit	Date		Credit
1.01	Tr. Pay Account - Max	£12.00			
1.01	Tr. Pay Account - Rich	£21.00			
5.01	Tr. Pay Account - Rich	£150.00			
14.01	Cash	£75.00	31.01	Bal c/d	£258.00
		£258.00			£258.00
	Bal b/d	£258.00			

Furniture and fittings

Date		Debit	Date		Credit
1.01	Capital	£198.00			
			31.01	Bal c/d	£198.00
		£198.00			£198.00
	Bal b/d	£198.00			

Wages

Date		Debit	Date		Credit
5.01	Cash	£12.00			
14.01	Cash	£14.00			
21.01	Cash	£17.00			
28.01	Cash	£15.00	31.01	Bal c/d	£58.00
		£58.00			£58.00
	Bal b/d	£58.00			

Office expenses

Office Expenses					
Date		Debit	Date		Credit
23.01	Cash	£3.00			
			31.01	Bal c/d	£3.00
		£3.00			£3.00
	Bal b/d	£3.00			

b)

Trial balance at 31 January

Trial balance at 31 January		Debit	Credit
-			
Trade Receivables Account - Harvey		£138.00	
Trade Receivables Account - Moon		£26.00	
Sales			£495.00
Cash		£323.00	
Purchases		£258.00	
Opening inventory		£458.00	
Furniture and fittings		£198.00	
Capital			£999.00
Wages		£58.00	
Office desk		£32.00	
Office expenses		£3.00	
		£1,494.00	£1,494.00

Closing inventory	£374.00
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Statement of profit or loss for the month ended 30 April		
Description	Debit	Credit
Sales		£495.00
Cost of goods sold		
Opening inventory	£458.00	
Purchases	£258.00	
Less Closing stock	-£374.00	
Net cost of goods sold	£342.00	
Gros profit		£153.00
Less Expenses		
Office expense	£3.00	
Wages	£58.00	
Total Expenses	£61.00	
Net profit		<u>£92.00</u>

Statement of financial position at 30 April		
Description	Debit	Credit
Non-current assets		
Furniture and fittings	£198.00	
Office desk	£32.00	
Total non-current assets		£230.00
Current assets		
Inventory	£374.00	
Cash	£323.00	
Trade Receivables (138+26)	£164.00	
Total current assets		£861.00
Total assets		<u>£1,091.00</u>
Total Liabilities		
Current liabilities		
Total Liabilities		
Capital		£999.00
Add net profit		£92.00
Net Capital		
Total liabilities + capital		<u>£1,091.00</u>

TASK 4

Trade Receivables Account - Claire

Date		Debit	Date		Credit
2.06	Sales	£8,500.00	22.06	Return goods	£1,000.00
			24.06	Cash and Sales Discount	£7,500.00
		£8,500.00			£8,500.00

Trade Receivables Account - Mandy

Date		Debit	Date		Credit
24.06	Sales	£5,000.00			
				Bal c/d	£5,000.00
		£5,000.00			£5,000.00
	Bal b/d	£5,000.00			

Trade Payable Account - Andrew

Date		Debit	Date		Credit
27.06	Cash and Payment discount	£4,500.00	21.06	Purchases	£4,500.00
		£4,500.00			£4,500.00

Cash

Date		Debit	Date		Credit
20.06	Sales	£6,000.00	25.06	Tr. pey. Georgina	£11,160.00
24.06	Tr. rec. Clarie	£7,125.00	27.06	Tr. pey. Andrew	£4,410.00
25.06	Tr. rec. Hywel	£8,550.00			
				Bal c/d	£6,105.00
		£21,675.00			£21,675.00
	Bal b/d	£6,105.00			

Return goods

Date		Debit	Date		Credit
22.06	Tr.rec. Claire	£1,000.00			
				Bal c/d	
		£1,000.00			£1,000.00
	Bal b/d	£1,000.00			

Payments Discount Account

Date		Debit	Date		Credit
			25.06	Tr.pay. Georgina	£840.00
			27.06	Tr.pay. Andrew	£90.00
	Bal c/d	£930.00			
		£930.00			£930.00
				Bal b/d	£930.00

Trade Receivables Account - Hywel

Date		Debit	Date		Credit
14.06	Sales	£8,550.00	25.06	Cash	£8,550.00
		£8,550.00			£8,550.00

Trade Payable Account - Georgina

Date		Debit	Date		Credit
25.06	Cash and Payment discount	£12,000.00	13.06	Purchases	£12,000.00
		12000			£12,000.00

Sales

Date		Debit	Date		Credit
			2.06	Tr.rec. Clarie	£8,500.00
			14.06	Tr.rec. Hywel	£8,550.00
			20.06	Cash Jane	£6,000.00
			24.06	Tr.rec. Mandy	£5,000.00
	Balance c/d	£28,050.00			
		£28,050.00			£28,050.00
			Bal b/d		£28,050.00

Purchases

Date		Debit	Date		Credit
13.06	Tr.pay.Georgina	£12,000.00			
21.06	Tr.pay.Andrew	£4,500.00			
				Bal c/d	£16,500.00
		£16,500.00			£16,500.00
	Bal b/d	£16,500.00			

Sales Discount Account

Date		Debit	Date		Credit
24.06	Tr.rec. Claire	£375.00			
				Bal c/d	£375.00
		£375.00			£375.00
	Bal b/d	£375.00			

Trial balance at 27 June			
		Debit	Credit
Trade Receivables Account - Mandy		£5,000.00	
Sales			£28,050.00
Cash		£6,105.00	
Purchases		£16,500.00	
Return goods		£1,000.00	
Sales Discount Account		£375.00	
Payments Discount Account			£930.00
		<u>£28,980.00</u>	<u>£28,980.00</u>

International Accounting Standard regulates issues related to the content, structure, and presentation of information in the financial statements. This standard should be used by all companies, including banks and insurance companies, and is also applicable to both individual and consolidated accounts. As the main elements of the financial statements, the standard specifies - Balance sheet, Profit and loss account, cash flow statement, equity statement, disclosure of accounting policies and other Explanatory notes.

TASK 5

Introduction

The occurrence of expenses during the activity is natural. Costs are incurred to increase the efficiency of business and further returns. They are classified into two categories: capital and income expenses. Capital expenditures are incurred to acquire an asset or to improve its capacity. Conversely, it is the cost of revenue that implies routine costs arising in daily activity.

Revenue Expenditure

Definition and Explanation

All costs incurred on the day of the treatment and administration of the business and the result of which is wholly exhausted within the current accounting year are known as "revenue costs." These costs are repeated in nature, i.e., which are made for today's business requirements, and the effect of these costs is always short, i.e., the benefit of its benefits from the business activity within the current accounting year. These costs are also known as "cost or expired costs." For example, purchase of goods, paid salaries, expenses, rents, travel expenses, purchased stationery, salaries paid for purchased goods, etc. These costs are incurred for goods or services which are useful for the business but are used for less than one year and therefore only temporarily increase the profit capacity of the business. The cost of revenue also includes costs incurred for the purchase of raw material and warehouses necessary for the production of goods for sale and the costs incurred in maintaining the fixed assets under appropriate working conditions, i.e., repair of machinery, building, furniture, etc.

The examples of revenue expenditure are – Printing & Stationery, Repairs and Maintenance Expenses, Wages & Salary, Inventory, Postage, Insurance, Electricity Expenses, taxes, etc.

Capital Expenditures

Definition and Explanation

An expense that results in the acquisition of a fixed asset that is intended for permanent use in business to earn revenue is known as

capital expenditure. These costs are "non-recurring " in nature. The business uses the assets acquired by acquiring these costs for a long time and thus earn revenue. For example, money spent on the purchase of buildings, machines, furniture, etc. Take the case of machinery- machines are used permanently; the production of goods and profits are earned by selling these goods. This is not an expense for an accounting period, machines have a long life, and the benefit of it will be used for an extended period. For a long period, we mean a period exceeding one reporting period. All costs incurred in order to increase the earning capacity or reduce production costs are capital expenditures. Capital expenditures are also costs that do not lead to an increase in earning capacity but acquire a fixed asset in a relatively permanent nature.

Example for capital expenditures – Purchase of Machinery or installation of equipment to the machinery which will improve its productivity capacity or life years.

Differences Between Capital and Revenue Expenditure

1. Capital expenditure produces future economic benefits. Revenue expenditure creates benefits for the current year only.
2. The main difference between the two is that Capital expenditure is a one-time investment of money. On the contrary, revenue expenditure occurs frequently.
3. Capital expenditure is publicized in the Balance Sheet, in the asset side, and the Income Statement. Revenue Expenditure is publicized only in the Income Statement.
4. Revenue Expenditure, which is not capitalized as opposed to Capital Expenditure is capitalized.
5. Capital Expenditure is a long term expenditure. Revenue Expenditure is a short term expenditure.
6. Revenue expenditure goals at maintaining the earning capacity of the company. Capital Expenditure endeavors to improve the earning capacity of the entity.
7. Capital expenditure is not corresponding with the capital windfalls. Revenue expenditure is matched with the revenue windfalls.

The benefit of capital expenditures lasts more than one reporting period. However, revenue costs form the backbone of any organization. The organization may have no capital expenditures in any year, but it is impossible not to have any cost of revenue. Capital expenditures symbolize the growth and expansion of this organization. The impaired assets are required to be replaced over a while, and the cost of revenue is required to earn the operating income. If the costs are misused, the assets will increase, and the profits will be overstated for that amount. Therefore, special care is taken by accountants and auditors, verifying their classification.

CONCLUSION

Capital and revenue expenditure is viewed as an essential viewpoint for the association as it gives exceptional results to the hierarchical points of view. Both the use is spent on the particular premise that attempts to perform specific targets of the association. Capital consumption can yield extended haul benefits for the association and then again, income use thinks about immediate results of the association through resources and comparative methods. Determination Accounting gives a reasonable sign of the business association could keep up business understanding the setting of costs in maintaining the business activities legitimately. The estimation of the exchanges gave additionally legitimize the result of the specific accounting standards and configurations on inferring the exchanges. Records payables and records receivables are to be characterized appropriately in understanding the business exchanges.

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