

University of Wales Trinity Saint David

Course: BA Business Management

Module: Accounting Fundamentals

LCBB4001

Year1, Term1

Assesment 1

Student Name: Ivanka Nikolova

Student ID: 1904047

Lecture: Rexion Nung

Task 1

Maxim commenced trading in his bakery on 5 April.

All his transactions were on a cash basis, as follows:

5 April	Introduced cash into the business of £300
7 April	Purchased goods for £200
8 April	Received loan from Tatiana of £250 repayable within twelve months
15 April	Purchased a motor van for £150
20 April	Sold goods for £350
28 April	Paid rent of £50
29 April	Repaid part of the loan £200
30 April	Drew cash from the business £60.
At 30 April	Maxim had £100 goods in hand

Capital Account

Drawings	60	Cash	300
Balance	240		
	300		300
		Balance	240

Cash Account

Capital	300	Purchases	200
		Loan	
Loan	250	repayment	200
Sales	350	Motor van	150
		Rent	50
		Drawings	60
		Balance	240
	900		900
Balance	240		

Loan Account

Cash	200	Cash	250
Balance	50		

<u>250</u>	<u>250</u>
Balance	50

Van Account

Cash	150	Balance	150
	<u>150</u>		<u>150</u>
	Balance		
	150		

Purchases Account

Cash	200	Cost of goods sold	100
		Closing stock	100
	<u>200</u>		<u>200</u>

Sales Account

Balance	350	Cash	350

[illegible]

	Dr	Cr
Capital		240.00
Cash	240.00	
Loan		50.00
Motor Van	150.00	
Sales		350.00
Cost of goods sold	100.00	
Rent Expense	50.00	
Stock	100.00	
	640.00	640.00

Statement of Profit and Loss

As of 30th April

Sales	350.00
less cost of goods sold	100.00
Gross profit	250.00
Expenses	
Rent Expense	50.00
Total expenses	50.00
NET PROFIT (Net Income)	200.00

Statement of financial position

As at 30th April

£

Assets

Non-Current Assets

Motor Van	150.00
	<u>150.00</u>

Current Assets

Inventories	100.00
Cash and cash equivalents	<u>240.00</u>
	<u>340.00</u>

Total Assets **490.00**

Equity and Liabilities

Share Capital	300.00
Drawings	60.00
Retained earnings	200.00

Total Equity	<u>440.00</u>
Current liabilities	
Loan	<u>50.00</u>
Total current liabilities	<u>50.00</u>
Total liabilities	<u>50.00</u>
Total equity and liabilities	<u><u>490.00</u></u>

Task2

Pendo

All transactions are on a cash basis.

1 January Pendo paid £5,000 into the business

2 January Bought a motor van for £600

3 January Bought goods for £1,300

4 January Received a loan from Sergei £1,000 repayable within twelve months

10 January Paid expenses on the motor van of £200

13 January Sold goods for £300

20 January Sold goods for £500

24 January Paid storage expenses £150

27 January Repaid Sergei part of his loan £350

30 January Withdrew cash from the business £175

31 January Closing inventory was £800

Capital Account			
30 th Jan	Drawings	175.00	1stJanCash 5,000.00
	Balance	4,825.00	

<u>5,000.00</u>	<u>5,000.00</u>
Balance	4,825.00

Cash Account

1 st Capital	5,000.00	2ndMotor Van	600.00
4 th Loan	1,000.00	3rdPurchases	1,300.00
13thSales	300.00	10thVan expenses	200.00
20thSales	500.00	24 th Storage expenses	150.00
		27 th Loan	350.00
		30thDrawing	175.00
		Balance	<u>4,025.00</u>
	<u>6,800.00</u>		<u>6,800.00</u>
Balance	4,025.00		

Purchases Account

3rdCash	1,300.00	31stClosing Inventory	800.00
		31stCost of goods sold	500.00
	<u>1,300.00</u>		<u>1,300.00</u>

Loan Account

27thCash	350.00	4thCash	1,000.00
----------	--------	---------	----------

Balance	650.00		
	<u>1,000.00</u>		<u>1,000.00</u>
		Balance	650.00

Motor Van Account

2ndCash	600.00	Balance	600.00
	<u>600.00</u>		<u>600</u>
Balance	600.00		

Sales Account

Balance	800.00	13thCash	300.00
		20thCash	500.00
	<u>800.00</u>		<u>800.00</u>
		Balance	800.00

[illegible][illegible][illegible]

Stock			
31stClosing stock	800.00	Balance	800.00
	800.00		800.00
Balance	800.00		

	Dr	Cr
Capital		4,825.00
Cash	4,025.00	
Loan		650.00
Motor Van	600.00	
Sales		800.00
Cost of goods sold	500.00	
van expense	200.00	
Storage expense	150.00	
Closing stock	800.00	
	6,275.00	6,275.00

Statement of Profit and Loss

As of 31st January

Sales	800.00
less cost of goods sold	500.00
Gross profit	300.00
Expenses	
van expense	200.00
Storage expense	150.00
Total expenses	350.00
NET PROFIT/Loss (Net Income)	- 50.00

Pendo

Statement of financial position

As at 31st January

Assets

Non-Current Assets

Motor Van	600.00
	<u>600.00</u>

Current Assets

Stock	800.00
Cash and cash equivalents	<u>4,025.00</u>
	<u> </u>
	<u>4,825.00</u>

Total Assets 5,425.00

Equity and Liabilities

Share Capital	5,000.00
less: Drawings	175.00
	-
Retained earnings	50.00

Total Equity	<u>4,775.00</u>
Current liabilities	
Loan	<u>650.00</u>
Total current liabilities	<u>650.00</u>
Total liabilities	<u>650.00</u>
Total equity and liabilities	<u><u>5,425.00</u></u>

Task3

Mafuta assets on the 1st January were: £

Cash in hand £343

Inventory £458

Furniture and fittings £ 198

Receivables

Smith is £18

Harvey is £39

Moon £26

Mafuta liabilities £

Rich 12

Max 21

Mafuta

2 January Goods sold to Harvey on credit £124

5 January Paid wages £12

Bought goods on credit from Rich £150

7 January Smith settled his account

9 January Paid the amount owing to Max

Cash Account

Cash	343.00	Wages	12.00
Smith	18.00	Smith	21.00
Sales	64.00	Wages	14.00
Sales	110.00	Purchase	75.00
Harvey	25.00	Rich	162.00
Sales	84.00	Office desk	32.00
Sales	30.00	wages	17.00
		Office expense	3.00
		wages	15.00
-			
		Balance	323.00
	<u>674.00</u>		<u>674.00</u>
Balance	323.00		

Sales

Balance	412.00	Harvey	124.00
		Cash	64.00
		Cash	110.00
		Cash	84.00
		Cash	30.00
	<u>412.00</u>		<u>412.00</u>
		Balance	412.00

Inventory

Balance	458.00		
Rich	150.00	cost goods sold	309.00
Cash	75.00		
		Balance	374.00
	<u>683.00</u>		<u>683.00</u>
Balance	374.00		

Wages Expenses

Cash	12.00	Balance	58.00
Cash	14.00		
Cash	17.00		
cash	15.00		
	<u>58.00</u>		<u>58.00</u>
Balance	58.00		

Accounts Receivables Account

Smith	18.00	Cash	18.00
Harvey	39.00	Harvey payment	25.00
Moon	26.00		
Harvey	124.00	balance	164.00
	<u>207.00</u>		<u>207.00</u>

Balance 164.00

Furniture and Fittings

Balance	198.00	Balance	230.00
Office desk	32.00		
	<u>230.00</u>		<u>230.00</u>

Balance 230.00

Accounts Payables			
Cash	21.00	Rich	12.00
Cash	162.00	Max	21.00
		Sales	150.00
	183.00		183.00

Trial Balance
As at 31st January

	Dr	Cr
Furniture and fittings	230.00	
Cash	323.00	
Accounts Receivable	164.00	
Sales		412.00
Cost of goods sold	309.00	
Office expense	3.00	
Wages expense	58.00	
Capital		1,049.00
Closing Stock	374.00	
	1,461.00	1,461.00

Statement of Profit and Loss

As of 31st January

Sales	412.00
less cost of goods sold	309.00
Gross profit	103.00
Expenses	
Office expense	3.00
Wages expense	58.00
Total expenses	61.00
NET PROFIT/Loss (Net Income)	42.00

Statement of financial position

As at 31st January

Assets

Non-Current Assets

Furniture and fittings	230.00
	<u>230.00</u>

Current Assets

Inventories	374.00
Accounts Receivables	164.00
Cash and cash equivalents	<u>323.00</u>
	<u>697.00</u>
Total Assets	<u>927.00</u>

Equity and Liabilities

Equity	969.00
Retained earnings	<u>42.00</u>
Total Equity	<u>927.00</u>
Current liabilities	
Accounts Payable	<u>-</u>
Total current liabilities	<u>-</u>
Total liabilities	<u>-</u>
Total equity and liabilities	<u><u>927.00</u></u>

Task 4

Ricardo

2 June Sold goods to Claire for £8,500 on credit; offered a 5% quick settlement discount.

13 June Bought goods from Georgina for £12,000 on credit; Georgina offered a 7% quick settlement discount.

14 June Sold goods to Hywel for £9,000 after a 5% trade discount.

20 June Sold goods to Jane for £6,000 cash.

21 June Bought goods on credit for £4,500 from Andrew who offered a 2% quick settlement discount.

22 June Claire returned goods sold of £1,000.

24 June (i) Mandy bought goods worth £5,000 and was offered a 3% quick settlement discount. (ii) Claire took advantage of Ricardo's discount and paid the net amount due after taking the discount offered.

25 June (i) Hywel settled the amount due in full. (ii) Ricardo paid Georgina the amount due after deducting the discount offered.

27 June Ricardo paid Andrew in full, after deducting the discount offered.

**Sales
Account**

balance	28,500.00	Claire	8,500.00
		Hywel	9,000.00
		jane	6,000.00
		Mandy	5,000.00
	<u>28,500.00</u>		<u>28,500.00</u>
		balance	28,500.00

Accounts Receivable

Claire	8,500.00	Claire Returns	1,000.00
Hywel	9,000.00	Cash:Claire	7,125.00
Mandy	5,000.00	Cash:Hywel	9,000.00
		balance	5,375.00
	<u>22,500.00</u>		<u>22,500.00</u>
balance	5,375.00		

	Discount Offered A	
balance	825.00	Discount on sales 450.00
		Discount on sales 375.00
	<u>825.00</u>	<u>825.00</u>
	balance	825.00

Discount Expense			
Discount on sales	450.00	balance	825.00
Discount on sales	375.00		
	<u>825.00</u>		<u>825.00</u>
balance	825.00		

Cash			
Sales	6,000.00	Georgina	11,460.00
Accounts receivable	6,930.00	Mathew	4,410.00
Accounts receivable	9,000.00	balance	6,060.00
	<u> </u>		<u> </u>
	<u> </u>		<u> </u>

balance	6,060.00
---------	----------

[illegible]

balance	1,000.00
---------	----------

Cash	11,460.00	Purchases	12,000.00
Cash	4,410.00	Purchases	4,500.00
balance	630		
	16,500.00		16,500.00
		balance	630

	Discount Received		
Discount Revenue	540.00	balance	630.00
Discount Revenue	90.00		
	<u>630.00</u>		<u>630.00</u>
balance	630.00		

Accounting Fundamentals, Assesment 1, Student ID:1904047

**Trial Balance
As at 27th June**

	Dr	Cr
Sales		28,500.00
Accounts receivable	5,375.00	
Accounts payable		630.00
Discount expense	825.00	
Discount revenue		630.00
Cash	6,060.00	
Sales returns	1,000.00	
cost of goods sold	16,500.00	
	29,760.00	29,760.00

Task 5

“Demonstrating your research, differentiate between revenue expenditure and capital expenditure with reference to International Accounting Standards “

The main difference between revenue expenditures and capital expenditure is the time scale of the purchase. We can differentiate between the two if they are used over a long or short term. Revenue expenditure is typically referred to as an ongoing expense. Capital Expenditures are typically one-time large purchases and will be used over a more extended period of time. One further example is the differentiation between capital and revenue expenditure, where such expenses as rent and wages have been treated as revenue expenditures and have been taken account of in the calculation of the net profit. (Stevens and Kriefman ,1988)

Capital Expenditures are represented as a significant investment of capital that a business makes to operate to grow and expand. They will help the business to increase the value and generate additional profits. Capital expenses are long-term assets such as facilities, buildings or manufacturing equipment. In addition they are used to acquire, upgrade, and maintain physical assets. Capital expenditure are often used to undertake new projects or investments by a company. Because such assets provide income-generating value for a business over a long period of time, companies are not allowed to deduct the full cost of the assets in the year the purchase was made. They will recover the cost through year by year depreciation over the useful life of the assets.

Revenue Expenditures

Revenue expenses are shorter-term expenses that are broken down into two categories:

Expenditures for generating revenue include expenses required to meet the ongoing operational costs of running a business and are essentially the same as operating expenses. They can be fully tax deducted in the same year the expenses occur.

Revenue expenditures for maintenance of revenue-generating assets include the ordinary repair and maintenance costs that are necessary to keep the asset in working order without substantially improving or extending the useful life of the asset. Revenue expenditures can be considered to be recurring expenses in contrast to the one-off nature of most capital expenditures.(Maverick,2019)

Revenue Expenditure

- 1.Expenditure for items which are used for day-to-day running expense of the business.They are normally used up in less than one accounting period.
2. They appear in the trading Profit and Loss Accounts as a reduction to profits.
3. As such as goods bought for resale, all running expenses such as rent, interest, decoration to premises, depreciation.

Capital Expenditure

1. Expenditure on assets which last for a long time permanently increase the profit-making capacity of the business.
2. They appear in the Balance Sheet as an increase in the value of assets.
3. As such as purchase of land,premises, vehicles,office equipment,extension to premises,renovation to premises and legal fees.

Refernces:

- J.B Maverick (2019) 'How do capital and revenue expenditures differ?', , (), pp. 1-2 [Online]. Available at: <https://www.investopedia.com/ask/answers/021115/what-difference-between-capital-expenditure-and-revenue-expenditure.asp> (Accessed: 30th December 2019).
- P. Stevens and B. Kriefman (1988) *Accounting Concepts*, : Palgrave, London.

