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ACCOUNTING FUNDAMENTALS

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Introduction

The core accounting facilities are used for recording and data evaluation. The business transactions are recorded organization in such a manner that core financial data. Therefore, organizations need to follow guidelines at the time of maintaining data. Accounting can be refer to as the precise, extensive chronicle of a financial exchange identifying with any business. Additionally, alludes to as a procedure of examining, outlining and detailing these exchanges to the expense assortment offices and oversight organizations (Chadha et. al., 2018). Accounting encourages the administration to have the option to find out the financial situation of the business (Calabrese and Ward, 2018). With all accounting exercises, the last report gave encourages the board to realize the business position so they can have the option to know which bearing they are finishing. Accounting is significant and required for any business exchanges (Fera et. al., 2018). It helps in recording, arranging lastly outlining the exchanges in a business. This empowers thinking of a very much dissected financial record like monetary record, preliminary equalization among others when accounting is done appropriately inside the business exchanges. Accounting helps in basic leadership, arranging, and controlling procedures. It's with the assistance of accounting there will be reports which will be calculated in completing these procedures (Calabrese and Ward, 2018). Again, with these deliberate records, they help in decrease of robbery and fakes. In this report, the concentration is on preparation of financial statements based on the given scenario. This report also helps address purpose and nature of cost accounting. The basic accounting principles have been used and it has been forecasted in the report.

Task 1

a. Presentation of ledger

Liquid asset Account					
4/5/2019	Investment account	300	4/7/2019	goods bought Account	200
4/8/2019	landing account	250	4/15/2019	Vehicle Account	150
4/20/2019	Sales made	350	4/28/2019	Payment of rent Account	50
			4/29/2019	Landing Account	200

			4/30/2019	Drawings Account	60
			4/30/2019	Balance c/d	240
	total	900		total	900

Investment Account					
4/30/2019	Drawing Account	60	4/5/2019	Liquid asset Account	300
4/30/2019	Balance c/d	240			
	total	300		total	300

Goods bought Account					
4/7/2019	Liquid asset Account	200	4/30/2019	Trade Account	200
	total	200		total	200

Landing Account					
4/29/2019	Liquid asset Account	200	4/8/2019	Liquid asset Account	250
4/30/2019	Balance c/d	50			
	total	250		total	250

Vehicle Account					
4/15/2019	Liquid asset Account	150	4/30/2019	Balance c/d	150
	total	150		total	150

Sales made Account					
4/30/2019	Trade Account	350	4/20/2019	Liquid asset Account	350

	total	350		total	350
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Payment of rent Account					
Date	Particulars	Amount	Date	Particulars	Amount
4/28/2019	Liquid asset Account	50	4/30/2019	Trade Account	50
	total	50		total	50

Drawings Account					
4/30/2019	Liquid asset Account	60	4/30/2019	Investment Account	60
	total	60		total	60

Table 1: Ledger Accounts

B. Preparation of trial balance on 31 January

Balance details		
	DR	CR
Liquid asset	240	
Investment		240
Goods bought	200	
Landing		50
Vehicle	150	
Sales made		350
Payment of rent	50	
	640	640

Table 2: Trial balance

C. Presentation of P & L statement

Statement of Profit & Loss Account			
Goods bought	200	Sales made	350
Payment of rent	50	Finished stock	100
Net Profit	200		

Balance Sheet			
Liabilities		Assets	
Investment	240	Liquid asset	240
Landing	50	Vehicle	150
Retained Earning	200	Finished stock	100
TOTAL	490	TOTAL	490

Table 3: Profit & Loss Account and Balance sheet

Maxim commenced started trade in the bakery on 5th April and the transactions have been recorded in ledger account. The above computation helps to identify that Maximum net profit earning is worth £ 200. Thus, company's financial position is positive enough.

Task 2

a. Preparation of ledger accounts

Liquid asset Account					
1/1/2019	Investment Account	5000	1/2/2019	Vehicle	600
1/4/2019	Landing Account	1000	1/3/2019	Goods bought Account	1300
1/13/2019	Sales made Account	300	1/10/2019	Repairing Expenses Account	200
1/20/2019	Sales made Account	500	1/24/2019	Store Expenses Account	150
			1/27/2019	Landing Account	350
			1/31/2019	Drawings Account	175

			1/31/2019	Balance c/d	4025
	total	6800		total	6800

Investment Account					
1/31/2019	Drawings Account	175	1/1/2019	Liquid asset Account	5000
1/31/2019	Balance c/d	4825			
	total	5000		total	5000

Vehicle Account					
1/2/2019	Liquid asset Account	600	1/31/2019	Balance c/d	600
	total	600		total	600

Goods bought Account					
1/3/2019	Liquid asset Account	1300	1/31/2019	Trade Account	1300
	total	1300		total	1300

Landing Account					
1/27/2019	Liquid asset Account	350	1/4/2019	Liquid asset Account	1000

1/31/2019	Balance c/d	650			
	total	1000		total	1000

Repairing Expense Account					
1/10/2019	Liquid asset Account	200	1/31/2019	P&L Account	200

Sales made Account					
1/31/2019	Trade Account	800	1/13/2019	Liquid asset Account	300
			1/20/2019	Liquid asset Account	500
	total	800		total	800
	total	200		total	200

Store Expense Account					
1/24/2019	Liquid asset Account	150	1/31/2019	P&L Account	150
	total	150		total	150

Drawings Account					
1/30/2019	Liquid asset Account	175	1/31/2019	Investment Account	175
	total	175		total	175

Table 4: Ledger Accounts

B. Preparation of trial balance as on 31st January

Trial Balance		
	dr	Cr
Liquid asset	4025	
Investment		4825
Vehicle	600	

Goods bought	1300	
Landing		650
Repairing Expense	200	
Sales made		800
Store Expense	150	
	6275	6275

Table 5: Trial balance

C. Presentation of the statement of P & L

Statement of Profit & Loss Account			
Goods bought	1300	Sales made	800
Repairing Expense	200	Finished stock	800
Rent Expense	150	Net Profit	50

Balance Sheet			
Liabilities		Assets	
Investment	4825	Liquid asset	4025
Landing	650	Vehicle	600
Retained Earning	-50	Finished stock	800
TOTAL	5425	TOTAL	5425

Table 6: Profit & Loss Account and Balance sheet

The company is running in loss because for £ 50 which is an indicator of negative business performance.

Task 3

a. Closing of relevant ledger accounts

Liquid asset Account					
1/1/2019	Balance b/d	343	1/5/2019	Payment of wage Account	12
1/7/2019	Smith's Account	18	1/9/2019	Max's Account	21

1/11/2019	Sales made Account	64	14-Jan	Payment of wage Account	14
1/21/2019	Sales made Account	110	14-Jan	Goods bought Account	75
1/23/2019	Harvey's Account	25	15-Jan	Rich's Account	162
1/28/2019	Sales made Account	84	20-Jan	Furniture & Fittings	32
1/31/2019	Sales made Account	30	21-Jan	Payment of wage Account	17
			23-Jan	Office Expense Account	3
			28-Jan	Payment of wage Account	15
			31-Jan	Balance c/d	323
	total	674		total	674

Furniture and Fittings Account					
1/1/2019	Balance b/d	198	31-Jan	Balance c/d	230
1/20/2019	Liquid asset Account	32			
	total	230		total	230

Smith's Account					
1/1/2019	Balance b/d	18	1/7/2019	Liquid asset Account	18
	total	18		total	18

Harvey's Account					
1/1/2019	Balance b/d	39	1/23/2019	Liquid asset Account	25
1/2/2019	Sales made Account	124	31-Jan	Balance c/d	138
	total	163		total	163

Moon's Account					
1/1/2019	Balance b/d	26	31-Jan	Balance c/d	26
	total	26		total	26

Rich's Account					
1/15/2019	Liquid asset Account	162	1/1/2019	Balance b/d	12
			1/5/2019	Goods bought Account	150
	total	162		total	162

Max's Account					
1/9/2019	Liquid asset Account	21	1/1/2019	Balance b/d	21
	total	21		total	21

Sales made Account					
1/31/2019	Trade Account	412	1/2/2019	Harvey's Account	124

			1/11/2019	Liquid asset Account	64
			21-Jan	Liquid asset Account	110
			28-Jan	Liquid asset Account	84
			31-Jan	Liquid asset Account	30
	total	412		total	412

Payment of wage Account					
1/5/2019	Liquid asset Account	12	1/31/2019	Trade Account	58
1/14/2019	Liquid asset Account	14			
1/21/2019	Liquid asset Account	17			
1/28/2019	Liquid asset Account	15			

	total	58		total	58
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Goods bought Account					
1/5/2019	Rich's Account	150	1/31/2019	Trade Account	225
1/14/2019	Liquid asset Account	75			
	total	225		total	225

Office Expense Account					
Date	Particulars	Amount	Date	Particulars	Amount
1/23/2019	Liquid asset Account	3	1/31/2019	P&L Account	3

	total	3		total	3
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Table 7: Ledger Accounts

b. Extraction of trial balance

Trial Balance		
Liquid asset	323	
Furniture and Fittings	230	
Investment		1049
Harvey's	138	
Moon's	26	
Rich's		
Opening Inventory	458	
Sales made		412
Payment of wage	58	
Goods bought	225	
Office Expense	3	
	1461	1461

Table 8: Trial balance

C. Determination of financial position

Profit & Loss Account			
Opening Inventory	458	Sales made	412
Goods bought	225	Finished stock	374
Payment of wage	58		
Office Expense	3		
Net Profit	42		

Balance Sheet			
Liabilities		Assets	
Investment	1049	Liquid asset	323
Retained Earning	42	Furniture and Fittings	230
		Debtors	164
		Finished stock	374
TOTAL	1091	TOTAL	1091

Table 9: P&L

Current payment of rent business scenario of Mafuta has been presented. The above financial presentation helps to extract that company belongs to a profitable condition which is amounted £ 42. Though the earning capacity of the company is low enough but still there is a positive business environment in the organization.

Task 4

Computation of ledger accounts

Sales made Account					
6/27/2019	Trade Account	28050	2-Jun	Claire's Account	8500
			6/14/2019	Hywei's Account	8550
			6/20/2019	Liquid asset Account	6000
			6/24/2019	Mandy's Account	5000
	total	28050		total	28050

Claire's Account					
6/2/2019	Sales made Account	8500	22-Jun	Sales made Return Account	1000
			6/24/2019	Liquid asset Account	7125
			6/24/2019	Discount Allowed Account	375
	total	8500		total	8500

Goods bought Account					
6/13/2019	Georgiana Account	12000	27-Jun	Trade Account	16500
6/21/2019	Andrew's Account	4500			
	total	16500		total	16500

Georgiana Account					
6/27/2019	Liquid asset Account	11160	13-Jun	Goods bought Account	12000
6/27/2019	Discount Received Account	840			
	total	12000		total	12000

Hywei's Account					
6/14/2019	Sales made Account	8550	25-Jun	Liquid asset Account	8550
	total	8550		total	8550

Liquid asset Account					
6/20/2019	Sales made Account	6000	25-Jun	Georgiana	11160
6/24/2019	Claire's Account	7125	6/27/2019	Andrew	4410
25-Jun	Hywei's Account	8550	27-Jun	Balance b/d	6105
	total	21675		total	21675

Andrew's Account					
6/27/2019	Liquid asset Account	4410	21-Jun	Goods bought Account	4500
6/27/2019	Discount Received Account	90			

	total	4500		total	4500
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Sales made Return Account					
6/22/2019	Claire's Account	1000	27-Jun	Trade Account	1000
	total	1000		total	1000

Mandy's Account					
6/22/2019	Sales made Account	5000	27-Jun	Balance c/d	5000
	total	5000		total	5000

Discount Allowed Account					
6/24/2019	Claire's Account	375	27-Jun	P&L Account	375

	total	375		total	375

Discount Received Account					
6/27/2019	P&L Account	930	25-Jun	Georgiana	840
			6/27/2019	Andrew	90
	total	930		total	930

Table 10: Ledger accounts

Transactions with individual customer and suppliers

Particular	Dr	Cr
Sales made		28050
Claire's		
Goods bought	16500	
Georgiana		
Hywei's		
Liquid asset	6105	
Andrew's		
Sales made Return	1000	
Mandy's	5000	
Discount Allowed	375	

Discount Received		930
	28980	28980

Table 11: balance Sheet

The current payment of rent financial condition of Ricardo is positive enough because it has been able to gain high volume of profit with respect to income and expenditure. Horngren Forster (2014) has mentioned that profit the amount which extracted after deducting expenses from income. Thus, company has been able to secure a good volume.

Task 5

Difference in payment of rendition between revenue and Investment expenditure

Basis	Revenue expenditure	Investment expenditure
Meaning	The computation of revenue expenditure is applied on small terms goods and services. Moreover, only payment of rent or shorter time period is considered under this (Calabrese and Ward, 2018).	This is completely opposite than revenue expenditure because it is applied for longer time duration. The time period is longer because long time expenditure is included in this.
Tenure	Time duration is within one year, it should not be more than that. Apart from a benefit is also expected between one year not more than that.	The time period exceeds 1 year because a longer term is incorporated. Longer service or benefit is expected (Chadha <i>et al.</i> 2018).
Presentation format of Financial reporting	It is posted in P&L statement. The balances which are generated from revenue income or expenditure tend earn profit.	The expenses are reported in the balance sheet. This particular aspect revolves around assets and liabilities.

Need	This has been done in the existing increase the business capacity (Elmagrh <i>et al.</i> 2018)	This expenditure helps ensure business growth and overall capability of the business
Examples	Salaries, Supplies, Commissions , Marketing and advertising and Telecommunication expenses are fallen under this.	Some important examples of Investment expenditures are office building, office equipments such as computers and furniture. Patent, license and trademarks are also example of this
Subcategory	It is categorized as direct and indirect expenditure	The expenditure is not subcategorized (Fera <i>et al.</i> 2018)
Consumption level	It is expected to be consumed as early as possible.	It is consumed during the useful life of an asset. This could exceed 10 to 15 years as well.
Size	Small volume of money used for this (Ferreira <i>et al.</i> 2019)	This is involved with larger volume of monetary amounts
Reason behind the expenditure	This is conducted establish regular contribution wards the business and maintenance of same efficiency level (Wood, 2015).	This amount is mainly spent an organization hike energy productivity of that organization. Along this it has

		also successive contribution upon revenue earning during a particular period
Investment	This has not been not capitalized	The Investment expenditure is capitalized
Capability of the expenses	There is no such impact on the earning capability of the organization through this (Kemp, 2018)	One of the best part of this expense is it helps increase the earning capability of the organization. This is the reason it is always appears on the asset side
Type of benefit	The benefit which has been occurred from this is intangible nature	A business can be expected tangible benefit
Nature of the expenditure	The amount of fund which has been spend under this is deviated for fixed assets and it has been spent prior use	Money has spent after using the asset or after recognizing the type of asset (Penman and Reggiani, 2018)

Conclusion

The recorded transactions are evaluated at the end of the period understand the financial condition of that organization. Accessibility of accounting in any business exchanges lights the business to run with proficiency, adequacy and precision way on every one of the exercises attempted (Elmagrhi et. al., 2018). This prompts more preparations since the administration will settle on the correct choice and legitimate arranging because of the great progression of exchanges in a business. Planning is a center factor in each business. Arranging spending plans help business to make systems, set aside cash and seeing any use surpassing the planned sum (Calabrese and Ward, 2018). To make a spending you need different past records (Chadha et. al., 2018). All together for these archives to be accessible, they should be very much kept up through accounting since they are the premise of arranging and making spending plans. Each business needs to keep records and follow up on them so as to run easily (Fera et. al., 2018). For this situation, accounting assumes a major job in keeping records. All records are gathered, sorted out, and deciphered so as to be imparted to the end clients, in this way helping in settling on a financially practical choice which will prompt the positive profitability of the business association. Financial explanations and records are utilized to speak to the association to the partners, for example, account holders, banks, government, and speculators, clients and workers (Chadha et. al., 2018). Numerous speculators will flee from your association on the off chance that you need financial records and records to presents so as they can realize the business progress. Legitimate accounting frameworks will deal with working capital and some other money necessities inside the business association. The business transactions help assist different payment of rent stakeholders for decision making. Organizations had presented that data for auditing as well. This report has helped identify the different payment of ventilation among expenditure such as Investment revenue expenditure. The way of recording different payment of rent financial event and the way of making decision can be learnt from this. It can be concluded that main different payment of retention among both the expenditure is in terms of time.

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