



University of Wales Trinity Saint David London Campus

Accounting fundamentals
LCBB4001

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Introduction

In order to gain success in any business, proper recording and management in financial transactions are essential. Accounting is existed for about 10,000 years. Though the formal way of recording method has existence only in last about 500 years. Here, this report is focused on some business organizations and the accounting transactions occurred there. Meantime the transactions are initially recorded in a journal. Journal is the collection of original entries. Then they are transferred to ledger accounts and the Ledger accounts' balances are goes to trial balance sheet. Finally the balance sheet is created to view the profit or loss of the certain organization in a certain period.

Task 1 talks about Maxim trading and the transactions took place in month of April. Further they are recorded in a proper manner such as journal, ledger accounts, trial balance sheet, income statement and balance sheet. Task 2 is focused on Pendo Business trading. Mafuta retail is followed by Pendo. The final trading we have discussed is Ricardo. Its transactions have been discussed in task 4. The last task of this assignment gives a brief idea on capital expenditure and revenue expenditure.

Answer for Task 01:-

Journal Entry

- Journal is named as the book of original entry because all the transaction occurs are recorded in the journal. The recordings are based on double entry system, consists of two parts credit and debit.

Date	Particulars	Debit	Credit
05/04/2018	Cash a/c Dr to capital (business started by invest £300)	£300.00	£300.00
07/04/2018	Purchase a/c Dr to cash (being good purchased for cash)	£200.00	£200.00
08/04/2018	Cash a/c Dr to Tatiana loan (being loan taken from Tatiana)	£250.00	£250.00
15/04/2018	Motor van a/c Dr to cash (being van bought for £150)	£150.00	£150.00
20/04/2018	Cash a/c Dr to sale (being goods sold for cash)	£350.00	£350.00
28/04/2018	Rent a/c Dr to cash (being rent paid by cash)	£50.00	£50.00
29/04/2018	Tatiana loan a/c Dr to cash	£200.00	£200.00

	(part of loan being paid)		
30/04/2018	Withdrawing a/c to cash (cash being taken for personal)	Dr £60.00	£60.00

- The business has been started with £300.00 capital and additionally £250.00 loan has been added to business. End of April, the loan has been settled by £200.00.

Ledger Accounts for Task1

- It represents the financial statements with debit and credit.
- Debit entries are marked on the left side and the Credit entries are made on right side.

Cash a/c

Date	Particulars	Amount	Date	Particulars	Amount
05/04	To capital	£300.00	29/04	By purchase	£200.00
08/04	To Tatiana	£250.00	15/04	By motor van	£150.00
20/04	To sale	£350.00	28/04	By rent	£50.00
			29/04	By Tatiana	£200.00
			30/04	By withdraw	£60.00
				By balance c/d	£190.00
		£850.00			£850.00
	To balance b/d	£190.00			

- £190.00 cash is taken to coming month recording.

Capital a/c

Date	Particulars	Amount	Date	Particulars	Amount
			05/04	By cash	£300.00
	To balance c/d	£300.00			
		£300.00			£300.00
				By balance b/d	£300.00

- The business was started by investing £300.00.

Purchase a/c

Date	Particulars	Amount	Date	Particulars	Amount
07/04	To cash	£200.00		By balance c/d	£200
		£200.00			£200.00
	To balance b/d	£200.00			

- All purchases took place are based on cash, no any credit purchases in this month.

Tatiana loan a/c

Date	Particulars	Amount	Date	Particulars	Amount
29/04	To cash	£200.00	08/04	By cash	£250.00
	To balance c/d	£50.00			
		£250.00			£250.00
				By balance b/d	£50.00

- The loan from Tatiana has not been fully settled as it is remaining by £50.00.

Motor van a/c

Date	Particulars	Amount	Date	Particulars	Amount
15/04	To cash	£150.00		By balance c/d	£150.00
	By balance b/d	£150.00			

- A non-current asset has been added to the business.

Sale a/c

Date	Particulars	Amount	Date	Particulars	Amount
	To balance c/d	350.00	20/04	By cash	£350.00
				By balance b/d	£350.00

- In the following month all sale transactions are based on cash.

Rent a/c

Date	Particulars	Amount	Date	Particulars	Amount
28/04	To cash	£50.00		By balance c/d	£50.00
	To balance b/d	£50.00			

- An Operating expense of £50.00 has been done by rent payment.

Withdraw a/c

Date	Particulars	Amount	Date	Particulars	Amount
30/04	To cash	£60.00		By balance c/d	£60.00
	By balance b/d	£60.00			

- The owner has taken £60.00 for his personal from the business.

Trial balance for task1

No	Name of Account	Debit	Credit
1	Cash a/c	£190.00	
2	Capital a/c		£300.00
3	Purchase a/c	£200.00	
4	Tatiana loan a/c		£50.00
5	Motor van a/c	£150.00	
6	Sale a/c		£350.00
7	Rent a/c	£50.00	
8	Withdraw a/c	£60.00	
		£650.00	£650.00

- Both debit and credit sides are equal by £650.00 in the end of April.

Loss or profit statement for task1

Maxim trading Income Statement April 1- April 30, 2018		
sales		£350.00
<u>Cost of goods sold</u>		
purchase	£200.00	
closing stock	£100.00	£100.00
Gross profit		£250.00
<u>Expenses</u>		
rent	£50.00	£50.00
Net profit		£200.00

- The organization has gain £200.00 net profit in the month of April. On the other hand the gross profit is £250.00.

Balance Sheet for Task1

- This financial statement states the assets, liability and equity of the ownwer in a particular period of time.

Maxim Trading Balance Sheet As at April 30, 2018			
Assets	amount	Liabilities & Stockholder's equity	
<u>Current assets:</u>		<u>Liabilities :</u>	
stock	£100.00	loan payable (£250.00-£200.00)	£50.00
cash	£190.00		
total current assets	£290.00		
<u>Non-current assets:</u>			
motor van	£150.00		
total non-current asset	£150.00	Total liabilities	£50.00
		<u>Equity</u>	
		capital	£300.00
		net profit	£200.00
		drawing	(£60.00)
Balance Forward F/C	£50.00		£440.00
	£490.00		£490.00

- Only one current liability is available. And the withdrawal of £60.00 has been deducted. The calculated equity is £440.00. By the way balance of £50.00 is forwarded.

Answer for Task 02:-

Journal entry

Date	Particulars	Debit	Credit
01/01/2018	Cash a/c Dr to capital (started business by put £5000)	£5000.00	£5000.00
02/01/2018	Motor van a/c Dr to cash (van being bought for cash)	£600.00	£600.00
03/01/2018	Goods purchase a/c Dr to cash (being goods purchased for cash)	£1300.00	£1300.00
04/01/2018	Cash a/c Dr to Sergei loan (got loan from Sergei)	£1000.00	£1000.00
10/01/2018	Expenses a/c Dr to cash (expense paid on motor van)	£200.00	£200.00
13/01/2018	Cash a/c Dr to goods sell (being goods sold for cash)	£300.00	£300.00
20/01/2018	Cash a/c Dr to goods sell (being goods sold for cash)	£500.00	£500.00
24/01/2018	Expenses a/c Dr to cash	£150.00	

	to cash (storage expense paid)		£150.00
27/01/2018	Sergei loan a/c Dr to cash (being paid part of loan)	£350.00	£350.00
30/01/2018	Withdrawing a/c Dr to cash (being withdrawn for personal use)	£175.00	£175.00

Ledger accounts for task2

cash a/c

Date	Particulars	Amount	Date	Particulars	Amount
01/01	To capital	£5000.00	02/01	By motor van	£600.00
04/01	To Sergei loan	£1000.00	03/01	By purchase	£1300.00
13/01	To sale	£300.00	10/01	By expenses	£200.00
20/01	To sale	£500.00	24/01	By expenses	£150.00
			27/01	By Sergei loan	£350.00
			30/01	By withdraw	£175.00
				By balance c/d	£4025.00
		£6800.00			£6800.00
	To balance b/d	£3825.00			

- The cash debit is £6600.00 and the credit is £2975.00. So the amount of £4025.00 is carried down to next month.

Capital a/c

Date	Particulars	Amount	Date	Particulars	Amount
	To balance c/d	£5000.00	01/01	By cash	£5000.00
		£5000.00			£5000.00
				By balance b/d	£5000.00

- The business was started with £5000.00 and the amount is maintaining.

Motor van a/c

Date	Particulars	Amount	Date	Particulars	Amount
02/01	To cash	£600.00		By balance c/d	600.00
		600			600.00
	To balance b/d	600			

- £600.00 valued fixed asset is added to the business.

Purchase a/c

Date	Particulars	Amount	Date	Particulars	Amount
03/01	To cash	£1300.00		By balance c/d	£1300.00
		£1300.00			£1300.00
	To balance b/d	£1300.00			

Sergei a/c

Date	Particulars	Amount	Date	Particulars	Amount
27/01	To cash	£350.00	04/01	By cash	£1000.00
	To balance c/d	650.00			
		1000.00			1000.00
				By balance b/d	650.00

- On 4th £1000.00 loan was received from Sergei and £350.00 of that was paid in 27th of January.

Expenses a/c

Date	Particulars	Amount	Date	Particulars	Amount
10/01	To cash	£200.00			
24/01	To cash	£150.00		By balance c/d	350.00
		350.00			350.00
	To balance b/d	350.00			

Sale a/c

Date	Particulars	Amount	Date	Particulars	Amount
			13/01	By cash	£300.00
	To balance c/d	800.00	20/01	By cash	£500.00
		800.00			800.00
				By balance b/d	800.00

Withdrawal a/c

Date	Particulars	Amount	Date	Particulars	Amount
30/01	To cash	£175.00		By balance c/d	175.00
		175.00			175.00
	To balance b/d	175.00			

- The amount taken for personal use is recorded separately in withdrawal account.

Profit/loss statement for task2

- Income statement is made to calculate the loss or profit of the business in a specific period. It helps to improve the business level in the future.

Trading of Pendo Income Statement January 1- January 31, 2018		
sales		£800.00
<u>Cost of goods sold</u>		
purchase	£1300.00	
closing stock	£800.00	£500.00
Gross profit		£300.00
<u>Expenses</u>		
	£350.00	£350.00
Net profit/loss		(-£50.00)

- In January, Pendo trading was unable to gain profit as it was running under £50.00 loss.

Trial balance for task2

No	Name of Account	Debit £	Credit £
1	Cash a/c	4025.00	
2	Capital a/c		5000.00
3	Purchase a/c	1300.00	
4	Sale a/c		800.00
5	Motor van a/c	600.00	
6	Expenses a/c	350.00	
7	Sergei loan a/c		650.00
8	Withdrawal a/c	175.00	
	Total	£6450.00	£6450.00

- The ledger account balances have been transferred to trial balance sheet and it is successfully balanced by £6450.00 in both sides.

Answer for Task 03:-

Journal

No	Date	Particulars	Debit	Credit
1	02/01/2018	Harvey a/c Dr to sales (being good sold on credit)	£124.00	£124.00
2	05/01/2018	Wages a/c Dr to cash (wages paid by cash)	£12.00	£12.00
3	05/01/2018	Purchases a/c Dr to Rich (being goods purchased on credit)	£150.00	£150.00
4	07/01/2018	Cash a/c Dr to Smith (account settled by smith)	£18.00	£18.00
5	09/01/2018	Max a/c Dr to cash (paid owing to Max)	£21.00	£21.00
6	11/01/2018	Cash a/c Dr to sales (being goods sold on cash)	£64.00	£64.00
7	14/01/2018	Wages a/c Dr to cash (wages paid by cash)	£14.00	£14.00

8	14/01/2018	Purchases a/c to cash (being good purchased by cash)	Dr	£75.00	£75.00
9	15/01/2018	Rich a/c to cash (balance owing was paid)	Dr	£12.00	£12.00
10	20/01/2018	Furniture a/c to cash (asset bought on cash)	Dr	£32.00	£32.00
11	21/01/2018	Wages a/c to cash (wages paid by cash)	Dr	£17.00	£17.00
12	21/01/2018	Cash a/c to sales (sold goods for cash)	Dr	£110.00	£110.00
13	23/01/2018	Expenses a/c to cash (office expenses being paid)	Dr	£3.00	£3.00
14	23/01/2018	Bank a/c to Harvey (did payment to bank)	Dr	£25.00	£25.00
15	28/01/2018	Cash a/c to sales (being sold on cash)	Dr	£84.00	£84.00
16	28/01/2018	Wages a/c	Dr	£15.00	

		to cash (wages being paid by cash)		£15.00
17	31/01/2018	Cash a/c Dr to sales (being good sold on cash)	£30.00	£30.00

- At the beginning of the year Mafuta trading has some receivables as assets as well as few payable as liabilities.

ledger accounts for task3

sale a/c

Date	Particulars	Amount	Date	Particulars	Amount
			02/01	By Harvey	£124.00
			11/01	By cash	£64.00
			21/01	By cash	£110.00
	to balance c/d	£298.00			
		£298.00			£298.00
				By balance b/d	£298.00

- Sales have been carried by both cash and credits. In this month totally £298.00 was earned by selling goods.

Harvey a/c

Date	Particulars	Amount	Date	Particulars	Amount
02/01	To sale	£124.00	23/01	By bank	£25.00
				By balance c/d	£99.00
		£124.00			£124.00
	To balance b/d	£99.00			

- Harvey bought goods on credit and has paid part of the amount to the bank.

Wages a/c

Date	Particulars	Amount	Date	Particulars	Amount
05/01	To cash	£12.00			
14/01	To cash	£14.00			
21/01	To cash	£17.00		By balance c/d	£43.00
		£43.00			£43.00
	To balance b/d	£43.00			

Cash a/c

Date	Particulars	Amount	Date	Particulars	Amount
11/01	To sale	£64.00	05/01	By wages	£12.00
21/01	To sale	£110.00	05/01	By Rich	£150.00
28/01	To sale	£84.00	09/01	By Max	£21.00
07/01	To smith	£18.00	14/01	By wages	£14.00
			14/01	By purchase	£75.00
			15/01	By Rich	£12.00
			20/01	By furniture	£32.00
			21/01	By wages	£17.00
	to balance c/d	£60.00	23/01	By expenses	£3.00
		£336.00			£336.00
				By balance b/d	£60.00

- Total debit of cash account is £258.00 and the credit side is £336.00. so the credit side is £78.00 more than the debit.

Max a/c

Date	Particulars	Amount	Date	Particulars	Amount
09/01	To cash	£21.00		by balance c/d	£21.00
		£21.00			£21.00
	to balance b/d	£21.00			

Rich a/c

Date	Particulars	Amount	Date	Particulars	Amount
15/01	To cash	£12.00	05/01	By purchase	£150.00
	to balance c/d	£138.00			
		£150.00			£150.00
				By balance b/d	£138.00

Purchase a/c

Date	Particulars	Amount	Date	Particulars	Amount
05/01	To Rich	£150.00			
14/01	To cash	£75.00		By balance c/d	£225.00
		£225.00			£225.00
	to balance b/d	£225.00			

Furniture a/c

Date	Particulars	Amount	Date	Particulars	Amount
200/01	To cash	£32.00		By balance c/d	£32.00
		£32.00			£32.00
	To balance b/d	£32.00			

Bank a/c

Date	Particulars	Amount	Date	Particulars	Amount
23/01	To Harvey	£25.00		By balance c/d	£25.00
		£25.00			£25.00
	to balance b/d	£25.00			

Expenses a/c

Date	Particulars	Amount	Date	Particulars	Amount
23/01	To cash	£3.00		By balance c/d	£3.00
		£3.00			£3.00
	to balance b/d	£3.00			

Smith a/c

Date	Particulars	Amount	Date	Particulars	Amount
	to balance c/d		07/01	By cash	£18.00
		£18.00			£18.00
				by balance b/d	£18.00

Trial balance for task3

No.	Name of Accounts	Debit	Credit
1	Sale a/c		£298.00
2	Harvey a/c	£99.00	
3	Wages a/c	£43.00	
4	Cash a/c		£60.00
5	Max a/c	£21.00	
6	Purchase a/c	£225.00	
7	Furniture a/c	£32.00	
8	Expenses a/c	£3.00	
9	Bank a/c	£25.00	
10	Rich a/c		£138.00
11	Smith a/c		£18.00
12	Balance forward	£66.00	
		£514.00	£514.00

Income statement task3

Mafuta Trading Income Statement January 1- January 31, 2018		
sales		£408.00
<u>Cost of goods sold</u>		
purchase	£225.00	
closing stock	£374.00	£151.00
Gross profit		£257.00
<u>Expenses</u>		
wages	£43.00	
other	£3.00	£46.00
Net profit		£211.00

- In the first month the organization has earned £211.00 net profit. It had wages and office expenses as expenses paid.

Task3 balance sheet

- It shows the financial position of a company at the end of specific period.

Mafuta Trading Balance Sheet As at January 31, 2018			
Assets	amount	Liabilities & Stockholder's equity	
<u>Current assets:</u>		<u>Liabilities :</u>	
stock	£374.00	payables	£33.00
cash	£458.00		
receivables	£83.00		
<u>non-current assets:</u>			
fixture & fittings	£198.00		
office desk	£32.00		
Total assets	£1145.00	Total liabilities	£33.00
		<u>Equity</u>	
		net profit	£211.00
			£244.00
		Balance Forward F/C	£901.00
	£1145.00		£1145.00

- Only the current liability is available. And the total current asset is £915.00, the non-current is £230.00.

- **Note:** to calculate the owner's equity, the information about the capital is not given in the task.

Answer for Task 04:-

Journal Entry

Date	Particulars	Debit	Credit
02/06/2018	Claire a/c To sale (being good sold on credit)	£8500.00	£8500.00
13/06/2018	Purchase a/c To Georgina To discount received (good bought on credit with 7% discount)	£12000.00	£11160.00 £840.00
14/06/2018	Hywel a/c To sale (being goods sold on credit)	£8550.00	£9000.00
20/06/2018	Cash a/c To sale (being goods sold on cash)	£6000.00	£6000.00
21/06/2018	Purchase a/c To Andrew To discount received (being goods purchased with 2% discount on credit)	£4500.00	£4410.00 £90.00
22/06/2018	Inward goods a/c To Claire (part of good are returned)	£1000.00	£1000.00
24/06/2018	Cash a/c Discount allowed a/c To sale (goods being sold for cash with 3% discount)	£4850.00 £150.00	£5000.00
24/06/2018	Cash a/c Discount allowed a/c To Claire (being goods sold with discount)	£7125.00 £375.00	£7500.00
25/06/2018	Cash a/c Discount allowed a/c To Hywel (received the receivable by offering discount)	£8550.00 £450.00	£8550.00

25/06/2018	Georgina a/c To cash (being paid to Georgina)	£11160.00	£11160.00
27/06/2018	Andrew a/c To cash (being paid to Andrew)	£4410.00	£4410.00

- This is the journal of Ricardo Trading of month of June.

Task4 ledger accounts

Claire a/c

Date	Particulars	Amount	Date	Particulars	Amount
02/06	To sale	£8500.00	22/06	To inward good	£1000.00
			24/06	To cash	£ 7500.00
		£8500.00			£8500.00

- The goods valued £1000 was returned back to the trader by Claire.

Discount allowed a/c

Date	Particulars	Amount	Date	Particulars	Amount
14/06	To Hywel	£450.00		By balance c/d	£975.00
24/06	To cash	£150.00			
24/06	To Claire	£375.00			
		£975.00			
	To balance b/d	£975.00			

- The discount which was given by the trader is recorded in the above account.

Sale a/c

Date	Particulars	Amount	Date	Particulars	Amount
			02/06	To Claire	£8500.00
			14/06	To Hywel	£9000.00
			20/06	To cash	£6000.00
	To balance c/d	£28500.00	24/06	To cash	£5000.00
		£28500.00			£28500.00
				By balance b/d	£28500.00

Purchase a/c

Date	Particulars	Amount	Date	Particulars	Amount
13/06	To Georgina	£12000.00			
21/06	To Andrew	£4500.00		By balance c/d	£16500.00
		£16500.00			£16500.00
	To balance b/d	£16500.00			

Georgina a/c

Date	Particulars	Amount	Date	Particulars	Amount
25	To cash	£11160		To purchase	£11160
		£11160			£11160

Discount received a/c

Date	Particulars	Amount	Date	Particulars	Amount
				To Georgina	£840.00
	To balance c/d	£930.00	21/06	To Andrew	£90.00
		£930.00			£930.00
				By balance b/d	£930.00

- The discounts which were received by the organization are recorded here.

Hywel a/c

Date	Particulars	Amount	Date	Particulars	Amount
14/06/2018	To sale	£8550.00	25/06	To cash	£8550.00
		£8550.00			£8550.00

Cash a/c

Date	Particulars	Amount	Date	Particulars	Amount
20/06	To sale	£6000.00	25/06	To Georgina	£11160.00
24/06	To sale	£4850.00	27/06	To Andrew	£4410.00
24/06	To Claire	£7125.00			
25/06	To Hywel	£8550.00		By balance c/d	10955.00
		26525.00			26525.00
	To balance b/d	£10955.00			

- The amount of £10955 is brought down to the next month cash recording.

Andrew a/c

Date	Particulars	Amount	Date	Particulars	Amount
27/06	To cash	£4410.00	21/06	To purchase	£4410.00
		£4410.00			£4410.00

- Andrew's account is fully settled.

Inward goods a/c

Date	Particulars	Amount	Date	Particulars	Amount
22/06	To Claire	£1000.00		By balance c/d	£1000.00
		£1000.00			£1000.00
	To balance b/d	£1000.00			

Trial balance for Task4

- In the trial balance sheet all the balances of the ledger accounts are transferred to either credit or debit column. It is made to identify whether any mathematical or posting errors are made.

No	Name of the account	Debit	Credit
1	Discount allowed a/c	£975	
2	Sale a/c		£28500
3	Purchase a/c	£16500	
4	Cash a/c	£10955	
5	Discount received a/c		£930
6	Inward goods a/c	£1000	
	Total	£29430.00	£29430.00

- The trial balance of Ricardo trading is balanced by £29430.00

Answer for Task5:-

- Revenue expenditure can be defined as the expenditure which is expensed immediately in the current accounting period and capital expenditure is not completely consumed as it is remaining for several years.
- Revenue expenditure's effect is temporary but the capital expenditure is long-term.
- By the capital expenditure, the value of specific asset is increased but in case of revenue expenditure the value is not increased.
- Capital expenditure can be found in the balance sheet but the revenue expenditure is not available there.
- Revenue expenditure reduce the profit of business though the capital expenditure has no any influence on profit.
- In the income statement the whole amount of revenue expenditure is present but if we consider about capital expenditure only a part of it (depreciation) is present.
- Capital expenditure improves the business, on the other hand revenue expenditure helps to maintain the business.
- Example for Revenue expenditure:-
 - wages paid
 - furniture repaired
 - duty on machinery
- Example for Capital expenditure:-
 - transportation pay on machinery
 - legal expense on land
 - constructing an additional room

Conclusion

This assignment discussed about the general important financial recording methods from journal entry to the balance sheet. Four organisations and their monthly transactions were focused. This helped to understand the accounting concepts, techniques and how it can be practised. It developed the skill of logical thinking and to identify the problem and finding proper solution for it.

It is important for a business to maintain the transaction recordings as These recordings help to make decisions. Further more the records should be accurate, unless it will impact on profits. The good record keeping help us to identify the weakness and strength of our business and make it easy to prepare the year-end accounts.

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