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ACCOUNTING
FUNDAMENTALS

DR REXON NTING

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TASK 1

a. Ledger accounts and balances

Ledger accounts of Maxim for the month of April

Date	Particulars	Debit (in £)	Credit (in £)
5 th April	Cash a/c Dr To capital a/c	300	300
7 th April	Purchase a/c Dr To cash a/c	200	200
8 th April	Bank a/c Dr To loan a/c	250	250
15 th April	Motor van a/c Dr To cash a/c	150	150
20 th April	Cash a/c Dr To Sales a/c	350	350
28 th April	Rent a/c Dr To cash a/c	50	50
29 th April	Loan a/c To cash at bank	200	200
30 th April	Drawing a/c Dr To cash a/c	60	60

Cash a/c

Debit side**Credit side**

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
5 th April	To capital a/c	300	7 th April	By purchase a/c	200
8 th April	To loan a/c	250	15 th April	By Motor van a/c	150
20 th April	To Sales a/c	350	28 th April	By Rent a/c	50
			29 th April	By Loan a/c	200
			30 th April	By Drawing a/c	60
			30 th April	By balance c/d	240
		900			900

Capital a/c**Debit side****Credit side**

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
			5 th April	By cash a/c	300
30 th April	To balance c/d	300			
		300			300

Purchase a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
7 th April	To cash a/c	200			
			30 th April	By balance c/d	200
		200			200

Sales a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
			20 th April	By Cash a/c	350
30 th April	To balance c/d	350			
		350			350

Motor van a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)

15 th April	To cash a/c	150			
			30 th April	To balance c/d	150
		150			150

Rent a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
28 th April	To cash a/c	50			
			30 th April	To balance c/d	50
		50			50

Loan a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
29 th April	To cash at bank	200	8 th April	By cash at bank	250
30 th April	To balance c/d	50			
		250			250

Drawing a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
30 th April	To cash a/c	60			
			30 th April	To balance c/d	60
		60			60

Trial balance

	Debit (in £)	Credit (in £)
Cash	240	
Capital		300
Loan		50
Purchase	200	
Sales		350
Closing stock	100	
Motor van	150	
Rent	50	
Drawing	60	

b. Profitability statement

Income statement of Maxim at the end of 30th April

Particulars	Amount (in £)	Amount (in £)
Sales		350
Less: COGS		
Opening stock	0	
Add: purchase	200	
Less: closing stock	100	100
GP		250
Less: indirect expense		
Rent		50
NP		200

c. Balance sheet

Statement of financial position of Maxim at the end of 30th April

Particulars	Amount (in £)	Amount (in £)
Assets		
Fixed assets		
Motor Van	150	150
Current assets		
Cash	240	
Closing stock	100	340
Total assets		490

Liabilities and shareholders' equity		
Loan		50
Capital	300	
Add: net profit	200	
Less: Drawing	60	440
Total Liabilities and shareholders' equity		490

TASK 2

b. Journal Entries

Date	Particulars	Debit (in £)	Credit (in £)
1 st Jan	Cash a/c Dr To capital a/c	5000	5000
2 nd Jan	Motor van a/c Dr To cash a/c	600	600
3 rd Jan	Purchase a/c Dr To cash a/c	1300	1300
4 th Jan	Cash a/c Dr To loan a/c	1000	1000
10 th Jan	Expenses a/c Dr To cash a/c	200	200

13 th Jan	Cash a/c Dr To sales a/c	300	300
20 th Jan	Cash a/c Dr To sales a/c	500	500
24 th Jan	Storage expenses a/c Dr To cash a/c	150	150
27 th Jan	Loan a/c Dr To cash a/c	350	350
30 th Jan	Drawing a/c Dr To cash a/c	175	175

Cash a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
1 st Jan	To capital a/c	5000	3 rd Jan	By purchase a/c	1300
4 th Jan	To loan a/c	1000	2 nd Jan	By Motor van a/c	600
13 th Jan	To Sales a/c	300	24 th Jan	Storage expenses a/c	150
20 th Jan	To Sales a/c	500	27 th Jan	By Loan a/c	350

			30 th Jan	By Drawing a/c	175
			10 th Jan	By expense a/c	200
			31 st Jan	By balance c/d	4025
		6800			6800

Capital a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
			1 st Jan	By cash a/c	5000
31 st Jan	To balance c/d	5000			
		5000			5000

Purchase a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
3 rd Jan	To cash a/c	1300			

			31 st Jan	By balance c/d	1300
		1300			1300

Sales a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
			13 th Jan	By Cash a/c	300
30 th April	To balance c/d	800	20 th Jan	By Cash a/c	500
		800			800

Motor van a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
2 nd Jan	To cash a/c	600			
			31 st Jan	To balance c/d	600
		600			600

Storage expenses a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
24 ^h Jan	To cash a/c	150			
			30 th April	To balance c/d	150
		150			150

Loan a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
27 th Jan	To cash at bank	350	4 th Jan	By cash at bank	1000
31 st Jan	To balance c/d	650			
		1000			1000

Drawing a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
30 th Jan	To cash a/c	175			
			31 st Jan	To balance c/d	175

		175			175
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Expenses a/c

Debit side

Credit side

Date	Particulars	Amount (in £)	Date	Particulars	Amount (in £)
10 th Jan	To cash a/c	200			
			31 st Jan	To balance c/d	200
		200			200

c. Trial balance

Particulars	Debit (in £)	Credit (in £)
Cash	4025	
Capital		5000
Loan		650
Purchase	1300	
Sales		800
Closing stock	800	
Motor van	600	
Expenses	200	
Drawing	175	

Storage expenses	150	
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d. Income statement and balance sheet

Profitability statement of Pendo for the month ended on 31st January

<i>Particulars</i>	<i>Figures (in £)</i>	<i>Figures (in £)</i>
Sales		800
Less: COGS		
Opening stock		
Add: purchase	1300	
Less: closing stock	800	500
GP		300
Lees: Expenses		200
Less: Storage expenses		150
Net loss		50

Balance sheet of Pendo for the month ended on 31st Jan

Particulars	Amount (in £)	Amount (in £)
Assets		
Fixed assets		
Motor Van	600	600
Current assets		
Cash	4025	

Closing stock	800	4825
Total assets		5425
Liabilities and shareholders' equity		
Loan		650
Capital	5000	
Less: net loss	50	
Less: Drawing	175	4775
Total Liabilities and shareholders' equity		5425

TASK 3

a) Journal entries

Mafuta			
Journal entries			
Date	Particulars	Debit (£)	Credit(£)
02-01-19	Harvey	124	
	To Sales		124
05-01-19	Wages	12	
	To cash		12
	Purchase	150	
	To Rich		150
07-01-19	Cash	18	
	To smith		18
09-01-19	Max	21	
	To cash		21
11-01-19	Cash	64	
	To Sales		64
14-01-19	Wages	14	
	To cash		14

	Purchases	75	
	To cash		75
15-01-19	Rich	162	
	To cash		162
20-01-19	Office desk	32	
	To cash		32
21-01-19	Wages	17	
	To cash		17
	Cash	110	
	To Sales		110
23-01-19	Office expenses	3	
	To cash		3
	Cash	25	
	To Harvey		25
28-01-19	Cash	84	
	To Sales		84
	Wages	15	
	To cash		15
31-01-19	Cash	30	
	To Sales		30
		£956.00	£956.00

b) Ledger Accounts

Ledgers					
Cash a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-19	To opening bal.	343	05-01-19	By wages a/c	12
07-01-19	To smith	18	09-01-19	By Max	21
11-01-19	To Sales	64	14-01-19	By wages	14
21-01-19	To Sales	110	15-01-19	By rich	162
23-01-19	To Harvey	25	20-01-19	By office desk	32
28-01-19	To Sales	84	21-01-19	By wages	17
31-01-19	To Sales	30	23-01-19	By office expenses	3

			28-01-19	By wages	15
			14-01-19	By purchase	75
			31-01-19	By closing bal	323
		674			674

Sales a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			02-01-19	By Harvey	124
			11-01-19	By cash	64
			21-01-19	By cash	110
			28-01-19	By cash	84
			31-01-19	By cash	30
31-01-19	To closing bal.	412			
		412			412

Purchase a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
05-01-19	To Rich a/c	150			
14-01-19	To cash a/c	75			
			31-01-19	By closing bal.	225
		225			225

Office expense a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
23-01-19	To cash	3			
			31-01-19	By closing bal.	3
		3			3

Harvey a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-19	To opening bal.	39	23-01-19	By cash	25
02-01-19	To Sales	124			
			31-01-19	By closing bal.	138
		163			163

Wages a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
05-01-19	To cash	12			
14-01-19	To cash	14			
21-01-19	To cash	17			
28-01-19	To cash	15			
			31-01-19	By closing bal.	58
		58			58

Smith a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-19	To Opening bal.	18	07-01-19	By cash	18
		18			18

Max a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			01-01-19	By opening bal.	21
09-01-19	To cash	21			
		21			21

Furniture and Fittings a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-19	To opening bal.	198			

			31-01-19	By closing bal.	198
		198			198

Inventory a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-19	To opening bal.	458	31-01-19	By cost of goods sold	84
			31-01-19	By closing bal.	374
		458			458

Moon a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-19	To opening bal.	26			
			31-01-19	By closing bal.	26
		26			26

c) Trial Balance

Trial balance		
Particulars	Debit	Credit
Cash a/c	323	
Sales a/c		412
Wages a/c	58	
Office expense a/c	3	
Office desk a/c	32	
Harvey a/c	138	
Purchase a/c	225	
Inventory a/c	374	
Moon a/c	198	
Furniture and fittings a/c	26	
Capital (bal.)		965
	1377	1377

d) Profit or Loss and Balance Sheet

Profit and loss account		
Particular	Amount	Total
Revenues	412	
less: Cost of goods sold	309	
Gross profit		103
Expenses		
office expenses	3	
Wages a/c	58	
Net Income		42

Balance sheet		
Particulars	Amount	Total amount
Liabilities		
Capital	965	
add: profits	42	1007
Current liabilities		
Bank overdraft	84	84
Total liabilities		1091
Fixed assets		230
Furniture and fittings		198
Office desk		32
Current assets		861
cash		323
Inventory		374
Debtors:		
Harvey		138
Moon		26
Total assets		1091

TASK 4

a) Journal Entries

Ricardo			
Journal entries			
Date	Particulars	Debit (£)	Credit (£)
02-06-19	Claire	425	
	To sales		425
13-06-19	Purchase	12000	
	To discount received		840
	To Georgina		11160
14-06-19	Hywel a/c	8550	
	Discount allowed	450	
	To sales		9000
20-06-19	Cash	6000	
	To sales		6000
21-06-19	Purchase	4500	
	To discount received		90
	To Andrew		4410
22-06-19	Sales return	1000	
	To Claire		1000
24-06-19	Mandy	4850	
	Discount allowed	150	
	To sales		5000
24-06-19	Cash	7075	
	Discount allowed	425	
	To Claire		7500
25-06-19	Cash	8550	
	To Hywel		8550
25-06-19	Georgina	11160	
	To Ricardo		11160
27-06-19	Andrew	4410	
	To Ricardo		4410
		69545	69545

b) Ledger Accounts

Ledger a/c					
Cash a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
20-06-19	To sales	6000			
24-06-19	To Claire a	7075	27-06-19	By closing bal.	13075
		13075			13075

Sales a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			02-06-19	By Claire a/c	425
			14-06-19	By Hywel a/c	8550
			20-06-19	By cash a/c	6000
			14-06-19	By Discount allowed a/c	450
			24-06-19	By mandy's a/c	4850
			24-06-19	By Discount allowed a/c	150
27-06-19	To closing bal.	20425			
		20425			20425

Sales return a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
22-06-19	To Claire	1000	27-06-19	BY closing bal.	1000
		1000			1000

Purchase a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
13-06-19	To Discount received a/c	840			
13-06-19	To Georgina a/c	11160			

21-06-19	To Discount received a/c	90			
21-06-19	To Andrew a/c	4410	27-06-19	By closing bal.	16500
		16500			16500

Claire a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
02-06-19	To sales a/c	425	22-06-19	By sales return a/c	1000
			24-06-19	By cash a/c	7075
			24-06-19	By Discount allowed a/c	425
27-06-19	To closing bal.	8075			
		8500			8500

Discount received a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			13-06-19	BY purchase a/c	840
			21-06-19	BY purchase a/c	90
27-06-19	To Closing bal.	930			
		930			930

Georgina a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			13-06-19	BY purchase a/c	11160
25-06-19	To Ricardo a/c	11160			
		11160			11160

Hywel a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			25-06-19	By cash a/c	8550
14-06-19	To sales a/c	8550			
		8550			8550

Discount allowed a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
14-06-19	To sales a/c	450			
24-06-19	To sales a/c	150			
24-06-19	To Claire a/c	425	27-06-19	By Closing bal.	1025
		1025			1025

Andrew a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
			21-06-19	BY purchase a/c	4410
27-06-19	To Ricardo a/c	4410			
		4410			4410

Mandy a/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
24-06-19	To sales a/c	4850	27-06-19	By closing bal.	4850
		4850			4850

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c) Trial Balance

Trial balance		
Particulars	Debit	Credit
Claire	8075	
Sales		20425
Purchase	16500	
Discount received		930
Discount allowed	1025	
Cash	13075	
Sales Return	1000	
Mandy		4850
Ricardo		15570
Suspense	2000	
	41775	41775

TASK 5

Differentiate between Revenue Expenditure and Capital Expenditure.

Capital expenditures

Capital expenditure refers to expenditure if benefit of expenditure tends to extend over several years of trading. Capital expenditures can include following expenditures.

Expenditure incurred for acquisition of fixed assets that are related to business enterprise for earning profits and with no intention of reselling such fixed assets. Fixed assets include all the expenditures that are necessary till the time asset is ready for use.

Revenue Expenditures

Expenditure on any item the benefit of which would be expiring within year is known as revenue expenditure. Revenue expenditures do not increase efficiency of firm. Expenditures incurred for floating assets like assets for the purpose of resale like raw material, merchandise and the stores that are required for the manufacturing process. Establishment and daily expenses in conduct and the administration of business like salaries, taxes, rent and stationary and like expenditures.

Difference Between revenue and capital expenditures

Capital expenditures are incurred for fixed assets that will benefit for long period of time. Revenue expenditure relates to the revenue transactions like cost of goods sold, repairs or maintenance. Main differences are given below.

Timing : Expense of capital expenditure is charged gradually over period of time through depreciation. On the other hand revenue expenditure is charged as expense in current period.

Consumption : Capital expenditures will be charged over the useful life of fixed assets. Revenue expenditures are consumed within very short time period.

Size: Questionable differences between capital and revenue expenditure is that capital expenditure involve larger amount of monetary funds. Capital expenditures will be classified if it exceeds threshold values. Revenue expenditure do not include huge monetary funds and are associated directly with the period costs and sale transactions.

