

UWTSD

Course: BA BUSINESS MANAGEMENT

Module: Accounting Fundamentals

Year 1, Term 1

Assessment 1

Task 1, Task 2, Task 3, Task 4 and Task 5

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Task 1:**a) Journal Entries in the Books of Maxim**

(In £)

<u>Date</u>	<u>Particulars</u>	<u>Debit</u>	<u>Credit</u>
05-04.	Cash A/c	300	
	To Capital A/c		300
	(Capital in cash introduced into the business)		
07-04.	Purchases A/c	200	
	To Cash A/c		200
	(purchased goods)		
08-04.	Cash A/c	250	
	To Loan Tatiana A/c		250
	(Being loan is received from Tatiana)		
15-04.	Motor Van A/c	150	
	To Cash A/c		150
	(Being Motor van purchased in cash)		
20-04.	Cash A/c	350	
	To Sales A/c		350
	(sold goods)		
28-04.	Rent A/c	50	
	To Cash A/c		50
	(Being rent is paid in cash)		

29-04.	Tatiana A/c	200	
	To Cash A/c		200
	(part of the loan is repaid)		
30-04.	Capital A/c	60	
	To Cash A/c		60
	(cash is withdrawal by owner)		

Ledger accounts:

Particulars	Capital Account Am. in £/ Particulars		Amount (in £)
30.04.- Drawings	60,00	05.04.- Cash	300,00
to closing Bal c/d - carried down	240,00		
Total	300,00	Total	300,00
		Bal. b/d brought down	240,00

Particulars	Cash Account		Amount (in £)
	Am. in £	Particulars	
05.04.- Capital	300,00	07.04.-Purchases	200,00
08.04.- Loan Tatiana	250,00	15.04.- Motor van	150,00
20.04.- Sales	350,00	28.04.- Rent	50,00
		29.04.- Loan repayment	200,00
		30.04.-Drawings	60,00
		Bal c/d	240,00
Total	900,00	Total	900,00
Bal b/d	240,00		

Particulars	Purchases Account		Amount (in £)
	Am. in £/	Particulars	
07.04.- Cash	200,00	Cost of goods sold	100,00
		Closing stock	100,00
Total	200,00	Total	200,00

Particulars	Loan Account Tatiana		Amount
	Am. in £/	Particulars	(in £)
29.04.- Cash	200,00	08.04. Cash	250,00
Balance c/d	50,00		
Total	250,00	Total	250,00
		Bal b/d	50,00

Particulars	Motor Van Account	Particulars	Amount
	Am. in £/		(in £)
15.04.- Cash	150,00	Bal c/d	150,00
Total	150,00	Total	150,00
Bal b/d	150,00		

Particulars	Sales Account		Amount (in £)
	Am. in £/	Particulars	
Bal c/d	350,00	20.04.- Cash	350,00
Total	350,00	Total	350,00
		Bal b/d	350,00

Particulars	Rent Expense Account		Amount (in £)
	Am. in £/	Particulars	
28.04.- Cash	50,00	Bal c/d	50,00
Total	50,00	Total	50,00
Bal b/d	50,00		

Particulars	Drawings Account		Amount (in £)
Cash	60,00	Capital	60,00
Total	60,00	Total	60,00
Bal b/d	60,00		

Particulars	Stock Account		Amount (in £)
	Am. in £/	Particulars	
Closing stock	100,00	Bal c/d	100,00
Total	100,00	Total	100,00
Bal b/d	100,00		

b) Account balances at 30 April:

MAXIM BAKERY		
Trial Balance		
As at 30th April	Am. in £	Amount in £
	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	
Total	640,00	640,00

c) Statement of profit or loss for the month ended 30 April and a statement of financial position at that date:

MAXIM BAKERY	
Statement of Profit or Loss	
As of 30th April	Amount In £
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

MAXIM BAKERY			
Statement of financial position			
As at 30th April			
			In £
Assets			
Non-Current Assets			
Motor Van			150,00
Total Non-Current Assets			150,00
Current Assets			
Inventories			100,00
Cash and cash equivalents			240,00
Total Current Assets			340,00
Total Assets			490,00
Equity and Liabilities			
Equity			
Share Capital			300,00
less: Drawings			60,00
Retained earnings			200,00
Total Equity			440,00
Current liabilities			
Loan			50,00
Total current liabilities			50,00
Total liabilities			50,00
Total equity and liabilities			490,00

Task 2:

(a) Journal Entries in the books of Pendo for the month of January

(In £)

Date	Particulars	Debit	Credit
01-01.	Cash A/c	5000	
	To Capital A/c		5000
	(Paid Capital is introduced into the business)		
02-01.	Motor Van A/c	600	
	To Cash A/c		600
	(Being Motor Car is purchased in cash)		
03-01.	Purchases A/c	1300	
	To Cash A/c		1300
	(Bought goods is purchased)		
04-01.	Cash A/c	1000	
	To Sergei A/c		1000
	(Loan is received from Sergei)		
10-01.	Motor Van Expenses A/c	200	
	To Cash A/c		200
	(Expenses paid on motor van)		
13-01.	Cash A/c	300	
	To Sales A/c		300
	(Sold goods on cash)		
20-01.	Cash A/c	500	
	To Sales A/c		500
	(Sold goods on cash)		

24-01.	Storage Expenses A/c	150	
	To Cash A/c		150
	(Storage Expense is paid)		
27-01.	Sergei A/c	350	
	To Cash A/c		350
	(Part of loan is repaid to Sergei)		
30-01.	Capital A/c	175	
	To Cash A/c		175
	(Cash is Withdrawal from business)		
31-01.	Cash A/c	800	
	Purchases A/c		800
	Closing Inventory		

Ledger accounts:

Particulars	Capital Account		Amount (in £)
	Am. in £/	Particulars	
30.01.- Drawings	175,00	01.01.- Cash	5 000,00
Balance c/d	4 825,00		
Total	5 000,00	Total	5 000,00
		Bal b/d	4 825,00

Cash Account			
Particulars	Amount in £	Particulars	Amount (in £)
01.01.-Capital	5 000,00	02.02.-Motor Van	600,00
04.01.-Loan to Sergei	1 000,00	03.01.-Purchases	1 300,00
13.01.- Sales	300,00	10.01.-Motor van expenses	200,00
20.01.- Sales	500,00	24.01.- Storage expenses	150,00
		27.01.- Loan from Sergei	350,00
		30.01.- Drawing	175,00
		Balance c/d	4 025,00
Total	6 800,00	Total	6 800,00
Bal b/d	4 025,00		

Purchases Account			
Particulars	Amount in £/	Particulars	Amount (in £)
03.01.- Cash	1 300,00	31.01.- Closing Inventory	800,00
		Cost of goods sold	500,00
Total	1 300,00	Total	1 300,00

Loan Account Sergei			
Particulars	Am. in £/	Particulars	Amount (in £)
27.01.- Cash	350,00	04.01.-Cash	1 000,00
Balance c/d	650,00		
Total	1 000,00	Total	1 000,00
		Bal b/d	650,00

Motor Van Account			
Particulars	Am. in £	Particulars	Amount (in £)
02.01.- Cash		Balance c/d	
	600,00		600,00
Total	600,00	Total	600
Bal b/d	600,00		

Sales Account			
Particulars	Am. in £	Particulars	Amount (in £)
Bal c/d	800,00	13.01.- Cash	300,00
		20.01.- Cash	500,00
Total	800,00	Total	800,00
		Bal b/d	800,00

Motor Van Expense Account			
Particulars	Am. in £/	Particulars	Amount (in £)
10.01.- Cash	200,00	Bal c/d	200,00
Total	200,00	Total	200,00
Bal b/d	200,00		

Storage Expenses Account			
Particulars	Am. in £	Particulars	Amount (in £)
24.01.- Cash	150,00	Bal c/d	150,00
Total	150,00	Total	150,00
Bal b/d	150,00		

Drawings Account			
Particulars	Am. in £/	Particulars	Amount (in £)
Cash	175,00	30.01.- Capital	175,00
Total	175,00	Total	175,00

Particulars	Stock Account		Amount (in £)
	Am. in £/	Particulars	
Closing stock	800,00	Bal c/d	800,00
Total	800,00	Total	800,00
Bal b/d	800,00		

b) Trial balance at 31 January:

Pendo Furniture		
Trial Balance		
As at 31st January	Am. In £	Am. In £
	Dr	Cr
Capital		4 825,00
Cash	4 025,00	
Loan Sergei		650,00
Motor Van	600,00	
Sales		800,00
Cost of goods sold	500,00	
Motor van expense	200,00	
Storage expense	150,00	
Closing Inventory	800,00	
Total	6 275,00	6 275,00

c) Statement of profit or loss for the month ended 31 January and a statement of financial position at that date:

Pendo Furniture	
Statement of Profit or Loss	
As of 31st January	Am. in £
Sales	800,00
less cost of goods sold	500,00
Gross profit	300,00
Expenses	
Motor van expense	200,00
Storage expense	150,00
Total expenses	350,00
NET PROFIT/Loss (Net Income)	50,00

Pendo Furniture			
Statement of financial position			
As at 31st January			
Assets			
Non-Current Assets			
Motor Van			600,00
			600,00
Current Assets			
Inventories			800,00
Cash and cash equivalents			4 025,00
			4 825,00
Total Assets			5 425,00
Equity and Liabilities			
Equity			
Share Capital			5 000,00
less: Drawings			175,00

Retained earnings			50,00
Total Equity			4 775,00
Current liabilities			
Loan Sergei			650,00
Total current liabilities			650,00
Total liabilities			650,00
Total equity and liabilities			5 425,00

Task 3:

a): Journal:

<u>(a) Journal Entries In the Books of Mafuta</u>			
			(In £)
Date	Particulars	Debit	Credit
02-01.	Harvey A/c	124	
	To Sales A/c		124
	(Goods sold to Harvey on credit)		
05-01.	Wages A/c	12	
	To Cash A/c		12
	(wages paid in cash)		
05-01.	Purchases A/c	150	
	To Rich A/c		150
	(goods purchased on credit from rich)		
07-01.	Cash A/c	18	
	To Smith A/c		18
	(Smith settled his dues)		
09-01.	Max A/c	21	-

	To Cash A/c		21
	(amount paid owing to Max)		
11-01.	Cash A/c	64	
	To Sales A/c		64
	(Being goods sold in cash)		
14-01.	Wages A/c	14	
	To Cash A/c		14
	(Being wages paid in cash)		
14-01.	Purchases A/c	75	
	To Cash A/c		75
	(Being goods purchased in cash)		
15-01.	Rich A/c	162	
	To Cash A/c		162
	(amount is paid to Rich)		
20-01.	Furniture and Fittings A/c	32	
	To Cash A/c		32
	(office desk is purchased in cash)		
21-01.	Wages A/c	17	
	To Cash A/c		17
	(wages paid in cash)		

21-01.	Cash A/c	110	
	To Sales A/c		110
	(goods sold in cash)		
23-01.	Office expenses A/c	3	
	To Cash A/c		3
	(Office expenses paid in cash)		
23-01.	Cash A/c	25	
	To Harvey A/c		25
	(Cash is received from Harvey)		
28-01.	Cash A/c	84	
	To Sales A/c		84
	(Being goods sold in cash)		
28-01.	Wages A/c	15	
	To Cash A/c		15
	(Being wages paid in cash)		
31-01.	Cash A/c	30	
	To Sales A/c		30
	(Being goods sold in cash)		

Particulars	Office Expense Account Am. in £	Particulars	Amount (in £)
23.01.- Cash	3,00	Bal c/d	3,00
Total	3,00	Total	3,00
Bal b/d	3,00		

	Cash Account		
Balance b/d	343,00	Wages	12,00
Accounts receivable: Smith	18,00	Accounts payables: Smith	21,00
Sales	64,00	Wages	14,00
Sales	110,00	Purchase	75,00
Accounts receivable: Harvey	25,00	Accounts payables: Rich	162,00
Sales	84,00	Office desk	32,00
sales	30,00	wages	17,00
		Office expense	3,00
		wages	15,00
		Balance c/d	323,00
	674,00		674,00
Bal b/f	323,00		

	Sales Account		
Bal c/d	412,00	Harvey	124,00
		Cash	64,00
		Cash	110,00
		Cash	84,00
		Cash	30,00
	412,00		412,00
		Bal b/d	412,00

	Inventory Account		
Balance b/d	458,00		
Rich: Accounts Payables	150,00	cost of goods sold	309,00
Cash	75,00		
		Balance c/d	374,00
	683,00		683,00
Bal b/d	374,00		

	Wages Expenses Account		
Cash	12,00	Bal c/d	58,00
Cash	14,00		
Cash	17,00		
cash	15,00		
	58,00		58,00
Bal b/d	58,00		

	Accounts Receivables Account		
Smith:Bal b/d	18,00	Cash	18,00
Harvey:Bal b/f	39,00	Harvey cash payment	25,00
Moon:Bal b/f	26,00		
Harvey	124,00	bal c/d	164,00
	207,00		207,00
Bal b/d	164,00		

	Accounts Payables Account		
Cash	21,00	Rich:Bal b/d	12,00
Cash	162,00	Max:Bal b/d	21,00
		Sales:Rich	150,00
	183,00		183,00

	Furniture and Fittings Account		
Balance b/d	198,00	Balance c/d	230,00
Office desk	32,00		
	230,00		230,00
Balance b/d	230,00		

b) Trial balance at 31 January

Mafuta		
Trial Balance		
As at 31st January	Am. In £	In £
	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 Inventory	374,00	
	1 461,00	1 461,00

c) Statement of profit or loss for the month ended 31 January and a statement of financial position at that date:

Mafuta	
Statement of Profit or Loss	
As of 31st January	Am. in £
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

Mafuta				
Statement of financial position				
As at 31st January				
Assets				
Non-Current Assets				Am. in £
Furniture and fittings				230,00
				230,00
Current Assets				
Inventories				374,00
Accounts Receivables				164,00
Cash and cash equivalents				323,00
				697,00
Total Assets				927,00
Equity and Liabilities				
Equity				969,00
Retained earnings				42,00
Total Equity				927,00
Current liabilities				
Accounts Payable				-
Total current liabilities				-
Total liabilities				-
Total equity and liabilities				927,00

Task 4:**Relevant ledger accounts:**

	Sales Account		
balance c/d	28 500,00	Accounts receivable	8 500,00
		Accounts receivable	9 000,00
		Cash Jane	6 000,00
		Accounts receivable	5 000,00
	28 500, 00		28 500,00
		balance b/d	28 500, 00

	Accounts Receivable Account		
Sales Claire	8	Sales Returns	1 000,00
500,00			
Sales Hywel	9	Cash: Claire	7 125,00
000,00			
Sales Mandy	5	Cash: Hywel	9 000,00
000,00			
	22		17 125,00
500,00			
balance b/d	5	balance c/d	5 375, 00
375,00			

	Accounts Payable Account		
Cash	11 160,00	Purchases Georgina	12 000,00
Cash Andrew	4 410,00	Purchases	4 500,00
balance c/d	930		
	16 500,00		16 500,00
		balance b/d	930

	Purchases Account		
Accounts payable Georgina	12 000,00	balance c/d	16 500,00
Accounts payable	4 500,00		
	16 500,00		16 500,00
balance b/d	16 500,00		

	Discount Offered Account		
balance c/d	975,00	Discount on sales	450,00
		Discount on sales	375,00
		Discount on sales	150,00

	975,00		975,00
		balance b/d	975,00

	Discount Expense Account		
Discount on sales	450,00	balance c/d	975,00
Discount on sales	375,00		
Discounts on sales Mandy	150, 00		
			975,00
balance b/d	975,00		

	Cash Account		
Sales Goods Jane	000,00 6	Accounts payable	11 160,00
Accounts receivable from Clair	125,00 7	Accounts payable Andrew	4 410,00
Accounts receivable Hywel	000,00 9	balance c/d	6 555,00
	125,00 22		22 125,00
balance b/d	555,00 6		

	Sales Returns Account		
Accounts receivable	1 000,00	balance c/d	1 000,00
	1 000,00		1 000,00
balance b/d	1 000,00		

	Discount Received Account		
Discount Revenue	840,00	balance b/d	930,00
Discount Revenue	90,00		
	930,00		930,00
balance c/d	930,00		

	Discount Revenue Account		
balance c/d	930,00	Discount on Purchases	840,00
		Discount on Purchases	90,00
	930,00		930,00
		balance b/d	930,00

Ricardo			
Trial Balance			
As at 27th June	Am. in £	Am. in £	
	Dr	Cr	
Sales		28 500, 00	
Accounts receivable Mendy	5 375,00		
Accounts payable		930,00	
Discount expense	975,00		
Discount revenue		930,00	
Cash	6 555,00		
Sales returns	1 000,00		
cost of goods sold	16 500,00		
	30 405,00	30 360, 00	

Task 5:

Demonstrating your research, differentiate between revenue expenditure and capital expenditure

Capital expenditures are expenses spent on purchase as well as replacement of fixed assets that are expected to be productive assets for a specific long period of time (Brown, Beekes, & Verhoeven, 2010).

Revenue expenditures are expenses that are related to specific revenue generating transactions or operating periods, for example the cost of goods sold or repairs and maintenance expense. Thus, the differences between capital expenditure and revenue expenditure are:

Timing. Capital expenditures are expenses charged gradually through depreciation and over a specific long period of time. Revenue expenditures are expenses charged in the current period, or shortly thereafter.

Consumption. A capital expenditure is assumed to be consumed over the useful life of the related fixed asset. Revenue expenditure is assumed to be consumed within a very short period of time (Brown, Beekes, & Verhoeven, 2010).

Size. A more questionable difference is that capital expenditures tend to involve larger monetary amounts than revenue expenditures. This is because expenditure is only classified as a capital expenditure if it is more than a certain threshold value; if not, it is automatically designated as revenue expenditure (Brown, Beekes, & Verhoeven, 2010). Nonetheless, certain quite large expenditures can still be classified as revenue expenditures, as long they are directly associated with sale transactions as well as period costs.

Capital expenditure may include:

Asset Purchase costs (less any discount received)

Asset Delivery costs

Legal charges associated with an asset

Installation costs of the asset

Costs of upgrading assets

Costs associated with replacement of an asset

Revenue costs may comprise of:

Expenses associated with repairing

Maintenance expenses

Repainting expenses

Expenses associated with renewals

References

Brown, P., Beekes, W., & Verhoeven, P. (2010). Corporate governance, accounting and finance: A review. *Accounting & Finance*, 51(1), 96-172.

Jackson, D. (2018). Accounting and Finance Graduate Employment Outcomes: Underemployment, Self-employment and Managing Diversity. *Australian Accounting Review*.