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Programme: BA Business Management

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ACCOUNTING FUNDAMENTALS

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Introduction

To ensure proper management and to keep track of business performance, accounting knowledge is must. This report has been prepared showing application of accounting fundamentals.

Task 1

Preparation of ledger

General Purchase Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
7-Apr	Cash account		200.00	30-Apr	Balance c/d		200.00
30-Apr	Total Balance		<u>200.00</u>	30-Apr	Total Balance		<u>200.00</u>
1-May	Balance c/f		200.00				

General Sales Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
30-Apr	Balance c/d		350.00	20-Apr	Cash Account		350.00
30-Apr	Total Balance		<u>350.00</u>	30-Apr	Total Balance		<u>350.00</u>
				1-May	Balance c/f		350.00

General Cash Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
5-Apr	Capital account		300.00	7-Apr	Purchase account		200.00
8-Apr	Tatiana Loan		250.00	15-Apr	Motor Van		150.00
20-Apr	account		350.00	28-Apr	Account		50.00
30-Apr	Sales Account			28-Apr	Rent Account		200.00
	Total Balance		<u>900.00</u>	28-Apr	Tatiana Loan		60.00
				30-Apr	Account		240.00
				30-Apr	Withdrawal		
				30-Apr	Account		
				30-Apr	Balance c/d		<u>900.00</u>
1-May	Balance c/f		240.00	30-Apr	Total Balance		

Loan Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
28-Apr	Cash account		200.00	8-Apr	Cash account		250.00
30-Apr	Balance c/d		50.00	30-Apr	Total Balance		<u>250.00</u>
30-Apr	Total Balance		<u>250.00</u>	1-May	Balance c/f		50.00

Capital Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
30-Apr	Balance c/d		300.00	5-Apr	Cash account		300.00
30-Apr	Total Balance		<u>300.00</u>	30-Apr	Total Balance		<u>300.00</u>
				1-May	Balance c/f		300.00

Withdrawal Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
30-Apr	Cash Account		60.00	30-Apr	Balance c/d		60.00
30-Apr	Total Balance		<u>60.00</u>	30-Apr	Total Balance		<u>60.00</u>
1-May	Balance c/f		60.00				

Fixed asset (motor van) Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
15-Apr	Cash Account		150.00	30-Apr	Balance c/d		150.00
30-Apr	Total Balance		<u>150.00</u>	30-Apr	Total Balance		<u>150.00</u>
1-May	Balance c/f		150.00				

Expense (rent) Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
28-Apr	Cash Account		50.00	30-Apr	Balance c/d		50.00
30-Apr	Total Balance		<u>50.00</u>	30-Apr	Total Balance		<u>50.00</u>
1-May	Balance c/f		50.00				

Preparation of Trial balance

***Trail Balance of Maxim's transaction
Prepared on 30 April***

Items	Debit (£)	Credit (£)
<i>General Purchase Account</i>	200.00	
<i>General Sales Account</i>		350.00
<i>General Cash Account</i>	240.00	
<i>Loan Account</i>		50.00
<i>Capital Account</i>		300.00
<i>Withdrawal Account</i>	60.00	
<i>Fixed asset (motor van) Account</i>	150.00	
<i>Expense (rent) Account</i>	50.00	
Total	<u>700.00</u>	<u>700.00</u>

Preparation of Profit & Loss account and Statement of financial position

***Profit & Loss account
of Maxim's transaction
For the period end on 30 April***

Items	Details (£)	Amount (£)
<i>Total Sales</i>		350.00
<i>(-) Cost of Goods sold:</i>		
<i>Purchase</i>	200.00	
<i>(-) Inventory at the end of month</i>	100.00	
		100.00
Gross Profit		250.00
<i>(-) Rent</i>		50.00
Net Profit		<u>200.00</u>

**Statement of Financial Position
Of Maxim
On the Date 30 April**

Assets	Detail (£)	Amount (£)
<i>Fixed Asset-Motor Van</i>		150.00
Current Asset:		
<i>Cash in hand</i>	240.00	
<i>Inventory at the end of month</i>	100.00	340.00
Total Asset		<u>490.00</u>
Capital & Liabilities	Detail (£)	Amount (£)
<i>Capital of business</i>	300.00	
<i>(-) Withdrawal by owner</i>	60.00	
<i>(+) Net profit from operation</i>	200.00	
<i>Net Capital</i>		440.00
<i>Loan</i>		50.00
Total Capital & Liabilities		<u>490.00</u>

Task 2

Preparation of Ledger

General Purchase Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
3-Jan	Cash Account		1,300.00	31-Jan	Balance c/d		1,300.00
31-Jan	Total Balance		<u>1,300.00</u>	31-Jan	Total Balance		<u>1,300.00</u>
1-Feb	Balance c/f		1,300.00				

General Sales Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
31-Jan	Balance c/d		800.00	13-Jan	Cash account		300.00
31-Jan	Total Balance		<u>800.00</u>	20-Jan	Cash account		500.00
				31-Jan	Total Balance		<u>800.00</u>
1-Feb	Balance c/f		800.00				

General Cash Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Capital Account		5,000.00	2-Jan	Motor Van Account		600.00
4-Jan	Sergei Loan Account		1,000.00	3-Jan	Purchase Account		1,300.00
13-Jan	Sales account		300.00	10-Jan	General Expense account		200.00
20-Jan	Sales account		500.00	24-Jan	General Expense account		150.00
31-Jan	Total Balance		<u>6,800.00</u>	27-Jan	Sergei Loan Account		350.00
				30-Jan	Withdrawal Account		175.00
				31-Jan	Balance c/d		4,025.00
				31-Jan	Total Balance		<u>6,800.00</u>
1-Feb	Balance c/f		4,025.00				

Capital Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
31-Jan	Balance c/d		5,000.00	1-Jan	Cash Account		5,000.00
31-Jan	Total Balance		<u>5,000.00</u>	31-Jan	Total Balance		<u>5,000.00</u>
				1-Feb	Balance c/f		5,000.00

Withdrawal Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
30-Jan	Cash Account		175.00	31-Jan	Balance c/d		175.00
31-Jan	Total Balance		<u>175.00</u>	31-Jan	Total Balance		<u>175.00</u>
1-Feb	Balance c/f		175.00				

Loan Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
27-Jan	Cash Account		350.00	4-Jan	Cash Account		1,000.00
31-Jan	Balance c/d		650.00	31-Jan	Total Balance		<u>1,000.00</u>
31-Jan	Total Balance		<u>1,000.00</u>	1-Feb	Balance c/f		650.00

Fixed Asset (Motor Van) Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
2-Jan	Cash Account		600.00	31-Jan	Balance c/d		600.00
31-Jan	Total Balance		<u>600.00</u>	31-Jan	Total Balance		<u>600.00</u>
1-Feb	Balance c/f		600.00				

General Expenses Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
10-Jan	Cash Account		200.00	31-Jan	Balance c/d		350.00
24-Jan	Cash Account		150.00	31-Jan	Total Balance		<u>350.00</u>
31-Jan	Total Balance		<u>350.00</u>				
1-Feb	Balance c/f		350.00				

Preparation of trial balance

**Trail Balance
of Pendo's Transaction
Prepared on 31 January**

Items	Debit (£)	Credit (£)
General Purchase Account	1,300.00	
General Sales Account		800.00
General Cash Account	4,025.00	
Capital Account		5,000.00
Withdrawal Account	175.00	
Loan Account		650.00
Fixed Asset (Motor Van) Account	600.00	
General Expense Account	350.00	
Total	<u>6,450.00</u>	<u>6,450.00</u>

Preparation of profit & loss account and statement of financial position

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**Profit & Loss account
of Pendo's transaction
For the period end on 31 January**

Description	Detail Amount (£)	Amount (£)
Total Sales		800.00
(-) Cost of Goods sold:		
Purchase	1,300.00	
(-) Inventory at the end of month	800.00	
		500.00
Gross Profit		300.00
(-) General Expenses		350.00
Net Profit (loss)		<u>(50.00)</u>

**Statement of Financial Position
of Pendo
On the Date 31 January**

Assets	Detail Amount (£)	Amount (£)
Fixed Asset (Motor Van)		600.00
Current Asset:		
Cash	4,025.00	
Inventory at the end of month	800.00	4,825.00
Total Asset		<u>5,425.00</u>
Capital & Liabilities		
Capital	5,000.00	
(-) Withdrawal	175.00	
(-) Net loss of the period	50.00	
Net Capital		4,775.00
Loan		650.00
Total Capital & Liabilities		<u>5,425.00</u>

Task 3

Preparation and closing ledger account

General Purchase Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jun	Balance c/d		458.00	31-Jan	Balance c/d		683.00
5-Jan	Rich Account		150.00	31-Jan	Total Balance		<u>683.00</u>
14-Jan	Cash Account		75.00				
31-Jan	Total Balance		<u>683.00</u>				
1-Feb	Balance c/f		683.00				

General Sales Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
31-Jan	Balance c/d		412.00	2-Jan	Harvey Account		124.00
31-Jan	Total Balance		<u>412.00</u>	11-Jan	Cash Account		64.00
				21-Jan	Cash Account		110.00
				28-Jan	Cash Account		84.00
				20-Jan	Cash Account		30.00
				31-Jan	Total Balance		<u>412.00</u>
				1-Feb	Balance c/f		412.00

General Cash Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Balance c/f		343.00	5-Jan	Wage account		12.00
7-Jan	Smith Account		18.00	9-Jan	Max Account		21.00
11-Jan	Sales Account		64.00	14-Jan	Wage Account		14.00
21-Jan	Sales Account		110.00	14-Jan	Purchase Account		75.00
23-Jan	Harvey Account		25.00	15-Jan	Rich Account		162.00
					Furniture & Fixture		
28-Jan	Sales Account		84.00	20-Jan	Account		32.00
30-Jan	Sales Account		30.00	21-Jan	Wage account		17.00
					Office Expense		
31-Jan	Total Balance		<u>674.00</u>	23-Jan	account		3.00
1-Feb	Balance c/f		323.00	28-Jan	Wage account		15.00
				31-Jan	Balance c/d		323.00
				31-Jan	Total Balance		<u>674.00</u>

Wage Expense Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
5-Jan	Cash Account		12.00	31-Jan	Balance c/d		58.00
14-Jan	Cash Account		14.00	31-Jan	Total Balance		<u>58.00</u>
21-Jan	Cash Account		17.00				
28-Jan	Cash Account		15.00				
31-Jan	Total Balance		<u>58.00</u>				
1-Feb	Balance c/f		58.00				

Office expense Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
23-Jan	Cash Account		3.00	31-Jan	Balance c/d		3.00
31-Jan	Total Balance		<u>3.00</u>	31-Jan	Total Balance		<u>3.00</u>
1-Feb	Balance c/f		3.00				

Furniture & Fittings Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Balance c/f		198.00	31-Jan	Balance c/d		230.00
20-Jan	Cash Account		32.00	31-Jan	Total Balance		<u>230.00</u>
31-Jan	Total Balance		<u>230.00</u>				-
1-Feb	Balance c/f		230.00				

Account Payable Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
9-Jan	cash account		21.00	1-Jan	Balance c/f		33.00
15-Jan	cash account		162.00	5-Jan	Purchase Account		150.00
31-Jan	Balance c/d		-	31-Jan	Total Balance		<u>183.00</u>
31-Jan	Total Balance		<u>183.00</u>	1-Feb	Balance c/f		-

Account Receivable Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Balance c/f		83.00	7-Jan	Cash Account		18.00
2-Jan	Sales Account		124.00	23-Jan	Cash Account		25.00
31-Jan	Total Balance		<u>207.00</u>	31-Jan	Balance c/d		164.00
1-Feb	Balance c/f		164.00	31-Jan	Total Balance		<u>207.00</u>

Capital Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
30-Jan	Balance c/d		1,049.00	1-Jan	Beginning balance		1,049.00
30-Jan	Total Balance		<u>1,049.00</u>	30-Jan	Total Balance		<u>1,049.00</u>
			-	1-Feb	Balance c/f		1,049.00

Workings:

Assisting account of Accounts Receivable Account:

Harvey Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Beginning Balance		39.00	23-Jan	Cash Account		25.00
2-Jan	Sales Account		124.00	31-Jan	Balance c/d		138.00
31-Jan	Total Balance		<u>163.00</u>	31-Jan	Total Balance		<u>163.00</u>
1-Feb	Balance c/f		138.00				

Smith Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Beginning balance		18.00	7-Jan	Cash Account		18.00
31-Jan	Total Balance		<u>18.00</u>	31-Jan	Balance c/d		-
1-Feb	Balance c/f		-	31-Jan	Total Balance		<u>18.00</u>

Moon Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
1-Jan	Beginning balance		26	31-Jan	Balance c/d		26
30-Jun	Total Balance		<u>26</u>	30-Jun	Total Balance		<u>26</u>
1-Feb	Balance c/f		26				

Assisting account of Accounts Payable Account:

Max Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
9-Jan	cash account		21.00	1-Jan	Beginning balance		21.00
31-Jan	Balance c/d		-	31-Jan	Total Balance		<u>21.00</u>
31-Jan	Total Balance		<u>21.00</u>	1-Feb	Balance c/f		-

Rich Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
15-Jan	Cash Account		162.00	1-Jan	Balance c/f		12.00
31-Jan	Balance c/d		-	5-Jan	Purchase Account		150.00
			<u>162.00</u>	31-Jan	Total Balance		<u>162.00</u>
				1-Feb	Balance c/f		-

Preparation of Trial balance

Trail Balance of Mafuta's transaction Prepared on 31 January

Items	Debit (£)	Credit (£)
General Purchase Account	683.00	
General Sales Account		412.00
General Cash Account	323.00	
Wage Expense Account	58.00	
Office expense Account	3.00	
Account Receivable Account	164.00	
Furniture & Fittings Account	230.00	
Capital Account		1,049.00
Total	<u>1,461.00</u>	<u>1,461.00</u>

Preparation of profit & loss account and statement of financial position

Profit & Loss account of Mafut's transaction For the period end on 31 January

Description	Detail Amount (£)	Amount (£)
Net Sales		412.00
(-) Cost of Goods sold:		
(+) Purchase	683.00	
(-) Inventory at the end of month	374.00	
		309.00
Gross Profit		103.00
(-) Operational expenses		-
Wages expenses	58.00	
Office Expense	3.00	61.00
Net Profit (loss)		<u>42.00</u>

**Statement of Financial Position
of Mafuta
On the Date 31 January**

Assets	Detail Amount (£)	Amount (£)
<i>Fixed Asset (Furniture & Fixture)</i>		230.00
Current Asset:		
<i>Cash</i>	323.00	
<i>Accounts Receivable</i>	164.00	
<i>Inventory at the end of month</i>	374.00	861.00
Total Asset		<u>1,091.00</u>
Capital & Liabilities		
<i>Capital</i>	1,049.00	
<i>Net profit</i>	42.00	1,091.00
Total Capital & Liabilities		<u>1,091.00</u>

Task 4

Preparation of ledger

General Purchase Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
13-Jun	Georgina Account		12,000.00	30-Jun	Balance c/d		16,500.00
21-Jun	Andrew Account		4,500.00	30-Jun	Total Balance		<u>16,500.00</u>
30-Jun	Total Balance		<u>16,500.00</u>				
1-Jul	Balance c/f		16,500.00				

General Sales Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
30-Jun	Balance c/d		28,050.00	2-Jun	Claire Account		8,500.00
30-Jun	Total Balance		<u>28,050.00</u>	14-Jun	Hywel Account		8,550.00
				14-Jun	Cash Account		6,000.00
				24-Jun	Manday account		5,000.00
				30-Jun	Total Balance		<u>28,050.00</u>
				1-Jul	Balance c/f		28,050.00

General Cash Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
14-Jun	Sales Account		6,000.00	25-Jun	Georgina Account		11,160.00
24-Jun	Claire Account		7,125.00	27-Jun	Andrew Account		4,410.00
25-Jun	Hwyel Account		8,550.00	30-Jun	Balance c/d		6,105.00
30-Jun	Total Balance		<u>21,675.00</u>	30-Jun	Total Balance		<u>21,675.00</u>
1-Jul	Balance c/f		6,105.00				

Cash Discount Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
24-Jun	Claire Account		375.00	25-Jun	Georgina Account		840.00
30-Jun	Balance c/d		555.00	27-Jun	Andrew Account		90.00
30-Jun	Total Balance		<u>930.00</u>	30-Jun	Total Balance		<u>930.00</u>
				1-Jul	Balance c/f		555.00

Sales Return Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
22-Jun	Claire Account		1,000.00	30-Jun	Balance c/d		1,000.00
30-Jun	Total Balance		<u>1,000.00</u>	30-Jun	Total Balance		<u>1,000.00</u>
1-Jul	Balance c/f		1,000.00				

Account Receivable Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
2-Jun	Sales Account		8,500.00	22-Jun	Sales Return Account		1,000.00
14-Jun	Sales Account		8,550.00	24-Jun	Cash Account		7,500.00
24-Jun	Sales Account		5,000.00	25-Jun	Cash Account		8,550.00
30-Jun	Total Balance		<u>22,050.00</u>	30-Jun	Balance c/f		5,000.00
1-Jul	Balance c/f		5,000.00	30-Jun	Total Balance		<u>22,050.00</u>

Account Payables Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
25-Jun	Cash Account		11,160.00	13-Jun	Purchase Account		12,000.00
25-Jun	Cash Discount Account		840.00	21-Jun	Purchase Account		4,500.00
27-Jun	Cash Account		4,410.00	30-Jun	Total Balance		<u>16,500.00</u>
27-Jun	Cash Discount Account		90.00				
30-Jun	Balance c/d		-				
30-Jun	Total Balance		<u>16,500.00</u>	1-Jul	Balance c/f		0

Workings:**Assisting account of Accounts Receivable Account:**

Claire Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
2-Jun	Sales Account		8,500.00	22-Jun	Sales Return Account		1,000.00
30-Jun	Total Balance		<u>8,500.00</u>	24-Jun	Cash Account		7,500.00
				30-Jun	Balance c/d		-
1-Jul	Balance c/f		-	30-Jun	Total Balance		<u>8,500.00</u>

Hywel Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
14-Jun	Sales Account		8,550.00	25-Jun	Cash Account		8,550.00
30-Jun	Total Balance		<u>8,550.00</u>	30-Jun	Balance c/d		-
1-Jul	Balance c/f		-	30-Jun	Total Balance		<u>8,550.00</u>

Mandy Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
24-Jun	Sales Account		5,000.00	30-Jun	Balance c/d		5,000.00
30-Jun	Total Balance		<u>5,000.00</u>	30-Jun	Total Balance		<u>5,000.00</u>
1-Jul	Balance c/f		5,000.00				

Assisting account of Accounts Payable Account:

Georgina Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
25-Jun	Cash Account		11,160.00	13-Jun	Purchase Account		12,000.00
25-Jun	Cash Discount		840.00	30-Jun	Balance c/d		-
30-Jun	Total Balance		<u>12,000.00</u>	30-Jun	Total Balance		<u>12,000.00</u>
1-Jul	Balance c/f		-				

Andrew Account							
Dr				Cr			
Date	Details	Rf.	Amount (£)	Date	Details	Rf.	Amount (£)
27-Jun	Cash Account		4,410.00	21-Jun	Purchase Account		4,500.00
27-Jun	Cash Discount Account		90.00	30-Jun	Balance c/d		-
30-Jun	Total Balance		<u>4,500.00</u>	30-Jun	Total Balance		<u>4,500.00</u>
1-Jul	Balance c/f		-				

Preparation of trial balance

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Trail Balance of Ricardo Prepared on 31 January

Items	Debit (£)	Credit (£)
<i>General Purchase Account</i>	16,500.00	
<i>General Sales Account</i>		28,050.00
<i>General Cash Account</i>	6,105.00	
<i>Cash Discount Account</i>		555.00
<i>Sales Return Account</i>	1,000.00	
<i>Account Receivable Account</i>	5,000.00	
Total	<u>28,605.00</u>	<u>28,605.00</u>

Task 5

Business has to incur different cost to ensure the expected revenue flow and proper operation of the business (Kieso, Weygandt and Warfield, 2017). These costs are called the expenditure in business terms. Based on the nature of these expenditures, they are mainly classified into two sections and they are, revenue expenditure and capital expenditure. There are some major differences between these two types of expenditure that helps any person managing the business to classify the expenditures (Finney, 2017). The major differences are as follows,

Revenue expenditure	Capital expenditure
Revenue expenditure are those expenditure which is mainly experienced to ensure smooth current period's operation.	Capital expenditures are those expenditures that business undertakes to acquire any asset which will provide revenue stream over periods. This difference has arisen based on matching principle of accounting. (Smieliauskas, 2012)
In business, revenue expenditure is reported through profit and loss account.	In business, capital expenditure is reported through balance sheet. This difference has drawn following full disclosure principle of accounting standards. (Patrascu, 2015)

Generally, revenue expenditure is shown and closed in the period it occurred.	Capital expenditure is considered as expenditure over periods of its life time. This difference has drawn following time period assumption principle of accounting. (Frank, 2018)
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Conclusion

After completion of the report, it can be said that accounting fundamental knowledge is highly required to ensure proper and reliable reporting. Reporting of business is necessary to ensure its acceptability to stakeholders.

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