

## TASK DESCRIPTION

### Task 1: In-class assessment:

Participate in an in-class assessment during the session in Week 6. This task would be considered part of your essay as it should also be attached as an **appendix** to your essay after submission to your tutor. On the day of the assessment, an exercise would be given for students to answer. This is an 'open book exercise' thus, you are allowed to use your lecture notes if needed. ***The exercise would primarily require you to record day-to-day financial transactions using the ledger (T accounts).*** Thus, the exercise would cover the following topics:

1. Introduction to Financial Accounting
2. Income and expenditure
3. Assets, Liability and Capital
4. Balancing of Accounts and the Trial balance.

1. Mandy has been in business for some years. The following balances were brought forward in his books of account as at 1 January 2019:

|                  | £             | £             |
|------------------|---------------|---------------|
|                  | Dr            | Cr            |
| Bank             | 10,000        |               |
| Capital          |               | 40,000        |
| Cash             | 2,000         |               |
| Diane (Creditor) |               | 4,000         |
| Zenith (Debtor)  | 12,000        |               |
| Furniture        | 20,000        |               |
|                  | <u>44,000</u> | <u>44,000</u> |

During the year to 31 December 2019 the following transactions took place:

1. Received Rental income of £2,500 by cash
2. Goods bought from Diane on credit for £60,000.
3. Cash sales of £40,000.
4. Cash purchases of £30,000.
5. Purchased computers from Omar for £7,000 and made part payment of £4,000 by cash during the year.
6. Goods sold to Zenith on credit for £100,000.
7. Cheques sent to Diane totalling £58,000.
8. Mandy brought in an extra £10,000 into the business through the bank.
9. Cheques received from Zenith totalling £90,000.
10. Cash received from Zenith amounting to £14,000.
11. Office expenses paid in cash totalling £18,000.
12. Purchase of delivery van costing £24,000 paid by cheque.
13. Cash transfers to bank totalling £6,000.

Required:

- (a) Compile Mandy's ledger accounts for the year 31 December 2019, balance off the accounts and bring down the balances as at 1 January 2020.
- (b) Extract a trial balance as at 31 December 2019.

**(40 marks)**

Mandy also established an entertainment business a few years ago with a business partner. During the year to 31st December 2019, they made the following payments for public liability insurance:

|                  |        |                                     |
|------------------|--------|-------------------------------------|
| 1st January 2019 | £550   | for the 6 months to 30th June 2019  |
| 15th June 2019   | £1,100 | for the 12 months to 30th June 2020 |

- a. Calculate the total expense to be reported in the Statement of Profit or Loss for the year ending 31st December 2019.
- b. State whether an accrual or prepayment will be shown in the Statement of Financial Position as at 31st December 2019 and calculate the value of the accrual or prepayment.

On 1st October 2019 they bought a new delivery vehicle at a cost of £30,000. The company adopts the reducing balance method for depreciation on these vehicles, at a rate of 15% per annum.

- c. Prepare a depreciation schedule to show the annual depreciation to be charged for the first four years.

**(10 Marks)**