

Accounting Fundamental

Module code: LCBB4001

Group: BMT1G2

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By

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Introduction

Accounting is a science that systematically reflects (describe) business transactions in an enterprise to be able to present adequately its financial position at a given moment or in development for a certain period of time (through profit and loss account). The report includes specific information about company, its transaction and relationships with other companies. Includes also information about journal, ledger, trial balance such as revenue expenses and capital expenses. (Healy, M 2016).

Task 1

Task A

Each business operation causes interrelated changes in at least two objects and should be recorded in at least two accounts. All modifications are the same in size and opposite in nature, they are recorded at the same amounts in debit and credit to the affected accounts.

Journal entries – Maxim`s books

Date	Particulars	Debit(£)	Credit(£)
05-04-18	Cash A/c Dr.	300.00	
	To Capital A/c		300.00
	(Capital in the business)		
07-04-18	Purchases A/c Dr.	200.00	
	To Cash A/c		200.00
08-04-18	Cash A/c Dr.	250.00	
	To Tatiana A/c		250.00
	(Received being loanis)		
15-04-18	Motor Van A/c Dr.	150.00	
	To Cash A/c		150.00
	(Paid by cash)		
20-04-18	Cash A/c Dr.	350.00	
	To Sales A/c		350.00
	(Sold goods)		
28-04-18	Rent A/c Dr.	50.00	
	To Cash A/c		50.00
	(Paid rent by cash)		
29-04-18	Tatiana A/c Dr.	200.00	

	To Cash A/c		200.00
	(Paid part of the loan)		
30-04-18	Capital A/c Dr.	60.00	
	To Cash A/c		60.00
	(Taken cash amount from the capital)		

The introduced amount into the business is in cash. Accordingly, the amount of the capital is £300.00.

07-04-18 Purchased goods are paid by cash for £200.

08-04-18 Received loan from Tatiana is of £250 in cash. Repayable within twelve months so it is short term loan.

15-04-18 purchased a motor van and is it paid by cash for £150.

20-04-18 Sold goods for£350.

28-04-18 The rent is paid by the current account in cash £50.

29-04-18 Repaid part of the short turn loan from Tatiana - £200.

The Cash account increase because is paid by cash and Sales account decreased.

30-04-18 When are drew cash from the business for owner needs, the Capital decreases. - £60

Task B

Ledger accounts

In the accounts were first recorded initial state (figures size) of the reporting entity on the basis of balance or when a new object of reporting. Then record all changes to the reporting objects from operations carried out by the enterprise. The names of the accounts shall be determined according to their objects. The account records the increases and decreases of the reported entity that occurred as a result of the operations.

Capital A/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
30-04-18	To Cash A/c	60.00	05-04-18	By Cash A/c	300.00
	To Closing Balance C/d	240.00			
Total		300.00	Total		300.00

Cash A/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
05-04-18	To Capital A/c	300.00	07-04-18	By Purchases A/c	200.00
08-04-18	To Tatiana A/c	250.00	15-04-18	By Motor Van A/c	150.00
20-04-18	To Sales A/c	350.00	28-04-18	By Rent A/c	50.00
			29-04-18	By Tatiana A/c	200.00
			30-04-18	By Capital A/c	60.00
				By Closing Bal. C/d	240.00
Total		900.00	Total		900.00

Purchases A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
07-04-18	To Cash A/c	200.00	30-04-18	By Trading and P&L A/c	200.00
Total		200.00	Total		200.00

Tatiana A/c

Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
29-04-18	To Cash A/c	200.00	08-04-18	By Cash A/c	250.00
30-04-18	To Closing Balance C/d	50.00			
Total		250.00	Total		250.00

Motor Van A/c

Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
15-04-18	To Cash A/c	150.00	30-04-18	By Closing Bal. C/d	150.00
Total		150.00	Total		150.00

Sales A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
30-04-18	To Trading and P&L A/c	350.00	20-04-18	By Cash A/c	350.00
Total		350.00	Total		350.00

Rent A/c					
Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
28-04-18	To Cash A/c	50.00	30-04-18	By Trading and P&L A/c	50.00
Total		50.00	Total		50.00

Trial Balance

The trial balance is a summary table for checking the accuracy of current accounting data.

TRIAL BALANCE		
Particulars	Debit (£)	Credit(£)
Capital	-	240.00
Cash	240.00	-
Purchases	200.00	-
Tatiana	-	50.00
Motor Van	150.00	-
Sales	-	350.00
Rent	50.00	-
Total	640.00	640.00

Task C

Statement of Trading Profit or Loss for 30th April			
Particulars	Amount (£)	Particulars	Amount(£)
To Purchases A/c	200.00	By Sales A/c	350.00
To Gross Profit C/d	250.00	By Closing Stock A/c	100.00
	450.00		450.00
To Rent A/c	50.00	By Gross Profit B/d	250.00
To Net Profit C/d	200.00		
Total	250.00		250.00

Statement of Financial Position for 30 April				
Liabilities	Amount (£)		Assets	Amount (£)
Capital	240.00		<u>Non-Current Assets:</u>	
Add: Net Profit For the Year	200.00	440.00	Motor Van	150.00
			<u>Current Assets:</u>	
<u>Unsecured Loans:</u>			Cash in Hand	240.00
Tatiana		50.00	Closing Stock	100.00
Total		490.00	Total	490.00

Task 2

Task A

Journal entries – Pendo`s books

Date	Particulars	Debit(£)	Credit(£)
01-01-18	Cash A/c Dr.	5,000.00	
	To Capital A/c		5,000.00
	(The business capital)		
02-01-18	Motor Van A/c Dr.	600.00	
	To Cash A/c		600.00
	(purchases paid by cash)		
03-01-18	Purchases A/c Dr.	1,300.00	
	To Cash A/c		1,300.00
	(goods of purchases)		
04-01-18	Cash A/c Dr.	1,000.00	
	To Sergei A/c		1,000.00
	(Received loan)		
10-01-18	Motor Van Expenses A/c Dr.	200.00	
	To Cash A/c		200.00
	(paid expenses by cash)		
13-01-18	Cash A/c Dr.	300.00	
	To Sales A/c		300.00
	(Sold goods by cash)		
20-01-18	Cash A/c Dr.	500.00	
	To Sales A/c		500.00
	(Sold goods by cash)		
24-01-18	Storage Expenses A/c Dr.	150.00	
	To Cash A/c		150.00
	(paid storage expense)		

27-01-18	Sergei A/c Dr.	350.00	
	To Cash A/c		350.00
	(Repaid part of loan)		
30-01-18	Capital A/c Dr.	175.00	
	To Cash A/c		175.00
	(Taken amount from the capital)		

Task B

Ledger accounts

Capital A/c					
Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
30-01-18	To Cash A/c	175.00	01-01-18	By Cash A/c	5,000.00
31-01-18	To Closing Balance C/d	4,825.00			
Total		5,000.00	Total		5,000.00

Cash A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
01-01-18	To Capital A/c	5,000.00	02-01-18	By Motor Van A/c	600.00
04-01-18	To Sergei A/c	1,000.00	03-01-18	By Purchases A/c	1,300.00
13-01-18	To Sales A/c	300.00	10-01-18	By Motor Van Expenses A/c	200.00
20-01-18	To Sales A/c	500.00	24-01-18	By Storage Expenses A/c	150.00
			27-01-18	By Sergei A/c	350.00
			30-01-18	By Capital A/c	175.00
				By Closing Balance C/d	4,025.00
Total		6,800.00	Total		6,800.00

Motor Van A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
02-01-18	To Cash A/c	600.00	31-01-18	By Closing Balance C/d	600.00
Total		600.00	Total		600.00

Purchases A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
03-01-18	To Cash A/c	1,300.00	31-01-18	By Trading and P&L A/c	1,300.00
Total		1,300.00	Total		1,300.00

Sergei A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
27-01-18	To Cash A/c	350.00	04-01-18	By Cash A/c	1,000.00
31-01-18	To Closing Balance C/d	650.00			
Total		1,000.00	Total		1,000.00

Motor Van Expenses A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
10-01-18	To Cash A/c	200.00	31-01-18	By Trading and P&L A/c	200.00
Total		200.00	Total		200.00

Sales A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
31-01-18	To Trading and P&L A/c	800.00	13-01-18	By Cash A/c	300.00
			20-01-18	By Cash A/c	500.00
Total		800.00	Total		800.00

Storage Expenses A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
24-01-18	To Cash A/c	150.00	31-01-18	By Trading and P&L A/c	150.00
Total		150.00	Total		150.00

Task C

Trial Balance

TRIAL BALANCE		
Particulars	Debit(£)	Credit(£)
Capital	-	4,825.00
Cash	4,025.00	-
Motor Van	600.00	-
Purchases	1,300.00	-
Sergei	-	650.00
Motor Van Expenses	200.00	-
Sales	-	800.00
Storage Expenses	150.00	-
Total	6,275.00	6,275.00

Statement of Trading and Profit or Loss for 30 th January			
Particulars	Amount (£)	Particulars	Amount(£)
To Purchases A/c	1,300.00	By Sales A/c	800.00
To Gross Profit C/d	300.00	By Closing Stock A/c	800.00
	1,600.00		1,600.00
To Motor Van Expenses A/c	200.00	By Gross Profit B/d	300.00
To Storage Expenses A/c	150.00		
		By Net Loss C/d	50.00
Total	350.00		350.00

Statement of Financial Position at 31th January

Liabilities	Amount(£)		Assets	Amount(£)
Capital	4,825.00		<u>Non-Current Assets:</u>	
Less: Net Loss For the Year	50.00	4,775.00	Motor Van	600.00
			<u>Current Assets:</u>	
<u>Unsecured Loans:</u>			Cash in Hand	4,025.00
Sergei		650.00	Closing Stock	800.00
Total		5,425.00	Total	5,425.00

Task 3

Task A

<u>Journal entries – Mufta`s books</u>			
Date	Particulars	Debit (£)	Credit(£)
02-01-18	Harvey A/c Dr.	124.00	
	To Sales A/c		124.00
05-01-18	Wages A/c Dr.	12.00	
	To Cash A/c		12.00
05-01-18	Purchases A/c Dr.	150.00	
	To Rich A/c		150.00
07-01-18	Cash A/c Dr.	18.00	
	To Smith A/c		18.00
09-01-18	Max A/c Dr.	21.00	-
	To Cash A/c		21.00
11-01-18	Cash A/c Dr.	64.00	
	To Sales A/c		64.00
14-01-18	Wages A/c Dr.	14.00	
	To Cash A/c		14.00
14-01-18	Purchases A/c Dr.	75.00	
	To Cash A/c		75.00
15-01-18	Rich A/c Dr.	162.00	
	To Cash A/c		162.00
20-01-18	Furniture and Fittings A/c Dr.	32.00	
	To Cash A/c		32.00

21-01-18	Wages A/c Dr.	17.00	
	To Cash A/c		17.00
21-01-18	Cash A/c Dr.	110.00	
	To Sales A/c		110.00
23-01-18	Office expenses A/c Dr.	3.00	
	To Cash A/c		3.00
23-01-18	Cash A/c Dr.	25.00	
	To Harvey A/c		25.00
28-01-18	Cash A/c Dr.	84.00	
	To Sales A/c		84.00
28-01-18	Wages A/c Dr.	15.00	
	To Cash A/c		15.00
31-01-18	Cash A/c Dr.	30.00	
	To Sales A/c		30.00

Ledger accounts

Capital A/c					
Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
31-01-18	By Closing Balance C/d	1,049.00	01-01-18	By Opening Balance B/d	1,049.00
Total		1,049.00	Total		1,049.00

Harvey A/c					
Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
01-01-18	To Opening Balance B/d	39.00	23-01-18	By Cash A/c	25.00
02-01-18	To Sales A/c	124.00	31-01-18	BY Closing Balance C/d	138.00
Total		163.00	Total		163.00

Sales A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
31-01-18	To Trading and P&L A/c	412.00	02-01-18	By Harvey A/c	124.00
			11-01-18	By Cash A/c	64.00
			21-01-18	By Cash A/c	110.00
			28-01-18	By Cash A/c	84.00
			31-01-18	By Cash A/c	30.00
Total		412.00	Total		412.00

Cash A/c

Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
01-01-18	To Opening Balance B/d	343.00	05-01-18	By Wages A/c	12.00
07-01-18	To Smith A/c	18.00	09-01-18	By Max A/c	21.00
11-01-18	To Sales A/c	64.00	14-01-18	By Wages A/c	14.00
21-01-18	To Sales A/c	110.00	14-01-18	By Purchases A/c	75.00
23-01-18	By Harvey A/c	25.00	15-01-18	By Rich A/c	162.00
28-01-18	To Sales A/c	84.00	20-01-18	By Furniture and Fittings A/c	32.00
31-01-18	To Sales A/c	30.00	21-01-18	By Wages A/c	17.00
			23-01-18	By Office Expenses A/c	3.00
			28-01-18	By Wages A/c	15.00
			31-01-18	BY Closing Balance C/d	323.00
Total		674.00	Total		674.00

Purchases A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
05-01-18	To Rich A/c	150.00	31-01-18	By Trading and P&L A/c	225.00
14-01-18	To Cash A/c	75.00			
Total		225.00	Total		225.00

Rich A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
15-01-18	To Cash A/c	162.00	01-01-18	By Opening Balance B/d	12.00
			05-01-18	By Purchases	150.00
Total		162.00	Total		162.00

Smith A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
01-01-18	To Opening Balance B/d	18.00	07-01-18	By Cash A/c	18.00
Total		18.00	Total		18. .00

Office Expenses A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
23-01-18	To Cash A/c	3.00	31-01-18	By Trading and P&L A/c	3.00
Total		3.00	Total		3.00

Max A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
09-01-18	To Cash	21	01-01-18	By Opening Balance B/d	21
Total		21	Total		21

Furniture and Fittings A/c

Date	Particulars	Amount (£)	Date	Particulars	Amount(£)
01-01-18	To Opening Balance B/d	198.00	31-01-18	By Closing Balance C/d	230.00
20-01-18	To Cash A/c	32.00			
Total		230.00	Total		230.00

Wages A/c

Date	Particulars	Amount(£)	Date	Particulars	Amount(£)
05-01-18	To Cash A/c	12.00	31-01-18	By Trading and P&L A/c	58.00
14-01-18	To Cash A/c	14.00			
21-01-18	To Cash A/c	17.00			
28-01-18	To Cash A/c	15.00			
Total		58.00	Total		58.00

Task B

Trial Balance

Particulars	Debit(£)	Credit(£)
Capital	-	1,049.00
Harvey	138.00	-
Sales	-	412.00
Cash	323.00	-
Purchases	225.00	-
Office Expenses	3.00	-
Furniture and Fittings	230.00	-
Wages	58.00	-
Opening Stock	458.00	-
Moon	26.00	-
Total	1,461.00	1,461.00

Task C

Statement of Trading and Profit or Loss for 31th January

Particulars	Amount (£)	Particulars	Amount(£)
To Opening Stock	458.00	By Sales A/c	412.00
To Purchases A/c	225.00	By Closing Stock A/c	374.00
To Gross Profit C/d	103.00		
	786.00		786.00
To Office Expenses A/c	3.00	By Gross Profit B/d	103.00
To Furniture and Fittings A/c	230.00		
To Wages A/c	58.00		
		By Net Loss C/d	188.00
Total	291.00	Total	291.00

Statement of Financial Position at 31th January

Liabilities	Amount(In£)		Assets	Amount(in£)
Capital	1,049.00		<u>Non-Current Assets:</u>	
Less: Net Loss For the Year	188.00	861.00	Motor Van	
			<u>Current Assets:</u>	
<u>Unsecured Loans:</u>			Cash in Hand	323.00
Sergei			Closing Stock	374.00
			Harvey	138.00
			Moon	26.00
Total	861.00		Total	861.00

Current Assets: cash in hand, closing stock, Harvey, Moon. They are that part of the assets of the enterprise that participates once and all in the production process and fully translates its value into the value of the product produced.

Task 4

Ricardo`s books - Transactions

Date	Particular		Debit (£)	Credit (£)
02/06/18	Claire a/c		8,500.00	
		To sales a/c		8,500.00
	(Sales)			
13/06/18	Purchase a/c		1,2000.00	
		To Georgina		1,2000.00
	(Purchases from Georgina)			
14/06/18	Hywel a/c		8,550.00	
		To sales a/c		8,550.00
	(Sales)			
20/06/18	Cash a/c		6,000.00	
		To sales a/c		6,000.00
	(Sales)			
21/06/18	Purchase a/c		4,500.00	
		To Andrew		4,500.00
	(Made purchase)			
22/06/18	Sales return a/c		1,000.00	
		to Claire a/c		1,000.00
	(Made return to the sales return account)			
24/06/18	Mandy a/c		5,000.00	
		To sales a/c		5,000.00
	(company sales)			
24/06/18	Cash a/c		7,125.00	
	Discount allowed a/c		375.00	

		to Claire a/c		7,500.00
	(Received payment from Claire)			
25/06/18	Cash a/c		8,550.00	
		To Hywel a/c		8,550.00
	(Payment to Hywel)			
	Georgina		12,000.00	
		To Cash		11,160.00
		To discount received		840.00
	(Payment to Georgina account)			
27/06/18	Andrew a/c		4,500.00	
		To discount received		90.00
		To cash		4,410.00

Ledger accounts

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
30/06/18	To Trading a/c	28,050.00	02/06/18	By Claire	8,500.00
			14/06/18	By Hywel	8,550.00
			20/06/18	By cash	6,000.00
			24/06/18	By Mandy	5,000.00
		28,050.00			28,050.00

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
13/06/18	To Georgina	12,000.00	30/06/18	By Trading a/c	16,500.00
21/06/18	To Andrew	4,500.00			
		16,500.00			16,500.00

Claire a/c

Date	Particular	Amount(£)	Particular	Amount(£)
02/06/18	To sale	8,500.00	By Cash	7,125.00
			By discount allowed	375.00
		8,500.00		8,500.00

Georgina a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
25/06/18	To Cash	11,160.00	13/06/16	By Purchase	12,000.00
	To Discount received	840.00			
		12,000.00			12,000.00

Hywel a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
14/06/18	To sales	8,550.00	25/06/18	By cash a/c	8,550.00
		8,550.00			8,550.00

Andrew a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
27/06/18	To Cash	4,410.00	21/06/18	By Purchase a/c	4,500.00
	To Discount received	90.00			
		4,500.00			4,500.00

Cash a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
20/06/18	To sales	6,000.00	25/06/18	By Georgian	11,160.00
14/06/18	To Hywel	8,550.00	27/06/18	By Andrew	4,410.00
24/06/18	To Claire a/c	7,125.00	30/06/18	By Balance c/d	6,105.00
		21,675.00			21,675.00

Sales return a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
22/06/18	To Claire a/c	1,000.00	30/06/18	By Trading a/c	1,000.00
		1,000.00			1,000.00

Mandy a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
24/06/18	To sales	5,000.00	30/06/18	By Balance c/d	5,000.00
		5,000.00			5,000.00

Discount allowed a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
24/06/18	To Claire	375.00	30/06/18	By P&L a/c	375.00
		375.00			375.00

Discount Received account

Date	Particular	Amount (£)	Date	Particular	Amount (£)
30/06/18	To P&L	930.00	25/06/18	By Georgina	840.00
			27/06/18	By Andrew	90.00
		930.00			930.00

Trial Balance

Particular	Debit (£)	Credit (£)
Sales		28,050.00
Purchase	16,500.00	
Cash a/c	6,105.00	
Discount received		930.00
Discount allowed	375.00	
Sales return	1,000.00	
Mandy	5,000.00	
Total	28,980.00	28,980.00

Task 5

Revenue expenses

Revenues represent gross flows of economic benefits over the period, created in the ordinary course of business of the undertaking, manifested as an increase in assets or decrease in liabilities, leading to an increase in equity despite the distributions between owners.

Expenses are a reduction in economic benefits during the reporting period through a decrease in assets or increase in liabilities, resulting in a reduction in equity, without prejudice to the distribution among the owners. Expenses are reported under the principle of active accounts, but they are not assets. (Garrett, P. 2006)

Basic accounting principles taking into account the expenses and revenues:

(a) ongoing decrease - revenue and expense are accounted for. For example, accrued wages are recognized as expenses, whether they are paid. Budget exception.

(b) comparability of revenue and expenses (Lomar, D. 2010)

Expenditure that does not relate to a current period - subscriptions, prepaid rent, insurance, is reported as Expenses for future periods. These costs do not take part in shaping the financial result for the current year but registered to as balance sheet position. All other expenses must be closed at the end of the reporting period, being credited against debiting the Profit and Loss Account for the current year.

At the end of the reporting period, revenues are closed by debiting against crediting the Profit and Loss Account. At the closing of revenues and expenses, which is the stage of the annual accounting closure, a financial result of the enterprise's operations is formed. (Radley, M. 2009)

Capital expenditure

Monetary expression of the assets of the business is a capital. Capital expenditures are intended for overhaul and acquisition of tangible and intangible fixed assets.

Capital is the entire property of enterprise, it is used to obtain profits and monetary expression of the invested assets in the enterprise (tangible, intangible and financial). It is the basis of relationships with other companies and businesses. It is in constant motion, it passes through different phases of reproduction - purchase, production and sale.

Capital has three forms: money, production and commodity capital. The successive passage of capital from one form to another - monetary, production, commodity (monetary with increased value) and returning it to its initial form is circulation of capital. In manufacturing plants, this is a continuous process.

Depending on the capital participation in the production process, it is divided into:

- basic - machines, buildings, equipment
- working capital - commodities, materials, fuels, labor. (Stepan, P. 2011)

The differences between revenue expenditure and capital

	Meaning	Term
Capital expenditure	Capital expenditures are intended for fixed assets.	These expenditures are long-term because they have an impact on the company longer than a year.
Revenue expenditure	Revenue expenditure are intended for current expenses. Revenue expenditure are the monetary expression of the cost of resources needed to produce a certain volume of products and to meet other current obligations.	This type of expenditure is short-term because its impact on the company is within the current year.

Conclusion

From the report, it has been understood that accounting is an important aspect in the management of the company. In terms of company management, the importance of the accounting department is paramount because it takes its decisions based on the resulting accounting information. Organizations that have a true picture of their economic situation and their costs, have very competitive advantages on strategic issues.

References

Books

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- Radley, M. (2009) Management and cost accounting. *Expenses*. pp. 51-57.
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