



ACCOUNTING FUNDAMENTALS

Student : MATTEO RUBOLINO (1715315)

Lecturer: GAZY ARIF

Subject : ACCOUNTING FUNDAMENTALS

ASSESMENT 1

Table of Contents

INTRODUCTION	1
TASK 1	1
(a) Ledger accounts	1
(b) Trial balance –	3
(c) Statement of profit & loss and financial position statement	3
TASK 2	4
(a) Ledger Accounts	4
(b) Trial Balance at 31 January	6
(c) Profit and loss statement -	7
TASK 3	9
(a) Ledgers accounts	9
(b) Trial Balance at 31 January	11
(c) Statement of profit & loss and financial position	11
TASK 4	12
(a) Ledger accounts -	12
(b) Trial balance at 27 June	14
TASK 5	15
CONCLUSION.....	16
REFERENCES	17

INTRODUCTION

Accounting is one of major element that are using in every organisation to keeping record in systematic way. It is also using as a language to communicate with other business for know profit and loss and financial position of the company (Niroomandi and et. Al 2012). It is not apply directly for using it apply its fundamentals that are support to accounting formation. It is totally depended on these fundamentals that are helping to face critical situations and solve it. In this report covers different tasks that are related to different companies and prepare there trial balances, ledger accounts and financial statement for know financial position. Identify difference between capital expenditure and revenue expenditure according to international accounting standards.

TASK 1

(a) Ledger accounts

Cash in hand a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 5	To Capital a/c	300,00	April, 7	By Purchase a/c	200,00
April, 8	To Loan from Tatiana a/c	250,00	April, 15	By Motor van a/c	150,00
April, 20	To Sales a/c	350,00	April, 28	By Rent a/c	50,00
			April, 29	By Loan from Tatiana a/c	200,00
			April, 30	By Drawings a/c	60,00
				By closing balance c/d	240,00
	Total	900,00		Total	900,00
May, 1	To opening balance b/d	240,00			

Capital a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 30	To opening balance b/d	300,00	April, 5	By Cash in hand a/c	300,00
			May, 1	By Closing balance c/d	300,00

Purchase a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 7	To Cash in hand a/c	200,00	April, 30	By Trading a/c	200,00

Loan a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 29	To Cash in hand a/c	200,00	April, 8	By Cash in hand a/c	250,00
April, 30	To Closing balance c/d	50,00			
		250,00			250,00
			May, 1	By Opening balance b/d	50,00

Motor Van a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 15	To Cash in hand a/c	150,00	April, 30	By closing balance c/d	150,00
May, 1	To opening balance b/d	150,00			

Rent a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 28	To cash in hand a/c	50,00	April, 30	By profit & loss statement	50,00

Sales a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 30	To Trading a/c	350,00	April, 20	By cash in hand a/c	350,00

Drawings a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
April, 30	To Cash in hand a/c	60,00			

(b) Trial balance –

It is a list of closing balance of ledgers accounts on a definite date and it is the first step to prepare financial statements. Trial balance mainly prepared in the end of accounting period to understand of financial statements in proper way. Ledger balances are categorised in debit and credit balances (Mitra, 2016). According to accounting golden rules assets and expenses are included in debit side and capital and incomes of the companies are showing in liabilities side in trial balance. If all accounting transaction are recorded in systematic way and not spare any transactions, after that it will recorded in accurately in ledgers so in trial balance debit side and credit side will match. If any transaction remain and not find out that time open suspense account to correct sum of trial balances both side.

List of accounts balances at April,30

Particulars	Debit (£)	Credit (£)
Cash in hand A/c	240,00	
Capital a/c		300,00
Purchase a/c	200,00	
Loan from Tatiana a/c		50,00
Motor van a/c	150,00	

Rent a/c	50,00	
Sales a/c		350,00
Drawings a/c	60,00	
Total	700,00	700,00

(c) Statement of profit & loss and financial position statement

Statement of Profit & loss for the month ended April,30		
Particulars	Amount (£)	
Sales a/c		350
Less – Cost of goods sold		100
Gross Profit		250
Less – Expenses		
Rent a/c		50
Net Profit		200
Statement of Financial position as at April, 30		
	Amount (£)	Amount (£)
Non Current assets		
Motor van		150
Current Assets		
Cash	240	
Closing Stock	100	340
Total Assets		490
Capital a/c	300	
Add – Net Profit	200	
Less – Drawings	60	440
Current Liabilities		
Short term loan		50
Total Liabilities		490

Working Note -

Cost of Sales = opening balance + Purchase + direct expenses – Closing stock

$$= 0 + 200 + 0 - 100$$

$$= 100$$

As per the above table it is prepare profit and loss statement for calculating net profit and loss and after calculation getting that net profit is 200 and after that prepare balance sheet that is showing final position of the company and there is in the end of financial year on April, 30 total assets and total liabilities are equal that is 490.

TASK 2

(a) Ledger Accounts

Cash in hand a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan,1	To capital a/c	5000,00	Jan,2	By Motor Van a/c	600,00
Jan,4	To loan from Sergei	1000,00	Jan,3	By Purchase a/c	1300,00
Jan,13	To Sales a/c	300,00	Jan,10	By Motor Expenses a/c	200,00
Jan,20	To Sales a/c	500,00	Jan,24	By Storage expenses a/c	150,00
			Jan,27	By Loan from sergei a/c	350,00
			Jan,30	By Drawings a/c	175,00
			Jan,31	By Closing balance c/d	4025,00
		6800,00			6800,00
	To Opening balance b/d	4025,00			

Capital a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
January,31	To closing balance c/d	5000,00	January,31	By cash in hand a/c	5000,00
			February,1	By opening balance c/d	5000,00

Motor Van a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan,2	To cash in hand a/c	600,00	Jan,31	By closing balance c/d	600,00
Feb, 1	To opening balance b/d	600,00			

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 3	To cash in hand a/c	1300,00	Jan, 31	By closing balance c/d	1300,00
May, 1	To opening balance b/d	1300,00			

Loan from Sergei a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 27	To cash in hand a/c	350,00	Jan, 4	By cash in hand a/c	1000,00
Jan, 31	To closing balance c/d	650,00			
	Total	1000,00		Total	1000,00
			Feb, 1	By opening balance b/d	650,00

Motor Van expenses a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 10	To cash in hand a/c	200,00	Jan, 31	By Balance c/d	200,00
Feb, 1	To Balance b/d	200,00			

Sales a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 31	To Closing balance c/d	800,00	Jan, 13	By cash in hand a/c	300,00
			Jan, 20	By cash a/c	500,00
		800,00			800,00
			Feb, 1	By closing balance b/d	800,00

Storage Expenses a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 24	To cash in hand a/c	150,00	Jan, 31	By closing balance c/d	150,00
Feb, 1	To opening balance b/d	150,00			

Drawings a/c

Debit

Credit

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 30	To cash in hand a/c	175,00	Jan, 31	By closing balance c/d	175,00
Feb, 1	To opening balance b/d	175,00			

(b) Trial Balance at 31 January

Particulars	Debit (£)	Credit (£)
Cash a/c	4025,00	
Capital a/c		5000,00
Motor van a/c	600,00	
Purchase a/c	1300,00	
Loan from sergei a/c		650,00

Motor van expenses a/c	200,00	
Sales a/c		800,00
Storage expenses a/c	150,00	
Drawings a/c	175,00	
	6450,00	6450,00

(c) Profit and loss statement -

It is one of the major statement that are included in financial statement and it will helping to know financial position of the company with the help of net profit and net loss. Profit & Loss statement summarises the income and expenses create by the company over the entire reporting period (DeBerardinis and Chandel, 2016). It is also known as statements of operations, income statement, statement of income and statement of earnings. For this statement using basic equation is Revenues – Expenses = Profit

Every company prepare Profit & loss statement to know Net profit and net loss. Revenues of the company are using for pay expenses, paid taxes to government and paid interest to debt. After all adjustments result will come as net profit or net loss and it is adjusted from capital. It is most important documents for keeping an eye on the financial health of a business.

Statement of Profit and Loss for the month ended 31 January		
Particulars	Amount (£)	Amount (£)
Sales a/c		800
Less – Cost of Goods sold		500
Gross Profit		300
Less- Expenses		
Motor van expenses	200	
Storage expenses	150	350
Net Loss		50
Statement of financial position at January, 31		
Particulars	Amount (£)	Amount (£)
Non Current assets		
Motor Van		600
Current assets		
Cash	800	
Closing Stock	4025	4825
Total assets		5425
Capital account	5000	
Less- Net loss	50	
Less – Drawings	175	4775
Current liabilities		
Short term loan		650
Total Liabilities		5425

Working Notes – Cost Of goods sales = opening balance + Purchase + direct expenses – Closing inventories

$$= 0 + 1300 + 0 - 800$$

$$= 500$$

TASK 3

(a) Ledgers accounts

Cash a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	343	Jan, 5	By Wages a/c	12
Jan, 7	To Smith's a/c	18	Jan, 9	By Max's a/c	21
Jan, 11	To Sales a/c	64	Jan, 14	By Wages a/c	14
Jan, 21	To Sales a/c	110	Jan, 14	By Purchases a/c	75
Jan, 23	To Harvey's a/c	25	Jan, 15	By Rich's a/c	162
				By Fixtures and	
Jan, 28	To Sales a/c	84	Jan, 20	fittings a/c	32
Jan, 31	To Sales a/c	31	Jan, 21	By Wages a/c	17
			Jan, 23	By office expenses a/c	3
			Jan, 28	By Wages a/c	15
			Jan, 31	By Balance c/d	323
		674			674
Feb, 1	To Balance b/d	323			
Capital a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Payables	33	Jan, 1	By Cash in hand a/c	343
Jan, 31	To balance c/d	1049		By Inventory	458
				By Furniture and	
				fittings	198
				By Receivables	83
		1082			1082
Fixtures and fittings a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	198	Jan, 31	By Balance c/d	230
Jan, 20	To cash a/c	32			
		230			230
Feb, 1	To Balance b/d	230			

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 31	To Trading a/c	412,00	Jan, 2	By Harvey's a/c	124,00
			Jan, 11	By Cash a/c	64,00
			Jan, 21	By Cash a/c	110,00
			Jan, 28	By Cash a/c	84,00
			Jan, 31	By Cash a/c	30,00
		412,00			412,00

Wages a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 5	To cash a/c	12,00	Jan, 31	Profit and loss a/c	58,00
Jan, 14	To cash a/c	14,00			
Jan, 21	To cash a/c	17,00			
Jan, 28	To cash a/c	15,00			
		58,00			58,00

Purchase a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 5	To Rich's a/c	150,00	Jan, 31	By Trading a/c	225,00
Jan, 14	To cash a/c	75,00			
		225,00			225,00

Receivables from Smith's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan,1	To Balance b/d	18	Jan, 7	By Cash a/c	18

Receivables from Harvey's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	39	Jan, 23	By Cash a/c	25
Jan, 2	To Sales a/c	124	Jan, 31	By Balance c/d	138
		163			163
Feb, 1	To Balance b/d	138			

Receivables from Moon's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	26	Jan, 31	By Balance c/d	26
Feb, 1	To Balance b/d	26			

Payable to Rich's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 15	To cash a/c	162	Jan, 1	By Balance b/d	12
			Jan, 5	By purchase a/c	150
		162			162

Payable to Max's a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 9	To cash a/c	21	Jan, 1	By Balance b/d	21

Inventory a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 1	To Balance b/d	458	Jan, 31	By Trading a/c	458
Jan, 31	To Trading a/c	374	Jan, 31	By Balance c/d	374

Office Expenses a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jan, 23	To cash a/c	3,00	Jan, 31	Profit and loss a/c	3,00

(b) Trial Balance at 31 January

Particulars	Debit (£)	Credit (£)
Cash in hand a/c	323,00	
Capital a/c		1049,00
Fixtures and fittings a/c	230,00	
Sales a/c		412,00

Wages a/c	58,00	
Purchase a/c	225,00	
Office expenses a/c	3,00	
Receivables a/c		
Harvey	138,00	
Moon	26,00	
Inventory a/c	458,00	
	1461,00	1461,00

(c) Statement of profit & loss and financial position

Statement of Profit and Loss For the month ended 31 January		
Particulars		Amount (£)
Sales		412
Less- Cost of goods sold		309
Gross profit		103
Less – Expenses		
Wages	58	
Office Expenses	3	61
Net Profit		42
Statement of Financial position at 31 January		
Particulars		Amount (£)
Non current assets		
Fixtures and fittings		230
Current assets		
Inventory	374	
Trade receivables (138+26)	164	
Cash	323	861
Total Assets		1091
Capital account	1049	
Add – Net Profit	42	1091
Total Liabilities		1091

Working Note – Cost of goods sold = Opening inventories + Purchase + Direct expenses – Closing stock

$$= 458 + 225 - 374 = 309$$

TASK 4

(a) Ledger accounts -

It is an account that keep track all tractions and record for using in profit and loss statements and financial position statement. It is including all assets accounts and liabilities accounts (Rosenberger, 2012). It is helping to know opening balances and closing balance of every items that are related to the company. It is a list of accounts that are presented to general ledger of the company. It is support to every control account.

Sales a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 27	To Trading a/c	28500,00	Jun, 2	By Claire – Receivable a/c	8500,00
			Jun, 14	By Hywel – Receivable a/c	9000,00
			Jun, 20	By Cash a/c	6000,00
			Jun, 24	By Mandy – Receivable a/c	5000,00
		28500,00			28500,00

Sales Returns a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 22	To Claire – Receivables	1000,00	Jun, 27	By Trading a/c	1000,00

Discount allowed a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun,24	To Claire – Receivable	375,00	Jun, 27	By Profit and loss a/c	375,00

Discount received a/c

Date	Particular	Amount	Date	Particular	Amount
-------------	-------------------	---------------	-------------	-------------------	---------------

		(£)			(£)
Jun, 27	To Profit & loss a/c	930,00	Jun, 25	By Georgina – Payable a/c	840,00
			Jun, 27	By Andrew – Payable a/c	90,00
		930,00			930,00

Claire – receivable a/c

Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 2	To Sales a/c	8500,00	Jun, 22	By Sales return a/c	1000,00
			Jun, 24	By Cash a/c	7125,00
			Jun, 24	By Discount allowed a/c	375,00
		8500,00			8500,00

Purchase a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 13	To Georgina – Payable a/c	12000	Jun, 27	By Trading a/c	16500
Jun, 21	To Andrew – Payable a/c	4500			
		16500			16500
Cash a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 20	To Sales a/c	6000	Jun, 25	By Georgina – Payable a/c	11160
Jun, 24	To Claire – Receivable	7125	Jun, 27	By Andrew – Payable a/c	4410
Jun, 25	To Hywel – Receivables	9000	Jun, 27	By Balance c/d	6555
		22125			22125
	To Balance b/d	6555			

Hywel – receivable a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 14	To Sales a/c	9000	Jun, 25	By Cash a/c	9000
Mandy – receivables a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 24	To Sales a/c	5000	Jun, 27	By Balance c/d	5000
	To Balance b/d	5000			
Georgina – payable a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 25	To Cash a/c	11160	Jun, 13	By Purchase a/c	12000
	To Discount received				
Jun, 25	a/c	840			
		12000			12000
Andrew – payable a/c					
Date	Particular	Amount (£)	Date	Particular	Amount (£)
Jun, 27	To Cash a/c	4410	Jun, 21	By Purchase a/c	4500
	To Discount received				
Jun, 27	a/c	90			
		4500			4500

(b) Trial balance at 27 June

Particulars	Debit	Credit
Sales a/c		28500,00
Purchase a/c	16500,00	
Cash a/c	6555,00	
Sales return a/c	1000,00	
Mandy – Receivable	5000,00	
Discount allowed a/c		930,00
Discount Received a/c	375,00	
	29430,00	29430,00

From the above table it is presents all transactions that are recorded in ledger accounts and these items are showing end balances of the accounts. These accounts are helping to prepare profit and loss statement and statement of financial position.

TASK 5

Revenue Expenditure -

According to International accounting standards 18 revenues are requirements of accounting that are calculated from the sale of stocks, rendering for services, royalties, interest and dividends. When company recognise revenues that time expenses also recognise related to those items so its called revenue expenditure (Newville, 2014). These types of expenditures are related to day to day activities of the business and effected in completely way to current accounting year. In different words, revenue expenditure are recorded in to financial accounts related to year because there are not carry forward for next year. The revenues will be matched related to current accounting year expenses. It is mainly related to fixed assets because of it include costs of maintenance like depreciation that are applied by companies with a particular method.

Capital Expenditure -

The amounts of expenses are spent for purchase or modify productive assets for increases the efficiency or capacity of a company for more than accounting period. It is also known as capital spending. In capital expenditures including all expenses like as maintenance a roof to building, building a brand new factory and buying a piece of equipment. These expenditure related to long life that provides benefits for long time period (Gorton, Hayashi and Rouwenhorst, 2012). For upgrade company assets they are purchasing fixed assets like as business, building and equipment, software, vehicles. A capital expenditure is recorded as an assets, rather than charging it immediately expenses. The reserve of capital expenditure is an operational expenditures, generally charge such items to expenses if cost less than a certain predetermined limit and it is called as the capitalization limit.

Difference between revenue and capital expenditure according to IAS

Basis	Revenue Expenditure	Capital Expenditure
Meaning	Revenue expenditure are those	Capital expenditure are related to

	expenses related to day to day activities conduct by business.	fixed assets for upgrade to business.
Time period	It is related to short time period because these are recorded to current year accounting and matching with related year revenues (Dhillon and et. al 2014).	It is associated with long time because it is spend to provide long life benefits and improve efficiency of the business.
Represent	It is represent according to IAS in income statement from debit side of the company.	These expenses are presenting in income statement and also in balance sheet under head of fixed assets. These expenses less from fixed assets.
Accounting Standard	It is explained according to international accounting standard it is shown accounting standard 18.	It is explained according to international accounting expenditure 16.
Accounting principle	For this expenditure related principle is revenue recognition and according to that revenues are matching to related year expenses.	For this expenditure not having particular accounting principle that will be explained it.
Cost	Revenue expenditure only including those expenses are related to regular basis and maintenance consist of fixed costs.	Capital expenditure not only including cost of purchase but also any additional cost that will helping to establish fixed asserts on present location (Profit & Loss statement. 2018).
Costs example	Maintenances costs, renewal expenses, repairing cost, repainting cost.	Deliver cost, installation costs, replacement costs, legal costs, up gradation costs.

CONCLUSION

From the above report it is concluded that financial statements are important part of any organisation that helping to know financial position of the company. These financial statements are prepare according to international accounting standards. In this report differentiated between capital expenditure and revenue expenditure that are showing revenue related to short time period and capital related to long time period. This assignment contributed for the development of personal skills related to Finance and Accounting, this is one of the best ways to improve and practice for our knowledge.

REFERENCES

Books and Journals

- Niroomandi, S. and et. al 2012. Accounting for large deformations in real-time simulations of soft tissues based on reduced-order models. *Computer Methods and Programs in Biomedicine*. 105(1). pp.1-12.
- Mitra, A., 2016. *Fundamentals of quality control and improvement*. John Wiley & Sons.
- DeBerardinis, R. J. and Chandel, N. S., 2016. Fundamentals of cancer metabolism. *Science advances*. 2(5). p.e1600200.
- Rosenberger, F. E., 2012. *Fundamentals of Crystal Growth I: Macroscopic Equilibrium and Transport Concepts (Vol. 5)*. Springer Science & Business Media.
- Newville, M., 2014. Fundamentals of XAFS. *Reviews in Mineralogy and Geochemistry*. 78(1). pp.33-74.
- Gorton, G. B., Hayashi, F. and Rouwenhorst, K. G., 2012. The fundamentals of commodity futures returns. *Review of Finance*. 17(1). pp.35-105.
- Dhillon, and et. al 2014. Fundamentals of throughput maximization with random arrivals for M2M communications. *IEEE Transactions on Communications*. 62(11). pp.4094-4109.

Online

Profit & Loss statement. 2018. [Online]. Avilable through:
<<https://investinganswers.com/financial-dictionary/financial-statement-analysis/profit-loss-pl-statement-2358>>