

**Beatris Toncheva**  
Student № 1813450

**Accounting Fundamentals**  
Modul № LCBB4001

Lector: Gazi Arif

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## Introduction

This project aimed at providing specific information about major financial statements. Also: cash book, trial balance, profit and loss account, balance sheet, asset, liability, less overheads.

The profit and loss account shows the revenues/sales, expenses and profit of a company over a period of time.

Balance sheet shows the value.

Liabilities may be seen as the opposite of assets. They reflect financial obligations of the organization.

- a) Current liabilities – represent amounts due for repayment within 12 months.
- b) Non-current liabilities – represent amounts due that are not current liabilities.

$\text{Capital} = \text{Assets} - \text{Liabilities}$

Gross profit – the amount remaining after trading expenses (cost of sales) have been deducted from revenue.

$\text{Sales} - \text{Cost of goods} = \text{Gross Profit}$

$\text{Gross Profit} - \text{Less Expenses} = \text{Net Profit}$

Expenses – the value off all the assets that have been used up to obtain revenues.

Assets which have a long life bought with the intention to use them in the business and not with the intention to simply resell them is Fixed assets.

Assets consisting of cash, goods for resale or items having a short life is Current assets.

$\text{Total Asset} = \text{Creditors} + \text{Net Capital}$

## Task 1

### Cash Book for Maxim commenced trading

| Date   | Description          | Cash £ | Date   | Description            | Cash £ |
|--------|----------------------|--------|--------|------------------------|--------|
| 5-Apr  | Starting cash        | 300    | 7-Apr  | Goods purchase         | 200    |
| 8-Apr  | Loan from<br>Tatiana | 250    | 15-Apr | Purchase van           | 150    |
| 20-Apr | Sold goods           | 350    | 28-Apr | Paid rent              | 50     |
| 30-Apr | Goods                | 100    | 29-Apr | Repaid part of<br>Loan | 200    |
|        |                      |        | 30-Apr | Took cash              | 60     |
|        | Total                | 1000   |        | Total                  | 660    |
|        |                      |        | 30-Apr | Balance c/d            | 340    |
|        |                      | 1000   |        |                        | 1000   |

| Dr     |            |     | Bank | Cr     |             |     |
|--------|------------|-----|------|--------|-------------|-----|
| 5-Apr  | Cash       | 300 |      | 7-Apr  | Goods       | 200 |
| 8-Apr  | Loan       | 250 |      | 15-Apr | Van         | 150 |
| 20-Apr | Sold goods | 350 |      | 28-Apr | Rent        | 50  |
|        |            |     |      | 29-Apr | Repay Loan  | 200 |
|        |            |     |      | 30-Apr | Cash        | 60  |
|        | Total      | 900 |      | Total  |             | 660 |
|        |            |     |      | 30-Apr | Balance c/d | 240 |
|        |            | 900 |      |        |             | 900 |

| Dr     |             |  | Capital | Cr    |  |     |
|--------|-------------|--|---------|-------|--|-----|
| 30-Apr | Cash        |  | 60      | 5-Apr |  | 300 |
| 30-Apr | Balance c/d |  | 240     |       |  |     |
|        |             |  | 300     |       |  | 300 |

| Dr     |             |     | Maxim commenced trading | Cr     |            |     |
|--------|-------------|-----|-------------------------|--------|------------|-----|
| 7-Apr  | Goods       | 200 |                         | 20-Apr | sold goods | 350 |
| 30-Apr | Balance c/d | 150 |                         |        |            |     |
|        |             | 350 |                         |        |            | 350 |

| Dr     |  | Van | Cr          |     |
|--------|--|-----|-------------|-----|
| 15-Apr |  | 150 | Balance c/d | 150 |
|        |  | 150 |             | 150 |

| Dr     |             | Tatiana`s Loan |       | Cr   |     |
|--------|-------------|----------------|-------|------|-----|
| 29-Apr | repaid      | 200            | 8-Apr | Loan | 250 |
| 30-Apr | Balance c/d | 50             |       |      |     |
|        |             | 250            |       |      | 250 |

| Dr     |  | Rent | Cr          |    |
|--------|--|------|-------------|----|
| 28-Apr |  | 50   | Balance c/d | 50 |
|        |  | 50   |             | 50 |

### Trial balance as at 30 April

| Description     | Debit £ | Credit £ |
|-----------------|---------|----------|
| Bank            | 240     |          |
| Capital         |         | 240      |
| Maxim commenced |         | 150      |
| Van             | 150     |          |
| Tatiana`s Loan  |         | 50       |
| Rent            | 50      |          |
| TOTAL           | 440     | 440      |

## Profit and Loss account

| Description    | Debit £ | Credit £ |
|----------------|---------|----------|
| Sales          |         | 350      |
| Cost of sales  |         |          |
| Purchase goods | 200     |          |
| Closing stock  | 100     | 100      |
| Gross profit   |         | 250      |
| Less Expenses  |         |          |
| Rent           | 50      | 50       |
| Total          |         | 200      |

## Balance Sheet

| Description       | Debit | Credit |
|-------------------|-------|--------|
| Assets            |       |        |
| Van               | 150   |        |
| Bank              | 240   |        |
| Total Assets      |       | 390    |
| Liabilities       |       |        |
| Tatiana`s Loan    | 200   | 250    |
| Rent              | 50    |        |
| Creditors         |       | 150    |
| Total Liabilities |       | 150    |

Capital 240

Assets = Liabilities - Capital

## Task 2

### Cash Book for Pendo

| Date   | Description   | Cash £ | Date   | Description         | Cash £ |
|--------|---------------|--------|--------|---------------------|--------|
| 1-Jan  | cash          | 5000   | 2-Jan  | motor van purchase  | 600    |
| 4-Jan  | Sergei's Loan | 1000   | 3-Jan  | good purchase       | 1300   |
| 13-Jan | sold goods    | 300    | 10-Jan | motor expenses      | 200    |
| 20-Jan | sold goods    | 500    | 24-Jan | storage expenses    | 150    |
| 31-Jan | closing stock | 800    | 27-Jan | repaid part of Loan | 350    |
|        |               |        | 30-Jan | took cash           | 175    |
|        | Total         | 7600   |        | Total               | 2775   |
|        |               |        | 30-Jan | Balance c/d         | 4825   |
|        |               | 7600   |        |                     | 7600   |

| Dr     |            |      | Bank   | Cr              |      |  |
|--------|------------|------|--------|-----------------|------|--|
| 1-Jan  | cash       | 5000 | 3-Jan  | purchases goods | 1300 |  |
| 4-Jan  | Loan       | 1000 | 2-Jan  | paid van        | 600  |  |
| 13-Jan | sold goods | 300  | 10-Jan | motor expenses  | 200  |  |
| 20-Jan | sold goods | 500  | 24-Jan | paid storage    | 150  |  |
|        |            |      | 27-Jan | repay Loan      | 350  |  |
|        |            |      | 30-Jan | cash            | 175  |  |
|        |            |      | 31-Jan | Balance c/d     | 4025 |  |
|        |            | 6800 |        |                 | 6800 |  |

| Dr     |             |      | Capital | Cr   |      |  |
|--------|-------------|------|---------|------|------|--|
| 30-Jan | cash        | 175  | 1-Jan   | cash | 5000 |  |
| 31-Jan | balance c/d | 4825 |         |      |      |  |
|        |             | 5000 |         |      | 5000 |  |

| Dr     |                | Van | Cr     |             |     |
|--------|----------------|-----|--------|-------------|-----|
| 2-Jan  | purchase van   | 600 | 31-Jan | Balance c/d | 800 |
| 10-Jan | motor expenses | 200 |        |             |     |
|        |                | 800 |        |             | 800 |

| Dr    |                | Pendo | Cr     |             |      |
|-------|----------------|-------|--------|-------------|------|
| 3-Jan | purchase goods | 1300  | 13-Jan | sold goods  | 300  |
|       |                |       | 20-Jan | sold goods  | 500  |
|       |                |       | 31-Jan | Balance c/d | 500  |
|       |                | 1300  |        |             | 1300 |

| Dr     |                  | Sergei`s Loan | Cr    |      |      |
|--------|------------------|---------------|-------|------|------|
| 27-Jan | repaid part Loan | 350           | 4-Jan | Loan | 1000 |
| 31-Jan | Balance c/d      | 650           |       |      |      |
|        |                  | 1000          |       |      | 1000 |

| Dr     |         | Storage | Cr     |             |     |
|--------|---------|---------|--------|-------------|-----|
| 24-Jan | storage | 150     | 31-Jan | Balance c/d | 150 |
|        |         | 150     |        |             | 150 |

### Trial Balance Pendo at 31 January

| Descriptions  | Debit £ | Credit £ |
|---------------|---------|----------|
| bank          | 4025    |          |
| capital       |         | 4825     |
| stock (Pendo) | 500     |          |
| van           | 800     |          |
| Sergei`s Loan |         | 650      |
| storage       | 150     |          |
| Total         | 5475    | 5475     |

## Profit and Loss account Pendo

| Descriptions   | Debit £ | Credit £ |
|----------------|---------|----------|
| Sales          |         | 500      |
| cost for sale  | 1300    |          |
| closing stock  | 800     | 500      |
| Gross profit   |         | 0        |
| Less expenses  |         |          |
| rent storage   | 150     |          |
| motor expenses | 200     | 350      |
| Net profit     |         | 350      |

## Balance sheet

| Descriptions      | Debit £ | Credit £ |
|-------------------|---------|----------|
| Assets            |         |          |
| van               | 600     |          |
| bank              | 5025    |          |
| Total assets      |         | 5625     |
| Capital           |         | 4825     |
| Liabilities       |         |          |
| Sergei`s Loan     | 650     |          |
| Storage           | 150     |          |
| Total liabilities |         | 800      |

### Task 3

| Dr     |      |     | Cash   |             | Cr |     |
|--------|------|-----|--------|-------------|----|-----|
| 1-Jan  | cash | 343 | 14-Jan | goods       |    | 75  |
| 11-Jan | sale | 64  | 20-Jan | desk        |    | 32  |
| 21-Jan | sale | 110 | 31-Jan | Balance c/d |    | 524 |
| 28-Jan | sale | 84  |        |             |    |     |
| 30-Jan | sale | 30  |        |             |    |     |
|        |      | 631 |        |             |    | 631 |

| Dr     |             |  | Capital |       | Cr   |     |
|--------|-------------|--|---------|-------|------|-----|
| 31-Jan | Balance c/d |  | 343     | 1-Jan | cash | 343 |
|        |             |  | 343     |       |      | 343 |

| Dr     |           |     | Furniture |             | Cr |     |
|--------|-----------|-----|-----------|-------------|----|-----|
| 1-Jan  | furniture | 198 | 31-Jan    | Balance c/d |    | 230 |
| 20-Jan | desk      | 32  |           |             |    |     |
|        |           | 230 |           |             |    | 230 |

| Dr    |           |     | Inventory |                    | Cr |     |
|-------|-----------|-----|-----------|--------------------|----|-----|
| 1-Jan | inventory | 458 | 31-Jan    | cost for inventory |    | 374 |
|       |           |     | 31-Jan    | Balance c/d        |    | 84  |
|       |           | 458 |           |                    |    | 458 |

| Dr    |        |     | Receivables |             | Cr |     |
|-------|--------|-----|-------------|-------------|----|-----|
| 1-Jan | Smith  | 18  | 7-Jan       | Smith       |    | 18  |
| 1-Jan | Harvey | 39  | 23-Jan      | Harvey      |    | 25  |
| 1-Jan | Moon   | 26  | 31-Jan      | Balance c/d |    | 164 |
| 2-Jan | Harvey | 124 |             |             |    |     |
|       |        | 207 |             |             |    | 207 |

| Dr     |      |     | Payables |      | Cr |     |
|--------|------|-----|----------|------|----|-----|
| 9-Jan  | Max  | 21  | 1-Jan    | Rich |    | 12  |
| 15-Jan | Rich | 162 | 1-Jan    | Max  |    | 21  |
|        |      |     | 5-Jan    | Rich |    | 150 |
|        |      | 183 |          |      |    | 183 |

| Dr     |             |  | Sales | Cr     |        |     |
|--------|-------------|--|-------|--------|--------|-----|
| 31-Jan | Balance c/d |  | 495   | 1-Jan  | Smith  | 18  |
|        |             |  |       | 1-Jan  | Harvey | 39  |
|        |             |  |       | 1-Jan  | Moon   | 26  |
|        |             |  |       | 11-Jan | sales  | 64  |
|        |             |  |       | 2-Jan  | Harvey | 124 |
|        |             |  |       | 21-Jan | sales  | 110 |
|        |             |  |       | 28-Jan | sales  | 84  |
|        |             |  | 495   |        |        |     |
|        |             |  |       |        |        | 495 |

| Dr     |       |     | Purchases | Cr          |  |     |
|--------|-------|-----|-----------|-------------|--|-----|
| 1-Jan  | Rich  | 12  | 31-Jan    | Balance c/d |  | 258 |
| 1-Jan  | Max   | 21  |           |             |  |     |
| 5-Jan  | Rich  | 150 |           |             |  |     |
| 14-Jan | goods | 75  |           |             |  |     |
|        |       | 258 |           |             |  |     |
|        |       |     |           |             |  | 258 |

| Dr     |       |    | Wages  | Cr          |  |    |
|--------|-------|----|--------|-------------|--|----|
| 5-Jan  | wages | 12 | 31-Jan | Balance c/d |  | 58 |
| 14-Jan | wages | 14 |        |             |  |    |
| 21-Jan | wages | 17 |        |             |  |    |
| 28-Jan | wages | 15 |        |             |  |    |
|        |       | 58 |        |             |  |    |
|        |       |    |        |             |  | 58 |

| Dr     |             |     | Bank   | Cr        |     |     |
|--------|-------------|-----|--------|-----------|-----|-----|
| 7-Jan  | Smith       | 18  | 1-Jan  | furniture | 198 |     |
| 23-Jan | Harvey      | 25  | 5-Jan  | wages     | 12  |     |
| 31-Jan | Balance c/d | 399 | 9-Jan  | Max       | 21  |     |
|        |             |     | 14-Jan | wages     | 14  |     |
|        |             |     | 15-Jan | Rich      | 162 |     |
|        |             |     | 21-Jan | wages     | 17  |     |
|        |             |     | 23-Jan | office    | 3   |     |
|        |             |     | 28-Jan | wages     | 15  |     |
|        |             |     | 399    |           |     |     |
|        |             |     |        |           |     | 399 |

| Dr     |        |   | Office expenses | Cr          |  |   |
|--------|--------|---|-----------------|-------------|--|---|
| 23-Jan | office | 3 | 31-Jan          | Balance c/d |  | 3 |
|        |        | 3 |                 |             |  |   |
|        |        |   |                 |             |  | 3 |

### **Trial balance as at 31 January**

| Description         | Debit<br>£ | Credit<br>£ |
|---------------------|------------|-------------|
| sales               |            | 495         |
| receivables         | 164        |             |
| cash                | 524        |             |
| bank                |            | 399         |
| Furniture + fitting | 230        |             |
| payables            | 0          |             |
| office expenses     | 3          |             |
| purchases           | 258        |             |
| wages               | 58         |             |
| Capital             |            | 343         |
| Total               | 1237       | 1237        |

### **Profit and Loss account at 31 January**

| Description      | Debit<br>£ | Credit<br>£ |
|------------------|------------|-------------|
| Sales            |            | 495         |
| purchases        | 258        |             |
| wages            | 58         |             |
| Gross Profit     |            | 179         |
| Office expenses  |            | 3           |
| furniture / desk |            | 32          |
| Net Profit       |            | 144         |

## Task 4

| Dr     |             |       | Accounts Receivable |                     |  | Cr   |       |
|--------|-------------|-------|---------------------|---------------------|--|------|-------|
| 2-Jun  | Claire      | 8075  | 22-Jun              | Claire return goods |  | 950  |       |
| 14-Jun | Hywel       | 9000  | 20-Jun              | Hywel return goods  |  | 9000 |       |
| 24-Jun | Mandy       | 4850  | 24-Jun              | Claire paid         |  | 7125 |       |
|        |             |       | 25-Jun              | Jane                |  | 6000 |       |
| 27-Jun | Balance c/d | 1150  |                     |                     |  |      |       |
|        |             | 23075 |                     |                     |  |      | 23075 |

| Dr     |        |      | Sales Discounts |             |  | Cr  |      |
|--------|--------|------|-----------------|-------------|--|-----|------|
| 2-Jun  | Claire | 425  | 22-Jun          | Claire 50   |  | 50  |      |
| 24-Jun | Jane   | 450  | 27-Jun          | Balance c/d |  | 975 |      |
| 24-Jun | Mandy  | 150  |                 |             |  |     |      |
|        |        | 1025 |                 |             |  |     | 1025 |

| Dr     |                |       | Sales  |        | Cr |      |       |
|--------|----------------|-------|--------|--------|----|------|-------|
| 22-Jun | Claire returns | 1000  | 2-Jun  | Claire |    | 8500 |       |
| 27-Jun | Balance c/d    | 21500 | 14-Jun | Hywel  |    | 9000 |       |
|        |                |       | 24-Jun | Mandy  |    | 5000 |       |
|        |                | 22500 |        |        |    |      | 22500 |

| Dr     |        |       | Cash   |              | Cr |       |       |
|--------|--------|-------|--------|--------------|----|-------|-------|
| 20-Jun | Jane   | 6000  | 25-Jun | paid Georgia |    | 11160 |       |
| 24-Jun | Claire | 7125  | 27-Jun | paid Andrew  |    | 4460  |       |
| 25-Jun | Hywel  | 8550  | 27-Jun | Balance c/d  |    | 6105  |       |
|        |        | 21675 |        |              |    |       | 21675 |

| Dr     |         |       | Purchases |             | Cr |       |       |
|--------|---------|-------|-----------|-------------|----|-------|-------|
| 13-Jun | Georgia | 12000 | 27-Jun    | Balance c/d |    | 16500 |       |
| 24-Jun | Andrew  | 4500  |           |             |    |       |       |
|        |         | 16500 |           |             |    |       | 16500 |

| Dr     |              | Accounts Payable |        | Cr      |       |
|--------|--------------|------------------|--------|---------|-------|
| 25-Jun | Georgia paid | 12000            | 13-Jun | Georgia | 12000 |
| 27-Jun | Andrew       | 4500             | 24-Jun | Andrew  | 4500  |
|        |              | 16500            |        |         | 16500 |

| Dr     |             | Purchases discounts |        | Cr      |     |
|--------|-------------|---------------------|--------|---------|-----|
| 27-Jun | Balance c/d | 930                 | 25-Jun | Georgia | 840 |
|        |             |                     | 27-Jun | Andrew  | 90  |
|        |             | 930                 |        |         | 930 |

## Trial Balance

|                     | Debit £ | Credit £ |
|---------------------|---------|----------|
| Accounts Receivable |         | 1150     |
| sales discounts     | 975     |          |
| sales discounts     |         | 21500    |
| cash                | 6105    |          |
| purchases           | 16500   |          |
| accounts payable    | 0       |          |
| purchase discounts  |         | 930      |
|                     | 23580   | 23580    |

## **Conclusion**

After we made this report, we found that accounting is a very important aspect for business. With his help, financial statements of the company are made, different types of transactions are recorded and counted.

Accounting is the recording of financial transactions along with storing, sorting, retrieving, summarizing, and presenting the results in various reports and analyses. Accounting is also a field of study and profession dedicated to carrying out those tasks.

## **References**

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