

UNIVERSITY OF WALES TRINITY SAINT DAVID

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Module Title: Accounting Fundamentals LCBB4001

Assignment Title: Assessment 1

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I. Task 1

a) Ledger accounts

DR		Cash		CR	
Date	Description	£	Date	Description	£
05-Apr	Capital	300	07-Apr	Purchases	200
08-Apr	Tatiana (creditor)	250	15-Apr	Motor Van	150
20-Apr	Sales goods	350	28-Apr	Rent	50
			29-Apr	Tatiana (creditor)	200
			30-Apr	Capital	60
30-Apr	Total	900	30-Apr	Total	660
			30-Apr	Balance carried down	240
30-Apr		900	30-Apr		900
01-May	Balance brought down	240			

DR		Capital		CR	
Date	Description	£	Date	Description	£
30-Apr	Cash	60	05-Apr	Cash	300
30-Apr	Total	60	30-Apr	Total	300
30-Apr	Balance carried down	240			
30-Apr		300	30-Apr		300
			01-May	Balance brought down	240

DR		Purchases		CR	
Date	Description	£	Date	Description	£
07-Apr	Cash	200			
30-Apr	Total	200	30-Apr	Total	0
			30-Apr	Balance carried down	200
30-Apr		200	30-Apr		200
01-May	Balance brought down	200			

DR		Creditor (Tatiana)		CR	
Date	Description	£	Date	Description	£
29-Apr	Repaid loan	200	08-Apr	Loan	250
30-Apr	Total	200	30-Apr	Total	250
30-Apr	Balance carried down	50			
30-Apr		250	30-Apr		250
			01-May	Balance brought down	50

DR		Motor Van		CR	
Date	Description	£	Date	Description	£
15-Apr	Cash	150			
30-Apr	Total	150	30-Apr	Total	0
			30-Apr	Balance carried down	150
30-Apr		150	30-Apr		150
01-May	Balance brought down	150			

DR		Sales Goods		CR	
Date	Description	£	Date	Description	£
			20-Apr	Cash	350
30-Apr	Total	0	30-Apr	Total	350
30-Apr	Balance carried down	350			
30-Apr		350	30-Apr		350
			01-May	Balance brought down	350

DR		Rent		CR	
Date	Description	£	Date	Description	£
28-Apr	Cash	50			
30-Apr	Total	50	30-Apr	Total	0
			30-Apr	Balance carried down	50
30-Apr		50	30-Apr		50
01-May	Balance brought down	50			

b) List of account balances at 30th April

Date	Accounts / Description	Debit £	Credit £
05-Apr	Cash Dr.	300	
	Capital		300
	Capital introduced to the business		
07-Apr	Purchases Dr.	200	
	Cash		200
	Goods Purchased		
08-Apr	Cash Dr.	250	
	Creditor (Tatiana)		250
	Loan from Tatiana		
15-Apr	Motor Van Dr.	150	
	Cash		150
	Motor van purchased in cash		
20-Apr	Cash Dr.	350	
	Sales		350
	Sold Goods		
28-Apr	Rent Dr.	50	
	Cash		50
	Rent - paid in cash		
29-Apr	Creditor (Tatiana) Dr.	200	
	Cash		200
	Part of loan - repaid		
30-Apr	Capital Dr.	60	
	Cash		60
	Cash withdrawn		

c) Statement of profit or loss for the month ended 30th April

Description	Amount £	Amount £
Revenue		350
Purchased goods	200	
Less Closing stock	100	100
Gross Profit		250
Less Rent		50
Net Profit		200

Statement of financial position for the month ended 30th April

Assets		Liabilities	
Description	Amount £	Description	Amount £
Motor Van	150	Capital	240
Cash	240	Net profit for the year	200
Closing stock	100	Creditor (Tatiana)	50
Total	490	Total	490

II. Task 2

a) Ledger accounts

DR		Cash		CR	
Date	Description	£	Date	Description	£
01-Jan	Capital	5000	02-Jan	Motor Van	600
04-Jan	Creditor (Sergei)	1000	03-Jan	Purchased Goods	1300
13-Jan	Sold goods	300	10-Jan	Van expenses	200
20-Jan	Sold goods	500	24-Jan	Storage expenses	150
			27-Jan	Return Loan	350
			30-Jan	Withdrawn	175
31-Jan	Total	6800	31-Jan	Total	2275
			31-Jan	Balance carried down	4025
31-Jan		6800	31-Jan		6800
01-Feb	Balance brought down	4025			

DR		Capital		CR	
Date	Description	£	Date	Description	£
30-Jan	Cash withdrawn	175	01-Jan	Cash	5000
31-Jan	Total	175	31-Jan	Total	5000
31-Jan	Balance carried down	4825			
31-Jan		5000	31-Jan		5000
			01-Feb	Balance brought down	4825

DR		Motor Van		CR	
Date	Description	£	Date	Description	£
02-Jan	Cash	600			
31-Jan	Total	600	31-Jan	Total	0
			31-Jan	Balance carried down	600
31-Jan		600	31-Jan		600
01-Feb	Balance brought down	600			

DR		Purchases		CR	
Date	Description	£	Date	Description	£
03-Jan	Cash	1300			
31-Jan	Total	1300	31-Jan	Total	0
			31-Jan	Balance carried down	1300
31-Jan		1300	31-Jan		1300
01-Feb	Balance brought down	1300			

DR		Creditor (Sergei)		CR	
Date	Description	£	Date	Description	£
27-Jan	Repaid loan	350	04-Jan	Loan	1000
31-Jan	Total	350	31-Jan	Total	1000
31-Jan	Balance carried down	650			
31-Jan		1000	31-Jan		1000
			01-Feb	Balance brought down	650

DR		All Expenses		CR	
Date	Description	£	Date	Description	£
10-Jan	Van Expenses	200			
24-Jan	Storage Expenses	150			
31-Jan	Total	350	31-Jan	Total	0
			31-Jan	Balance carried down	350
31-Jan		350	31-Jan		350
01-Feb	Balance brought down	350			

DR		Goods Sold		CR	
Date	Description	£	Date	Description	£
			13-Jan	Sold goods	300
			20-Jan	Sold goods	500
31-Jan	Total	0	31-Jan	Total	800
31-Jan	Balance carried down	800			
31-Jan		800	31-Jan		800
			01-Feb	Balance brought down	800

b) Trial balance at 31st January

Description	Debit £	Credit £
Capital		4825
Cash	4025	
Motor van	600	
Purchases	1300	
Sergei (Creditor)		650
All Expenses	350	
Goods Sold		800
Total	6275	6275

c) Statement of profit or loss for the month ended 31st January

Description	Amount £	Amount £
Sales (Revenue)		800
Purchased goods	1300	
Less Closing stock	800	500
Gross Profit		300
Less Expenses		350
Net Profit Loss		50

Statement of financial position for the month ended 31st January

Assets		Liabilities	
Description	Amount £	Description	Amount £
Motor Van	600	Capital	4825
Cash	4025	Net profit loss for the year	50
Closing stock	800	Sergei (Creditor)	650
Total	5425	Total	5425

III. Task 3

a) Ledger accounts

DR		Sales Goods		CR	
Date	Description	£	Date	Description	£
			02-Jan	Harvey	124
			11-Jan	Cash	64
			21-Jan	Cash	110
			28-Jan	Cash	84
			31-Jan	Cash	30
31-Jan	Total	0	31-Jan	Total	412
31-Jan	Balance carried down	412			
31-Jan		412	31-Jan		412
			01-Feb	Balance brought down	412

DR		Cash		CR	
Date	Description	£	Date	Description	£
01-Jan	Balance brought down	343			
07-Jan	Smith settled his account	18	05-Jan	Wages	12
11-Jan	Cash sales	64	09-Jan	Max paid back	21
21-Jan	Cash sales	110	14-Jan	Wages	14
23-Jan	Harvey paid on account	25	14-Jan	Purchases	75
28-Jan	Cash sales	84	15-Jan	Rich	162
31-Jan	Cash sales	30	20-Jan	Furniture	32
			21-Jan	Wages	17
			23-Jan	Office expenses	3
			28-Jan	Wages	15
31-Jan	Total	674	31-Jan	Total	351
			31-Jan	Balance carried down	323
31-Jan		674	31-Jan		674
01-Feb	Balance brought down	323			

DR		Debtor (Harvey)		CR	
Date	Description	£	Date	Description	£
01-Jan	Balance brought down	39			
02-Jan	Sales	124	23-Jan	Cash	25
31-Jan	Total	163	31-Jan	Total	25
			31-Jan	Balance carried down	138
31-Jan		163	31-Jan		163
01-Feb	Balance brought down	138			

DR		Debtor (Smith)		CR	
Date	Description	£	Date	Description	£
01-Jan	Balance brought down	18			
			07-Jan	Cash	18
31-Jan	Total	18	31-Jan	Total	18

DR		Furniture and fittings		CR	
Date	Description	£	Date	Description	£
01-Jan	Balance brought down	198			
20-Jan	Cash	32			
31-Jan	Total	230	31-Jan	Total	0
			31-Jan	Balance carried down	230
31-Jan		230	31-Jan		230
01-Feb	Balance brought down	230			

DR		Wages		CR	
Date	Description	£	Date	Description	£
05-Jan	Cash	12			
14-Jan	Cash	14			
21-Jan	Cash	17			
28-Jan	Cash	15			
31-Jan	Total	58	31-Jan	Total	0
			31-Jan	Balance carried down	58
31-Jan		58	31-Jan		58
01-Feb	Balance brought down	58			

DR		Purchases		CR	
Date	Description	£	Date	Description	£
05-Jan	Rich	150			
14-Jan	Cash	75			
31-Jan	Total	225	31-Jan	Total	0
			31-Jan	Balance carried down	225
31-Jan		225	31-Jan		225
01-Feb	Balance brought down	225			

DR		Expenses (Office)		CR	
Date	Description	£	Date	Description	£
23-Jan	Cash	3			
31-Jan	Total	3	31-Jan	Total	0
			31-Jan	Balance carried down	3
31-Jan		3	31-Jan		3
01-Feb	Balance brought down	3			

DR		Creditor (Max)		CR	
Date	Description	£	Date	Description	£
			01-Jan	Balance brought down	21
09-Jan	Cash	21			
31-Jan	Total	21	31-Jan	Total	21

DR		Creditor (Rich)		CR	
Date	Description	£	Date	Description	£
			01-Jan	Balance brought down	12
15-Jan	Cash	162	05-Jan	Purchases	150
31-Jan	Total	162	31-Jan	Total	162

01/01/	ASSETS		LIABILITIES
Description	Amount £	Description	Amount £
Cash	343	Capital	1049
Inventory	458		
Furniture and fittings	198		
Receivables	83	Liabilities	33
Smith	18	Rich	12
Harvey	39	Max	21
Moon	26		
Total	1082	Total	1082

b) Trial balance at 31st January

Description	Debit £	Credit £
Capital		1049
Sales Goods		412
Cash	323	
Harvey	138	
Furniture	230	
Purchases	225	
Wages	58	
Expenses (Office)	3	
Moon	26	
Open Inventory	458	
Total	1461	1461

c) Statement of profit or loss for the month ended 31st January

Description	Amount £	Amount £
Revenue		412
Closing Stock		374
Less Purchases	225	
Less Open Stock	458	
Gross Profit		103
Less Expenses		
Office Expenses	3	
Furniture	230	
Wages	58	
Net Profit Loss		188

Statement of financial position for the month ended 31st January

Assets		Liabilities	
Description	Amount £	Description	Amount £
Cash	323	Capital	1049
Closing Stock	374	Net profit loss for the year	188
Harvey	138		
Moon	26		
Total	861	Total	861

IV. Task 4

a) Ledger accounts

DR		Sales		CR	
Date	Description	£	Date	Description	£
			02-Jun	Claire	8500
			14-Jun	Hywel	9000
			20-Jun	Jane (cash)	6000
			24-Jun	Mandy	5000
30-Jun	Total	0	30-Jun	Total	28500
30-Jun	Balance carried down	28500			
30-Jun		28500	30-Jun		28500
			01-Jul	Balance brought down	28500

DR		Customer (Claire)		CR	
Date	Description	£	Date	Description	£
02-Jun	Goods Sold	8500	22-Jun	Return Goods	1000
			24-Jun	Cash	7125
			24-Jun	Discount 5%	375
30-Jun	Total	8500	30-Jun	Total	8500

DR		Cash		CR	
Date	Description	£	Date	Description	£
20-Jun	Jane (Goods sold)	6000	25-Jun	Georgina	11160
24-Jun	Claire	7125	27-Jun	Andrew	4410
25-Jun	Hywel	9000			
30-Jun	Total	22125	30-Jun	Total	15570
			30-Jun	Balance carried down	6555
30-Jun		22125	30-Jun		22125
01-Jul	Balance brought down	6555			

DR		Customer (Hywel)		CR	
Date	Description	£	Date	Description	£
14-Jun	Goods Sold	9000	25-Jun	Cash	9000
30-Jun	Total	9000	30-Jun	Total	9000

DR		Supplier (Georgina)		CR	
Date	Description	£	Date	Description	£
25-Jun	Ricardo (cash)	11160	13-Jun	Purchases	12000
25-Jun	Discount 7%	840			
30-Jun	Total	12000	30-Jun	Total	12000

DR		Supplier (Andrew)		CR	
Date	Description	£	Date	Description	£
27-Jun	Ricardo (cash)	4410	13-Jun	Purchases	4500
25-Jun	Discount 2%	90			
30-Jun	Total	4500	30-Jun	Total	4500

DR		Return sales		CR	
Date	Description	£	Date	Description	£
22-Jun	Claire	1000			
30-Jun	Total	1000	30-Jun	Total	0
			30-Jun	Balance carried down	1000
30-Jun		1000	30-Jun		1000
01-Jul	Balance brought down	1000			

DR		Customer (Mandy)		CR	
Date	Description	£	Date	Description	£
24-Jun	Goods sold	5000			
30-Jun	Total	5000	30-Jun	Total	0
			30-Jun	Balance carried down	5000
30-Jun		5000	30-Jun		5000
01-Jul	Balance brought down	5000			

DR		Purchases		CR	
Date	Description	£	Date	Description	£
13-Jun	Georgina	12000			
21-Jun	Andrew	4500			
30-Jun	Total	16500	30-Jun	Total	0
			30-Jun	Balance carried down	16500
30-Jun		16500	30-Jun		16500
01-Jul	Balance brought down	16500			

DR		Discounts Suppliers		CR	
Date	Description	£	Date	Description	£
			25-Jun	Georgina	840
			27-Jun	Andrew	90
30-Jun	Total	0	30-Jun	Total	930
30-Jun	Balance carried down	930			
30-Jun		930	30-Jun		930
			01-Jul	Balance brought down	930

DR		Discounts Customers		CR	
Date	Description	£	Date	Description	£
24-Jun	Claire	375			
30-Jun	Total	375	30-Jun	Total	0
			30-Jun	Balance carried down	375
30-Jun		375	30-Jun		375
01-Jul	Balance brought down	375			

b) Trial Balance at 27th June

Description	Debit £	Credit £
Return Sales	1000	
Mandy	5000	
Discounts Suppliers		930
Discount Customers	375	
Purchases	16500	
Sales		28500
Cash	6555	
Total	29430	29430

IV. Task 5

Demonstrating your research, differentiate between revenue expenditure and capital expenditure with reference to International Accounting Standards

Capital expenditure and revenue expenditure - differences and reporting.

Capital expenditure is those for purchase of assets (tangible or intangible) or for the expansion and renewal of assets. It contributes to increase productivity and increase company profits. This type of expenses usually are large sums of money and are recorded in the asset balance sheet. Capital expenditure is subject to depreciation and in parts it brings value over the value of the output produced over a long period of time. It is recorded as fixed assets and increase the value of the company's capital. This type of expenditure also reflects in the cash flow statement. It is done irregularly, usually pre-planned and often use borrowed capital (credit). Capital expenditure can be sold when loses value to the company. It does not coincide with capital inflows.

Revenue expenditure is regular, daily necessities for starting a business as well as for business every day. This expense divides into two types - Cost of production and Cost of maintaining. It adds value to the value of production for the period and are reported usually for one year. It reflects in the income statement of the company. Revenue expenses are short-term, non-capitalising, maintaining the profitability and coincide with the company's revenue concept. It is considered as recurring costs, also can be planned, seldom credits can be used for them. Revenue expenses are used to calculate the net profit for each reporting period and can be fully deducted when calculating taxes.

Accounting for Capital Expenses and Income Expenses is made in accordance with International Accounting Standard 1- Presentation of Financial Statements and International Accounting Standard 18 – Revenue.

Knowledge of the Capital expenditure and Revenue expenditure, their classification and accounting are the subject of accounting. It is also an important prerequisite for the business to operate and make a profit for each company.

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