

Student Name	Atanas Mihaylov
Student Number	1814119
Module Title	Accounting Fundamentals
Lecturer Name	Gazi Arif

The accounting cycle is the holistic process of recording and processing all financial transactions of a company, from when the transaction occurs, to its representation on the financial statements, to closing the accounts. To fully understand the accounting cycle, it's important to have a solid understanding of the basic accounting principles.

This assignment focuses on basic fundamental concepts of accounting to enable a student to construct general ledger, trail balance and then financial statements.

TASK 1

- (a) General ledger account is an account or record used to sort, store and summarize a company's transactions. Transactions are posted from General Journal to General Ledger.

Cash			
	£		£
5-Apr Capital	300	7-Apr Inventory	200
8-Apr Loan from Tatiana	250	15-Apr Motor Van	150
20-Apr Sales	350	28-Apr Rent expense	50
		29-Apr Loan from Tatiana	200
		30-Apr Drawings	60
		30-Apr Balance	240
	<u>900</u>		<u>900</u>

Motor Van			
	£		£
15-Apr Cash	150		
		30-Apr Balance	150
	<u>150</u>		<u>150</u>

Capital			
	£		£
		5-Apr Cash	300
30-Apr Balance	300		
	<u>300</u>		<u>300</u>

Sales			
	£		£
		20-Apr Cash	350
30-Apr Balance	350		
	<u>350</u>		<u>350</u>

Rent expense			
	£		£
28-Apr Cash	50		
		30-Apr Balance	50
	<u>50</u>		<u>50</u>

Inventory			
	£		£
7-Apr Cash	200	30-Apr Cost of Goods Sold	100
		30-Apr Balance	100
	<u>200</u>		<u>200</u>

Loan from Tatiana			
	£		£
29-Apr Cash	200	8-Apr Cash	250
30-Apr Balance	50		
	<u>250</u>		<u>250</u>

Drawings			
	£		£
30-Apr Cash	60		
		30-Apr Balance	60
	<u>60</u>		<u>60</u>

Cost of goods sold			
	£		£
29-Apr Stock	100		
		30-Apr Balance	100
	<u>100</u>		<u>100</u>

- (b) A trial balance lists all accounts with their balances summarizing all the account balances for the financial statements and shows whether total debits equal total credits.

Trial balance as at 30 April		
	Dr £	Cr £
Cash	240	
Inventory	100	
Motor Van	150	
Loan from Tatiana		50
Capital		300
Drawings	60	
Sales		350
Cost of goods sold	100	
Rent expense	50	
	700	700

- (c) The statement of profit or loss reports revenues and expenses that net to a profit or loss for the period while the statement of financial position reports assets, liabilities, and equity at the end of the period

Statement of Profit or Loss		
For the month ended 30 April		
	Dr	Cr
Sales		£ 350
(-) Cost of goods Sold	£ 100	
Gross Profit		£ 250
(-) Expenses		
Rent expense	50	
Total Expenses	50	
Net Profit		£ 200

Statement of Financial Position		
As at 30 April		
Assets		
Fixed Assets		
Motor Van	£ 150	
Total Fixed Assets	£ 150	
Current Assets		
Cash	£ 240	
Inventory	£ 100	
Total current assets	£ 340	
Total Assets		£ 490
Capital and Liabilities		
Current Liabilities		
Loan from Tatiana	£ 50	
Total Liabilities		£ 50
Capital	£ 300	
(+) Net Profit	£ 200	
Gross Capital	£ 500	
(-) Drawing	£ 60	
Net Capital		£ 440
Total Liabilities and Capital		£ 490

TASK 2

- (a) General ledger account is an account or record used to sort, store and summarize a company's transactions. Transactions are posted from General Journal to General Ledger.

Cash					
		£			£
1-Jan	Capital	5,000	2-Jan	Motor Van	600
4-Jan	Loan from Sergei	1,000	3-Jan	Inventory	1,300
13-Jan	Sales	300	10-Jan	Motor Van	200
20-Jan	Sales	500	24-Jan	Storage expense	150
			27-Jan	Loan from Sergi	350
			30-Jan	Drawings	175
			31-Jan	Balance	4,025
		<u>6,800</u>			<u>6,800</u>

Motor Van				
		£	£	
2-Jan	Cash	600		
			31-Jan	Balance
		<u>600</u>		<u>600</u>

Capital					
		£		£	
			1-Jan	Cash	5,000
31-Jan	31-Jan	5,000			
		<u>5,000</u>			<u>5,000</u>

Sales					
		£	£		
31-Jan	Balance		13-Jan	Sales	300
			20-Jan	Sales	500
		<u>800</u>			
		<u>800</u>			<u>800</u>

Cost of goods sold				
		£	£	
31-Jan	Inventory	500		
			31-Jan	Balance
		<u>500</u>		<u>500</u>

Inventory					
		£			£
3-Jan	Cash	1,300	31-Jan	Cost of Goods	500

Loan from Sergei					
		£			£
27-Jan	Cash	350	4-Jan	Cash	1,000
31-Jan	31-Jan	650			
		<u>1,000</u>			<u>1,000</u>

Drawings				
		£	£	
30-Jan	Cash	175		
			31-Jan	Balance
		<u>175</u>		<u>175</u>

Motor Van expense			
		£	£
10-Jan	Cash	200	
			31-Jan Balance
		<u>200</u>	<u>200</u>

Storage Expense			
		£	£
24-Jan	Cash	150	
			31-Jan
			Balance
		<u>150</u>	<u>150</u>

- (b) A trial balance lists all accounts with their balances summarizing all the account balances for the financial statements and shows whether total debits equal total credits.

Trial balance as at 31 January		
	Dr £	Cr £
Cash	4,025	
Inventory	800	
Motor Van	600	
Loan from Sergei		650
Capital		5,000
Drawings	175	
Sales		800
Cost of goods sold	500	
Motor van expense	200	
Storage expense	150	
	6,450	6,450

- (c) The statement of profit or loss reports revenues and expenses that net to a profit or loss for the period while the statement of financial position reports assets, liabilities, and equity at the end of the period

Statement of Profit or Loss		
For the month ended 31 January		
Description	Dr	Cr
Sales		£ 800
(-) Cost of goods Sold	£ 500	
Gross Profit		£ 300
(-) Expenses		
Motor van expenses	200	
Storage expense	150	
Total Expenses	350	
Net Loss	-£ 50	

Statement of Financial Position		
At 31 January		
Description		
Assets		
Fixed Assets		
Motor Van	£ 600	
Total Fixed Assets	£ 600	
Current Assets		
Cash	£ 4,025	
Inventory	£ 800	
Total Current Assets	£ 4,825	
Total Assets		£ 5,425
Capital and Liabilities		
Current Liabilities		
Loan from Sergei	£ 650	
Total Liabilities		£ 650
Capital	£ 5,000	
(-) Net Loss	-£ 50	
Gross Capital	£ 4,950	
(-) Drawing	£ 175	
Net Capital		£ 4,775
Total Liabilities and Capital		£ 5,425

TASK 3

- (a) General ledger account is an account or record used to sort, store and summarize a company's transactions. Transactions are posted from General Journal to General Ledger.

Cash					
		£			£
1-Jan	Balance	343	5-Jan	Wages expense	12
7-Jan	Smith-receivabl	18	9-Jan	Max-payable	21
11-Jan	Sales	64	14-Jan	Wages expense	14
21-Jan	Sales	110	14-Jan	Inventory	75
23-Jan	Harvey-receivat	25	15-Jan	Rich-payable	162
28-Jan	Sales	84	20-Jan	Furniture and fit	32
31-Jan	Sales	30	21-Jan	Wages expense	17
			23-Jan	Office expenses	3
			28-Jan	Wages expense	15
			31-Jan	Balance	323
		<u>674</u>			<u>674</u>

Furniture and Fittings					
		£			£
1-Jan	Balance	198			
20-Jan	Cash	32	31-Jan	Balance	230
		<u>230</u>			<u>230</u>

Harvey-receivable					
		£			£
1-Jan	Balance	39	23-Jan	Cash	25
2-Jan	Sales	124	31-Jan	Balance	138
		<u>163</u>			<u>163</u>

Rich-payable					
		£			£
15-Jan	Cash	162	1-Jan	Balance	12
			7-Jan	Inventory	150
31-Jan	Balance	-			
		<u>162</u>			<u>162</u>

Inventory					
		£			£
1-Jan	Balance	458	31-Jan	Cost of goods	309
7-Jan	Rich-payable	150			
14-Jan	Cash	75	31-Jan	Balance	374
		<u>683</u>			<u>683</u>

Smith-receivable					
		£			£
1-Jan	Balance	18	7-Jan	Cash	18
		<u>18</u>	31-Jan	Balance	-
					<u>18</u>

Moon-receivable					
		£			£
1-Jan	Balance	26			
		<u>26</u>	31-Jan	Balance	26
					<u>26</u>

Max-payable					
		£			£
7-Jan	Cash	21	1-Jan	Balance	21
31-Jan	Balance	-			
		<u>21</u>			<u>21</u>

Capital			
£		£	
		1-Jan	Balance
			1,049
31-Jan	Balance		
	1,049		
	<u>1,049</u>		<u>1,049</u>

Cost of goods sold			
£		£	
31-Jan	Inventory		
	309		
		31-Jan	Balance
			309
	<u>309</u>		<u>309</u>

Wages expense			
£		£	
5-Jan	Cash		
	12		
14-Jan	Cash		
	14		
21-Jan	Cash		
	17		
28-Jan	Cash		
	15		
		31-Jan	Balance
			58
	<u>58</u>		<u>58</u>

Sales			
£		£	
		2-Jan	Harvey-receiv:
			124
		11-Jan	Cash
			64
		21-Jan	Cash
			110
		28-Jan	Cash
			84
		31-Jan	Cash
			30
31-Jan	Balance		
	412		
	<u>412</u>		<u>412</u>

Office Expenses			
£		£	
23-Jan	Cash		
	3		
		31-Jan	Balance
			3
	<u>3</u>		<u>3</u>

- (b) A trial balance lists all accounts with their balances summarizing all the account balances for the financial statements and shows whether total debits equal total credits.

Trial Balance as at 31 January		
	Dr £	Cr £
Cash	323	
Inventory	374	
Harvey-receivable	138	
Moon-receivable	26	
Furniture and fittings	230	
Capital		1,049
Sales		412
Cost of goods sold	309	
Wages expense	58	
Office Expenses	3	
Total	1,461	1,461

- (c) The statement of profit or loss reports revenues and expenses that net to a profit or loss for the period while the statement of financial position reports assets, liabilities, and equity at the end of the period

Statement of Profit or Loss		
For the month ended 31 January		
Description	Dr	Cr
Sales		£ 412
(-) Cost of goods Sold	309	
Gross Profit		£ 103
(-) Expenses		
Wages expense	58	
Office Expenses	3	
Total Expenses	61	
Net Profit		£ 42

Statement of Financial Position		
At 31 January		
Description		
Assets		
Fixed Assets		
Furniture and fittings	£ 230	
Total Fixed Assets	230	
Current Assets		
Cash	323	
Inventory	374	
Harvey-receivable	138	
Moon-receivable	26	
Total Current Assets	861	
Total Assets		£ 1,091
Capital and Liabilities		
Capital	1,049	
(+) Net Profit	42	
Gross Capital	1,091	
(-) Drawing	-	
Net Capital	1,091	
Total Liabilities and Capital		£ 1,091

TASK 4

General ledger account is an account or record used to sort, store and summarize a company's transactions. Transactions are posted from General Journal to General Ledger.

Cash					
£			£		
20-Jun	Sales	6,000	25-Jun	Georgina-payable	11,160
24-Jun	Claire-receivable	7,125	27-Jun	Andrew-payable	4,410
25-Jun	Hywel-receivable	9,000			
			27-Jun	Balance	6,555
		<u>22,125</u>			<u>22,125</u>

Hywel-receivable					
£			£		
14-Jun	Sales	9,000	25-Jun	Cash	9,000
			27-Jun	Balance	-
		<u>9000</u>			<u>9000</u>

Georgina-payable					
£			£		
25-Jun	Cash	11,160	13-Jun	Purchases	12,000
25-Jun	Discount received	840			
27-Jun	Balance	-			
		<u>12000</u>			<u>12000</u>

Sales					
£			£		
			2-Jun	Claire-receivable	8,500
			14-Jun	Hywel-receivable	9,000
			20-Jun	Cash	6,000
			24-Jun	Mandy-receivable	5,000
27-Jun	Balance	28,500			
		<u>28,500</u>			<u>28,500</u>

Claire-receivable					
£			£		
2-Jun	Sales	8,500	22-Jun	Sales return	1,000
			24-Jun	Cash	7,125
			24-Jun	Discounts allowed	375
			27-Jun	Balance	-
		<u>8,500</u>			<u>8,500</u>

Mandy-receivable					
£			£		
24-Jun	Sales	5,000			
			27-Jun	Balance	5,000
		<u>5000</u>			<u>5000</u>

Andrew-payable					
£			£		
27-Jun	Cash	4,410	21-Jun	Purchases	4,500
27-Jun	Discount received	90			
27-Jun	Balance	-			
		<u>4,500</u>			<u>4,500</u>

Sales return					
£			£		
22-Jun	Claire-receivable	1,000			
			27-Jun	Balance	1,000
		<u>1,000</u>			<u>1,000</u>

Discount allowed					
		£			£
24-Jun	Claire-receivable	375			
			27-Jun	Balance	375
		<u>375</u>			<u>375</u>

A trial balance lists all accounts with their balances summarizing all the account balances for the financial statements and shows whether total debits equal total credits.

Trial Balance as at 27 June		
	Dr £	Cr £
Cash	6,555	
Mandy-receivable	5,000	
Sales		28,500
Sales return	1,000	
Purchases	16,500	
Discount allowed	375	
Discount received		930
	29,430	29,430

As per IAS 16, **capital expenditure** includes initial costs incurred on the development, acquisition or construction of a fixed asset and any subsequent expenditure that improves the condition of the asset or its performance. Initial costs not only include the cost of purchases but also include other costs that are necessary to bring the fixed asset into its present location and condition as intended by the management, such as installation costs, delivery costs and legal costs etc. On the other hand, **revenue expenditures** include costs related to specific revenue transactions or operating periods that are usually incurred to keep fixed assets working properly such as repairs and maintenance expense. The differences between capital expenditure and revenue expenditure are as follows:

- **Size:** Capital expenditures usually involve significant amounts than revenue expenditures. However, some huge amount of expenditures can still be classified as revenue expenditures, if they are costs related to specific revenue transactions or operating periods.
- **Timing:** A Capital expenditure is consumed or expensed out over a period of time usually life of fixed asset while revenue expenditure is charged to expense in the period in which they are incurred.