

University of Wales Trinity Saint David London

Module Name: Accounting Fundamentals

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Introduction

Double entry system of accounting plays an important role in the business world (Bruno and Lapsley, 2018). It can be said as the base of business and accounting. Accountancy practices are incomplete with the implementation of the double entry system of accounting. The double entry system of accounting includes preparation of journal entries, ledger accounts and trail balances (Ijiri, 2018). After this the next step of an organization is to determine the profit of the business. For this purpose, the profit or loss statement is prepared. In this study, the journal entries, ledger accounts and trail balances of four businesses has been prepared. Also, their respective profit or loss statement and statement of financial position are prepared. The difference between capital and revenue expenditure has been discussed in this study.

Task 1:

(A)Ledger Balances of Maxim

Dr	Capital Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
30-Apr	To Balance C/d		300.00	5-Apr	By Cash A/c		300.00
	Total		300.00		Total		300.00
				1-May	By balance b/d		300.00

Table 1: Capital Account

Dr	Purchase Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
7-Apr	To Cash A/c		200.00	30-Apr	By Balance C/d		200.00
	Total		200.00		Total		200.00
1-May	To balance B/d		200.00				

Table 2: Capital Account

Dr		Closing Stock Account				Cr	
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
30-Apr	To Trading A/c		100.00	30-Apr	By balance C/d		100.00
	Total		100.00		Total		100.00
1-May	To Balance B/d		100.00				

Table 3: Closing Stock Account

Dr		Cash Account				Cr	
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
5-Apr	To Capital A/c		300.00	7-Apr	By Purchase A/c		200.00
8-Apr	To loan From Tatiana A/c		250.00	15-Apr	By Motor van A/c		150.00
20-Apr	To Sales A/c		350.00	28-Apr	By rent A/c		50.00
				29-Apr	By loan from Tatiana A/c		200.00
				30-Apr	By Drawings A/c		60.00
				30-Apr	By Balance C/d		140.00
	Total		800.00		Total		800.00
1-May	To balance B/d		140.00				

Table 4: Cash Account

Dr	Rent Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
28-Apr	To Cash A/c		50.00	30-Apr	By balance C/d		50.00
	Total		50.00		Total		50.00
30-Apr	To Balance B/d		50.00				

Table 5: Rent Account

Dr	Motor Van Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
15-Apr	To Cash A/c		150.00	30-Apr	By balance C/d		150.00
	Total		150.00		Total		150.00
30-Apr	To Balance B/d		150.00				

Table 6: Motor Van Account

Dr	Sales Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
30-Apr	To Balance C/d		350.00	20-Apr	By Cash A/c		350.00
	Total		350.00		Total		350.00
				1-May	By balance B/d		350.00

Table 7: Sales Account

Dr	Drawings Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
30-Apr	To Cash A/c		60.00	30-Apr	By balance C/d		60.00
	Total		60.00		Total		60.00
1-May	To balance B/d		60.00				

Table 8: Drawings Account

Dr	Trading Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
30-Apr	To Balance B/d		100.00	30-Apr	By Closing A/c		100.00
	Total		100.00		Total		100.00
				1-May	By balance B/d		100.00

Table 9: Trading Account

Dr	Loan From Titiana Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
29-Apr	To Cash A/c		200.00	8-Apr	By cash A/c		250.00
30-Apr	To Balance C/d		50.00				
	Total		250.00		Total		250.00
				1-May	By Balance B/d		50.00

Table 10: Loan from Titiana Account

(B) Trial Balance of Maxim

Particulars	Debit Amount	Credit Amount
Trading A/c	100.00	
Drawings A/c	60.00	
Purchase A/c	200.00	
Capital A/c		300.00
Motor Van A/c	150.00	
Cash A/c	140.00	
Loan from Titiana A/c		50.00
Sales A/c		350.00
Rent A/c	50.00	
Total	700.00	700.00

Table 11: Trial Balance

(C) Balance sheet and P/L A/C of Maxim

Profit and Loss Statement	
Particulars	Amount (£)
Sales	350.00
Less: Purchases	200.00
Less: Rent	50.00
Profit	100.00

Table 12: Profit and Loss Statement

Statement of Financial position	
Particulars	Amount (£)
Assets	
Inventory	100.00
Motor Van	150.00
Cash	140.00
Total	290.00
Liabilities	
Loan	50.00
Capital after drawings & profit	340.00
Total	390.00

Table 13: Statement of Financial position

Task 2:**(A)Ledger Balances of Pendo**

Dr	Cash Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To capital A/c	5000.00	1-Jan	By Motor van A/c	600.00
4-Jan	To loan from Sergie A/c	1000.00	3-Jan	By Purchase A/c	1300.00
13-Jan	To sales A/c	300.00	10-Jan	By Motor van A/c	200.00
20-Jan	To sales A/c	500.00	24-Jan	By Storage expenses	150.00
			27-Jan	By Loan from Sergie A/c	350.00
			30-Jan	By Drawings A/c	175.00
			31-Jan	By Balance c/d	4025.00
	Total	6800.00		Total	6800.00
1-Feb	To balance B/d	4025.00			

Table 14: Cash Account

Dr	Capital Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
31-Jan	To balance c/d	5000.00	1-Jan	By cash A/c	5000.00
	Total	5000.00		Total	5000.00
			1-Feb	By balance b/d	5000.00

Table 15: Capital Account

Dr	Motor Van Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To cash A/c	600.00			
10-Jan	To cash A/c	200.00	31-Jan	By balance c/d	800.00
	Total	800.00		Total	800.00
1-Feb	To balance b/d	800.00			

Table 16: Motor Van Account

Dr	Drawings Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
30-Jan	To Cash A/c	175.00	31-Jan	By balance B/d	175.00
	Total	175.00		Total	175.00
1-Feb	To balance B/d	175.00			

Table 17: Drawings Account

Dr	Purchases Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
3-Jan	To Cash A/c	1300.00	31-Jan	By balance C/d	1300.00
	Total	1300.00		Total	1300.00
1-Feb	To balance B/d	1300.00			

Table 18: Purchases Account

Dr	Loan from Sergie Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
27-Jan	To Cash A/c	350.00	4-Jan	By Cash A/c	1000.00
31-Jan	To balance C/d	650.00			
	Total	1000.00		Total	1000.00
			1-Feb	By balance B/d	650.00

Table 19: Loan from Sergie Account

Dr	Sales Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
31-Jan	To balance C/d	800.00	13-Jan	By Cash A/c	300.00
			20-Jan	By Cash A/c	500.00
	Total	800.00		Total	800.00
			1-Feb	By balance B/d	800.00

Table 20: Sales Account

Dr	Storage expense Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
24-Jan	To Cash A/c	150.00	31-Jan	By balance C/d	150.00
	Total	150.00		Total	150.00
1-Feb	To balance B/d				

Table 21: Storage expense Account

Dr	Closing stock Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
31-Jan	To Trading A/c	800.00	31-Jan	By balance C/d	800.00
	Total	800.00		Total	800.00
1-Feb	To balance b/d	800.00			

Table 22: Closing stock Account

(B) Trial Balance of Pendo

Trial Balance		
Particulars	Amount	Amount
Drawings	175.00	
Storage Expense	150.00	
Motor Van	800.00	
Sales		800.00
Loan From Sergie		650.00
Cash	4025.00	
Purchase	1300.00	
Capital		5000.00
Total	6450.00	6450.00

Table 22: Trial Balance

(C) Balance Sheet and P/L A/C of Pendo

Statement of Profit and loss		
Particulars	Amount (£)	Amount (£)
Sales		800.00
less: Purchase	1300.00	
less: Motor Van Expenses	200.00	
less: Storage Expenses	150.00	1650.00
Loss		-850.00

Table 23: Statement of Profit and loss

Statement of financial position	
Particulars	Amount (£)
Cash	4025.00
Inventories	800.00
Motor Van	600.00
Total	1400.00
Liabilities	
Capital	5000.00
less: Drawings	-175.00
less: Loss	-850.00
loan from Sergie	650.00
Deficit	800.00
Total	5425.00

Table 24: Statement of financial position

Task 3:**(A)Ledger Balances of Mafuta**

Opening Capital			
Assets	Amount (£)	Liabilities	Amount (£)
Cash	343.00	Payables	33.00
Inventory	458.00	Opening Capital	1049.00
Furniture	198.00		
Receivables	83.00		
Total	1082.00	Total	1082.00

Table 25: Opening Capital

Dr	Cash Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To Capital A/c	343.00	5-Jan	By Wages A/c	12.00
7-Jan	To Smith A/c	18.00	9-Jan	By Max A/c	21.00
11-Jan	To Sales A/c	64.00	14-Jan	By Wages A/c	14.00
21-Jan	To Sales A/c	110.00	14-Jan	By Purchase A/c	75.00
23-Jan	To Harvey A/c	163.00	15-Jan	By Rich A/c	162.00
28-Jan	To Sales A/c	84.00	20-Jan	By Office Desk A/c	32.00
31-Jan	To Sales A/c	30.00	21-Jan	By Wages A/c	17.00
			23-Jan	By Office expenses A/c	3.00
			28-Jan	By Wages A/c	15.00
			31-Jan	By Balance C/d	461.00
	Total	812.00		Total	812.00
1-Feb	To balance B/d	461.00			

Table 26: Cash Account

Dr	Stock Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To balance B/d	458.00		By Cash A/C	
			31-Jan	By balance C/d	374.00
	Total	458.00		Total	458.00
1-Feb	To balance B/d	374.00			

Table 27: Stock Account

Dr	Max Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
9-Jan	To Cash A/c	21.00	1-Jan	By Balance b/d	21.00
	Total	21.00		Total	21.00

Table 28: Max Account

Dr	Capital Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
			1-Jan	To Balance b/d	1049.00
31-Jan	By balance C/d	1049.00			
	Total	1049.00		Total	1049.00
			1-Jan	To Balance b/d	1049.00

Table 29: Capital Account

Dr	Smith Account				Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To Balance b/d	18.00	7-Jan	By Cash A/c	18.00
	Total	18.00		Total	18.00

Table 30: Smith Account

Dr		Harvey Account			Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To Balance b/d	39.00	23-Jan	By Cash A/c	25.00
2-Jan	To Sales A/c	124.00	31-Jan	By balance C/d	138.00
	Total	163.00		Total	163.00

Table 31: Harvey Account

Dr		Moon Account			Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1-Jan	To Balance b/d	26.00	31-Jan	By balance C/d	26.00
	Total	26.00		Total	26.00
1-Feb	To balance B/d	26.00			

Table 32: Moon Account

Dr		Rich Account			Cr
Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
15-Jan	To Cash A/c	162.00	1-Jan	By Balance b/d	12.00
			5-Jan	By purchase A/c	150.00
	Total	162.00		Total	162.00

Table 33: Rich Account

(B) Trial Balance of Mafuta

Trial Balance		
Particulars	Amount (£)	Amount (£)

Sales		412.00
Office desk	32.00	
Moon	26.00	
Wages	58.00	
Cash	461.00	
Capital		1049.00
Purchase	225.00	
Stock	458.00	
Harvey	138.00	
Office Expenses	63.00	
Total	1461.00	1461.00

Table 34: Trial Balance

(C) Balance sheet and P/L A/C of Mafuta

Statement of Profit and loss	
Particulars	Amount (£)
Sales	412.00
Less: purchase	-225.00
Less: Office Expenses	-3.00
Less: Wages	58.00
Profits	126.00

Table 35: Statement of Profit and loss

Statement of financial position	
Particulars	Amount (£)
Assets	
Cash	605.00
Closing stock	374.00
Office desk	32.00
Harvey	138.00
Moon	26.00
Total	196.00
Liabilities	
Capital	1049.00
Add: profits	126.00
Total	1175.00

Table 36: Statement of financial position

Task 4:

(A)Ledger Balances of Ricardo

Dr	Sales Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
				1-Jun-18	By Balance b/d		0.00
				2-Jun-18	By Clair A/C		8075.00
				2-Jun-18	By Discount Allowed A/C		575.00
				14-Jun-18	By Hywel A/C		9000.00
				20-Jun-18	By Cash A/C		6000.00
27-Jun-18	To Balance c/d		28650.00	24-Jun-18	By Mandy A/C		5000.00
	Total		28650.00		Total		28650.00
				1-Jul-18	By Balance b/d		28650.00

Table 37: Sales Account

Dr	Purchases Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
1-Jun-18	To Balance b/d		0.00				
13-Jun-18	To Georgina A/C		11160.00				
13-Jun-18	To Discount Received A/C		840.00				
21-Jun-18	To Andrew A/C		4410.00				
21-Jun-18	To Discount Received A/C		90.00	27-Jun-18	By Balance c/d		16500.00
	Total		16500.00		Total		16500.00
1-Jul-18	To Balance b/d		16500.00				

Table 38: Purchases Account

Dr	Clair Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
1-Jun-18	To Balance b/d		0.00	22-Jun-18	By Sales Return A/C		1000.00
2-Jun-18	To Sales		8500.00	27-Jun-18	By Balance c/d		7500.00
	Total		8500.00		Total		8500.00
1-Jul-18	To Balance b/d		7500.00				

Table 39: Clair Account

Dr	Georgina Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
				1-Jun-18	By Balance b/d		0.00
27-Jun-18	To Balance c/d		12000.00	13-Jun-18	By Purchases A/C		12000.00
	Total		12000.00		Total		12000.00
				1-Jul-18	By Balance b/d		12000.00

Table 40: Georgina Account

Dr	Hywel Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
				1-Jun-18	By Balance b/d		0.00
27-Jun-18	To Balance c/d		9000.00	14-Jun-18	By Purchases A/C		9000.00
	Total		9000.00		Total		9000.00
				1-Jul-18	By Balance b/d		9000.00

Table 41: Hywel Account

Dr	Mandy Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
1-Jun-18	To Balance b/d		0.00				
24-Jun-18	To Sales A/C		5000.00	27-Jun-18	By Balance c/d		5000.00
	Total		5000.00		Total		5000.00
1-Jul-18	To Balance b/d		5000.00				

Table 42: Mandy Account

Dr	Andrew Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
				1-Jun-18	By Balance b/d		0.00
27-Jun-18	To Balance c/d		4500.00	21-Jun-18	By Purchases A/C		4500.00
	Total		4500.00		Total		4500.00
				1-Jun-18	By Balance b/d		4500.00

Table 43: Andrew Account

Dr	Cash Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
1-Jun-18	To Balance b/d		0.00				
20-Jun-18	To Sales A/C		6000.00	27-Jun-18	By Balance c/d		6000.00
	Total		6000.00		Total		6000.00
1-Jul-18	To Balance b/d		6000.00				

Table 44: Cash Account

Dr	Sales Return Account						Cr
Date	Particulars	JF	Amount (£)	Date	Particulars	JF	Amount (£)
1-Jun-18	To Balance b/d		0.00				
22-Jun-18	To Claire A/C		1000.00	27-Jun-18	By Balance c/d		1000.00
	Total		1000.00		Total		1000.00
1-Jul-18	To Balance b/d		1000.00				

Table 45: Sales Return Account

Task 5: Differentiating between capital expenditure and revenue expenditure

Capital Expenditure

According to International Accounting Standards, the Capital Expenditure is a long term expenditure which a business incurs. The Capital Expenditure involves huge amount of expenses such as purchase of assets or any investment (Cornman *et al.* 2018). According to International Accounting Standards, capital expenditures are reported in the balance sheet.

Revenue Expenditure

Revenue expenditure is that expenditure which is incurred in short term (Sangster, 2017). Revenue expenditure involves expenses such as repairs and maintenance. Revenue expenditures are reported in the income statement as per International Accounting Standards.



Figure 1: Capital Expenditure vs. Revenue Expenditure

Conclusion

The main principle which is followed in the double entry system of bookkeeping or accountancy includes recording two journal entries for each transaction (Gomes, 2017). This means that one entry which is known as the credit entry as well as other entry is the debit entry are there in the books of accounts. In addition, the journal entries should be displayed in the format of 'T' accounts. In view of Kuter *et al.* (2017), the T accounts are also known as the ledger account or

ledger balances. The double entry system of bookkeeping is effectively discussed in this study for the four businesses. The financial statements which were prepared to assess the profitability of the four businesses. Also, the balance sheet provided an overview of the total assets and liabilities of the four businesses. Capital Expenditure involves huge amount of expenses such as purchase of any asset unlike revenue expenditure.

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