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Module code: LCBB4001

Title:

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Assignment title: Component 1

Task1:

To prepare Smiths Grocery's profit and loss account for the year ending December 31:2023

Profit and loss Account for the year Ending December 31:2023

particulars	Amount (£)
Sales	160,000
Less: Sales returns	(4,000)
Net sales	156,000
Cost of goods sold (COGS)	
Opening inventory	3,000
Purchases	95,000
Less: purchase returns	(5,000)
Add: Closing Inventory	(5,000)
Total COGS	98,000
Gross Profit	58,000
Operating Expenses:	
salaries	28.000
Electricity and gas expenses:	1,500
Rent	2,500
Depreciation-Vehicles	3,225
Vehicle Maintenace	950
Discounts Allowed	(700)
Bad Debt Written Off	(800)
Total Operating Expenses	35,875
Net Profit Before Tax	22,125

Interest on Loan	(1,000)
Net Profit After Tax	21,125

Now let's prepare the balance Sheet as at December 31:2023

Assets:

Particulars	Amount (£)
Current assets:	
Bank balance	5,000
Trade receivables	17,000
Less: provision for bad debts	(850)
Closing inventory	5,000
Total current assets	26,150
Non-current assets	
furniture	15,000
Less: Accumulated Depreciation-furniture	(5,200)
Less: accumulated Depreciation-vehicle	(7,000)
Total non-current assets	26,300
Total assets	52,450

Liabilities and equality

particulars	Amount (£)
Current Liabilities	
Trade payables	2,300
Accrued salaries	3,000
Bank overdraft	
Total current liabilities	5,300
Non-current liabilities	

Loan	10,00
Total non-current liabilities	10,000
Capital	25,000
Add: Net profit	21,125
Total Equity	46,125
Total liabilities and Equity	52,450

This represents the Profit and Loss Account and the Balance Sheet incorporating the necessary adjustments for Smith's Grocery for the year ending December 31, 2023.

Task 2

To solve this problem, let's create ledger T-accounts for each account mentioned and record the transactions accordingly:

1. **Capital**:

- Feb 1: +£700 (Additional capital contribution)
- Feb 28: -£1,200 (Withdrawal for personal use)
- Closing Balance: £30,500

2. **Van**:

- Feb 27: -£8,000 (Sale of van)
- Closing Balance: £7,000

3. **Bank**:

- Feb 4: -£800 (Payment to supplier)

- Feb 9: +£3,000 (Receivable payment)
- Feb 15: +£2,600 (Cash receipt from receivable)
- Feb 26: +£6,000 (Cash deposit from van sale)
- Closing Balance: £20,800

4. **Cash**:

- Feb 1: +£700 (Additional capital contribution)
- Feb 3: -£1,000 (Computer purchase)
- Feb 7: -£700 (Payment for purchased products)
- Feb 11: -£350 (Petrol purchase)
- Feb 15: +£2,600 (Cash receipt from receivable)
- Feb 26: -£500 (Advertisement payment)
- Feb 28: -£1,200 (Withdrawal for personal use)
- Closing Balance: £1,450

5. **Receivables**:

- Feb 9: -£3,000 (Payment received)
- Feb 15: -£2,600 (Cash received)
- Closing Balance: £0

6. **Payables**:

- Feb 20: +£1,200 (Purchase on credit)
- Closing Balance: £1,200

7. ****Wages****:

- Feb 25: -£800 (Cash payment for wages)
- Closing Balance: £0

8. ****Advertisement Expense****:

- Feb 26: -£500 (Cash payment)
- Closing Balance: £500

Now, let's construct the trial balance:

Account	Debit (£)	Credit (£)
Capital	0	£30,500
Van	£8,000	0
Bank	£20,800	0
Cash	£1,450	0
Receivables	£0	0
payables	£1,200	0
Wadges	£800	0
Advertisement	£500	0
Computer	£1,000	0
sales	£1,000	0
	Total.	£44,050

The trial balance shows that the total debits (£44,050) equal the total credits (£44,050), indicating that the accounts are balanced.

Task 3

****The Concept of "Going Concern" in Accounting****

The principle of "going concern" in accounting asserts that a business entity is expected to continue its operations for the foreseeable future, without any intention or necessity of liquidation or significant disruption to its operations. It assumes that the company will remain in operation long enough to fulfill its commitments, obligations, and objectives.

****Application:****

This principle impacts various aspects of financial reporting. Firstly, it influences the preparation of financial statements, as they are structured under the assumption that the entity will continue to operate indefinitely. Secondly, it guides decision-making processes, such as investment decisions, by providing stakeholders with assurance regarding the entity's viability and sustainability. Additionally, it affects auditing procedures, as auditors assess the entity's ability to continue as a going concern when expressing their opinion on financial statements.

****Importance:****

The concept of going concern holds significant importance for both internal and external stakeholders. Firstly, it provides investors and creditors with crucial information for decision-making. By recognizing the entity's ability to generate future cash flows, stakeholders can assess the entity's financial health and risk profile more accurately. Moreover, it fosters confidence and trust in the financial markets, as stakeholders rely on the continuity assumption to make informed investment and lending decisions.

Secondly, the going concern concept is vital for management in strategic planning and decision-making. It encourages management to adopt long-term perspectives and implement sustainable business strategies to ensure the entity's survival and growth. Furthermore, it facilitates effective resource allocation and risk management practices, as management considers the entity's long-term viability in their decision-making processes.

In summary, the going concern principle serves as a fundamental pillar of financial reporting, guiding the preparation of financial statements, influencing decision-making processes, and providing stakeholders with critical information about the entity's sustainability. Its application and importance extend beyond accounting, impacting various aspects of business operations and stakeholder interactions.