



ACCOUNTING FUNDAMENTALS

Tutor's name: Gazi Arif

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Module No: LCBB4001

Student: Miglena Krasteva

Student number: 1814710

Accounting is of help to other people. It is a service given for those who need information about an entity's financial productivity, i.e. any type of organization, a person running own business or company, its assets, and its liabilities. From the information received, it is assessed whether to invest in the business or be credited.

Financial data are registered in a system known as double-entry bookkeeping. This is the most oftentimes used system on a worldwide basis which accepted that every transaction has a double result. Capital, assets, and liabilities are important accounting names. Capital is used to portray the amount that the owners have invested in an entity. Assets are ownership or means such as stock, property, machinery, cash or bank balance, patent right trade or other debtors, owned by an entity. And liabilities are the amounts which the entity owed to outside parties. It is opposite to assets and they are amounts owing that still have to be paid to the parties for the equipment of good and services to the entity. (Dyson, R. 2010)

According Dyson R. (2010) in accounting, there is an “accounting equation” about those three accounting terms: $\text{Assets} = \text{Capital} + \text{Liabilities}$. The equation shows us that what the entity owns was obtained, by contributions from the entity's owners and contributions from outside parties. Actually, the equation shows the basic rule of double-entry book-keeping that every transaction must be recorded twice and If a regulation is made to one side of the equation, you must make the same fit either to the other side of the equation or to the same side.

A change to the accounting system is called entries in the accounts. Accounts are kept in various ledgers in a specific accounting system are known as the books of account. Every transaction held in an account can either increase or decrease the total amount, i.e. an account either receive (debit) an additional amount or it releases it(credit).

Companies using the double-accounting method use the general ledger where journal entries are posted in a T-account, the debit transactions are recorded on the left, and in the right column credit transactions, and the total amount of debit and credit transactions must balance. After balancing each account is to check that the double-entry process has been completed in the entire book-keeping system. In order to ensure that entries in the company's accounting system are mathematically correct, a trial balance is prepared, where debit and credit transactions in both columns are equal.

A trial balance is a working document compiled at the end of a specific accounting period. It has purposed to check that all of the transactions have been entered rightly in the ledger system, to approve the balance on each account is correct and to help in the preparation of the profit and loss account and the balance sheet. Following the completion of the trial balance, some year-end adjustments to stock and depreciation have to be made to the financial statements (Weetman, P. 2011)

The basic financial statements of a trading entity include a profit and loss account, and a balance sheet. Revenue balances are transferred to either the trading account or the profit and loss account, and capital balances to the balance sheet. The profit and loss account is part of the double-entry system encasing a period of time, and the balance sheet is made at a particular moment in time describes the balances at a distinct date that remain in the ledger system once the trading and profit and loss accounts have been prepared.

TASK 1

In this Journal entries are shown each transaction described in a debit and credit structure, including date, debit and credit amount, account headline, and a brief description of the reason for compiling the journal entry. Capital, cash, all payables, inward and sales are would be Credit. The purchased, receivable, outward and drawing are would be Debit.

DATE	DESCRIPTION	DEBIT	CREDIT
		£	£
05 April	Cash at bank	300.00	
	Capital		300.00
Initial capital introduced			
07 April	Purchased goods	200.00	
	Cash at bank		200.00
The purchase for cash of business			
08 April	Account received	250.00	
	Note payable(Loan Tatiana)		250.00
Loan account as current liabilities			
15 April	Purchased motor van	150.00	
	Cash at bank		150.00
The purchase for cash of business as Fixed assets			
20 April	Cash account	350.00	
	Sold goods		350.00
Cash takings			
28 April	Rent account	50.00	
	Cash at bank		50.00
The payment of rent (outward)			
29 April	Note payable(Loan Tatiana)	200.00	
	Cash account		200.00
Repaid part of Loan from Tatiana			
30 April	Drawings	60.00	
	Cash		60.00
30 April		1560.00	1560.00

General Ledger

The general ledger, where journal entries are posted in a T-account, and the total amount of debt and credit transactions must balance.

CAPITAL

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
30-Apr	Cash	60.00	05-Apr	Cash	300.00
	Balance c/d	240.00			
		300.00		Balance b/d	240.00

PURCHASE GOODS

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
07-Apr	Trade payables	200.00			

RENT

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
28-Apr	Cash	50.00			

MOTOR VAN

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
15-Apr	Cash	150.00			

SALES

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
			08-Apr	Trade receivables	250.00
			20-Apr	Cash	350.00

CASH AT BANK

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
05-Apr	Capital	300.00	07-Apr	Purchase goods	200.00
08-Apr	Loan Tatiana	250.00	15-Apr	Motor van	150.00
20-Apr	Sold goods	350.00	28-Apr	Rent	50.00
			29-Apr	Repaid Loan	200.00
			30-Apr	Drawings	60.00
			30-Apr	Balance c/d	240.00

	900.00	900.00
Balance b/d	240.00	

TRADE
RECEIVABLES

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
08-Apr	Sales	250.00			

DRAWINGS

DATE	DESCRIPTION	DEBIT	DATE	DESCRIPTION	CREDIT
		£			£
30-Apr	Cash	60.00			

Trial Balance at 30 April

Prepared a trial balance to ensure that entries are mathematically correct, where debit and credit transactions in both columns are equal. The Closing stock is the amount that a company possess at the end of the financial period.

DESCRIPTION	DEBIT	CREDIT
	£	£
Capital		300.00
Cash	240.00	
Note Payable(Loan Tatiana)		50.00
Purchases	200.00	
Sales		350.00
Motor van	150.00	
Rent account	50.00	
Drawings	60.00	
	700.00	700.00
Closing stock at 30 April: £ 100.00		

Income statement of profit or loss for the month ended 30 April

To see how much profit or loss generates the business we are preparing Statement of profit or loss. Cost of goods sold is the sum of the straight costs of the goods manufactured for sale. Purchases are goods bought by the business for the initial purpose of selling them again. The Closing stock is the amount that a company possess at the end of the financial period. Gross profit is the amount remaining after the cost of sales have been subtracted revenue. Expenses are the value of all the assets that have been consumed to receive revenues.

Net profit = Sales - Expenses

DESCRIPTION	DEBIT £	CREDIT £
Sales		350.00
(-) Cost of goods sold		
Purchases	200.00	
(-) Closing stock	100.00	
Gross profit		250.00
(-) Less Expenses		
Rent	50.00	
Total Expenses	50.00	
Net profit		200.00

Statement of financial position at 30 April

Balance sheet

The balance sheet is made at a particular moment in time describes the balances at a distinct date that remain in the ledger system once the trading and profit and loss accounts have been prepared. This is the financial statement where Fixed assets are assets with long life bought with aim to use them in the business and not with the aim to simply resell them; Current assets are assets include cash goods for resale or stuffs having a short life; Current liabilities are liabilities to be paid for within a year of the balance sheet date. Drawing are resources or goods taken out of a business by the owner.

DESCRIPTION	DEBIT £	CREDIT £
Total Assets		
Fixed assets		
Motor van	150.00	
Total Fixed assets		150.00
Current assets		
Cash	240.00	
Closing stock	100.00	
Total current assets		340.00
Total Assets		490.00
Total Liabilities		
Current Liabilities		
Loan Tatiana		50.00
Total Liabilities		50.00
Capital	300.00	
(+) Net profit	200.00	
Gross Capital	500.00	
(-) Drawings	60.00	
Net Capital		440.00
Total Liabilities + Capital		490.00

TASK 2

The Journal entries are shown each transaction described in a debit and credit structure, including date, debit and credit amount, account headline, and a brief description of the reason for compiling the journal entry.

DATE	DESCRIPTION	DEBIT	CREDIT
		£	£
01-Jan	Cash	5000.00	
	Capital		5000.00
Initial capital introduced			
02-Jan	Motor van	600.00	
	Cash		600.00
The purchase for cash for the business as fixed assets			

03-Jan	Purchased goods	1300.00	
	Cash		1300.00
Bought good for the business			
04-Jan	Repayable loan from Sergei		1000.00
	Account received	1000.000	
Loan account as current liabilities			
10-Jan	Expenses motor van	200.00	
	Cash		200.00
Paid expenses for the motor van			
13-Jan	Sold goods		300.00
	Cash	300.00	
Sales			
20-Jan	Sold goods		500.00
	Cash	500.00	
Sales			
24-Jan	Storage expenses	150.00	
	Cash		150.00
Storage payment			
27-Jan	Note payable loan Sergei	350.00	
	Cash account		350.00
Repaid part loan from Sergei			
30-Jan	Drawings	175.00	
	Cash		175.00
Cash taken out of the business			

General Ledger

The general ledger, where journal entries are posted in a T-account, and the total amount of debt and credit transactions must balance.

CAPITAL account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
30-Jan	Cash	175.00	01-Jan	Capital	5000.00
				Balance c/d	4825.00

PURCHASES account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
03-Jan	Cash	1300.00			

CASH at bank

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Capital	5000.00	02-Jan	Motor van	600.00
			03-Jan	Purchases	1300.00
04-Jan	Loan Sergei	1000.00			
13-Jan	Sales	300.00			
20-Jan	Sales	500.00			
			24-Jan	Expenses	150.00
				Note payable	
			27-Jan	Sergei	350.00
			30-Jan	drawings	175.00
			30-Jan	Balance c/d	4025.00
		6800.00			6800.00
01-Feb	Balance b/d	4025.00			

SALES account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
			13-Jan	Cash	300.00
			20-Jan	Cash	500.00
					800.00
	Balance c/d	800.00		Balance b/d	800.00

LOAN from Sergei

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
27-Jan	Cash	350.00	04-Jan	Cash	1000.00
	Balance c/d	650.00			
		1000.00		Balance b/d	650.00

MOTOR VAN

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
02-Jan	Cash	600.00			

Motor Van EXPENSES

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
10-Jan	Cash	200.00			

Storage EXPENSES

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
24-Jan	Cash	150.00			

Trial Balance at 31 January

Prepared a trial balance to ensure that entries are mathematically correct, where debit and credit transactions in both columns are equal. The Closing stock is the amount that a company possess at the end of the financial period.

DESCRIPTION	DEBIT £	CREDIT £
Capital		5000.00
Cash	4025.00	
Loan Sergei		650.00
Purchases	1300.00	
Sales		800.00
Motor van	600.00	
Expenses motor van	200.00	
Expenses storage	150.00	
Drawings	175.00	
	£ 6,450.00	£ 6,450.00
Closing inventory at 31 January £ 800.00		

Income statement of profit or loss for the month ended 31 January

To see how much profit or loss generates the business we are preparing Statement of profit or loss. Cost of goods sold is the sum of the straight costs of the goods manufactured for sale. Purchases are goods bought by the business for the initial purpose of selling them again. The Closing stock is the amount that a company possess at the end of the financial period. Gross profit is the amount remaining after the cost of sales have been subtracted revenue. Expenses are the value of all the assets that have been consumed to receive revenues.

DESCRIPTION	DEBIT £	CREDIT £
Sales		800.00
(-) Cost of goods sold		
Purchases	1300.00	
(-) Closing stock	800.00	
Net cost of good stock	500.00	

Gross profit		300.00
(-) Less Expenses		
Expenses motor van	200.00	
storage expenses	150.00	
Loan Sergei	350.00	
Total Expenses		700.00
Net Profit		-400.00

Statement of financial position at 31 January

Balance sheet

The balance sheet is made at a particular moment in time describes the balances at a distinct date that remain in the ledger system once the trading and profit and loss accounts have been prepared. This is the financial statement where Fixed assets are assets with long life bought with aim to use them in the business and not with the aim to simply resell them; Current assets are assets include cash goods for resale or stuffs having a short life; Current liabilities are liabilities to be paid for within a year of the balance sheet date. Drawing are resources or goods taken out of a business by the owner.

DESCRIPTION	DEBIT £	CREDIT £
Total assets		
Fixed assets		
Motor van	600.00	
Total Fixed assets		600.00
Current assets		
Cash	4025.00	
(+) Closing stock	800.00	
Total Current assets	4825.00	
Total Assets = Total Fixed Assets+ Total Current Assets		5425.00
Total Liabilities		
Current Liabilities		
Loan from Sergei		1000.00
Total Liabilities		1000.00
Capital	5000.00	
(+) Net profit	(-400.00)	
Gross capital = capital + net profit	4600.00	
(-) Drawings	175.00	
Net capital = Gross capital - Drawings		4425.00
Total Liabilities + Net capital		5425.00

TASK 3

The Journal entries are shown each transaction described in a debit and credit structure, including date, debit and credit amount, account headline, and a brief description of the reason for compiling the journal entry.

DATA	DESCRIPTION	DEBIT	CREDIT
		£	£
01-Jan	Cash in hand	343.00	
	Capital		343.00
01-Jan	Inventory	458.00	
	Capital		458.00
01-Jan	Furniture and fittings	198.00	
	Capital		198.00
Initial capital introduced £ 999.00			
02-Jan	Account receivable Harvey	124.00	
	sold goods		124.00
Sold of goods to Harvey on credit			
05-Jan	Wages	12.00	
	Cash in hand		12.00
Paid wages			
05-Jan	Account payable Rich		150.00
	Purchases	150.00	
Bought goods on credit from Rich			
07-Jan	Smith account		18.00
	Cash in hand	18.00	
Smith settle his account			
09-Jan	Max account	21.00	
	Cash in hand		21.00
paid to Max amount			
11-Jan	Cash in hand	64.00	
	Sales		64.00
Cash sales			
14-Jan	Wages	14.00	
	Cash in hand		14.00
Paid wages			
14-Jan	Purchases	75.00	
	Cash in hand		75.00
Bought goods for cash			
15-Jan	Rich account	162.00	
	Cash in hand		162.00
Paid to Rich on his account			

20-Jan	New office desk	32.00	
	Cash		32.00
Bought a new office desk for cash			
21-Jan	Wages	17.00	
	Cash		17.00
Paid wages			
21-Jan	Cash	110.00	
	Sales		110.00
Cash sales			
23-Jan	Expenses	3.00	
	Cash		3.00
Paid office expenses			
23-Jan	Harvey account		25.00
	Cash	25.00	
Harvey paid on account			
28-Jan	Cash	84.00	
	Sales		84.00
Cash sales			
28-Jan	Wages	15.00	
	Cash		15.00
Paid wages			
31-Jan	Cash	30.00	
	Sales		30.00
Cash sales			
31-Jan		£ 1,955.00	£ 1,955.00

General Ledger

The general ledger, where journal entries are posted in a T-account, and the total amount of debt and credit transactions must balance.

CAPITAL					
DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
31-Jan	Balance c/d	999.00	01-Jan	Cash	343.00
		999.00	01-Jan	Inventory	458.00
			01-Jan	Furniture and fittings	198.00
					999.00
				Balance b/d	999.00

INVENTORY

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Capital	458.00	31-Jan	Balance c/d	458.00
		458.00			458.00
	Balance b/d	458.00			

FURNITURE and Fittings

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Capital	198.00	31-Jan	Balance c/d	198.00
		198.00			198.00
	Balance b/d	198.00			

SMITH - Account receivables

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Sales	18.00	07-Jan	Cash	18.00

MOON - Account receivables

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Sales	26.00	31-Jan	Balance c/d	26.00
		26.00			26.00
	Balance b/d	26.00			

HARVEY-Account Receivables

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Sales	39.00	23-Jan	Cash	25.00
02-Jan	Sale on credit	124.00	31-Jan	Balance c/d	138.00
		163.00			163.00
	Balance b/d	138.00			

MAX - Account payables

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
09-Jan	Cash	21.00	01-Jan	Purchases	21.00

RICH - Account payables

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
15-Jan	Cash	162.00	01-Jan	purchases	12.00
		162.00	05-Jan	Purchases	150.00
					162.00

SALSE account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
			01-Jan	Smith account	18.00
			01-Jan	Harvey account	39.00
			01-Jan	Moon account	26.00
			02-Jan	Harvey account	124.00
			11-Jan	Cash	64.00
			21-Jan	Cash	110.00
			28-Jan	Cash	84.00
			31-Jan	Cash	30.00
31-Jan	Balance c/d	495.00			495.00
		495.00		Balance b/d	495.00

WAGES

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
05-Jan	Cash	12.00			
14-Jan	Cash	14.00			
21-Jan	Cash	17.00			
28-Jan	Cash	15.00	31-Jan	Balance c/d	58.00
		58.00			58.00
	Balance b/d	58.00			

PURCHASES account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Max account	12.00			
01-Jan	Rich account	21.00			
05-Jan	Rich account	150.00			
14-Jan	Cash	75.00	31-Jan	Balance c/d	258.00
		258.00			258.00
	Balance b/d	258.00			

OFFICE expenses

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
01-Jan	Cash	3.00	31-Jan	Balance c/d	3.00
		3.00			3.00
	Balance b/d	3.00			

OFFICE desk

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
20-Jan	Cash	32.00			

Trial Balance at 31 January

Prepared a trial balance to ensure that entries are mathematically correct, where debit and credit transactions in both columns are equal. The Closing stock is the amount that a company possess at the end of the financial period.

DESCRIPTION	DEBIT	CREDIT
	£	£
Cash in hand	323.00	
Capital		999.00
Inventory	458.00	
Furniture and fittings	198.00	
Harvey account receivables	138.00	
Moon account receivables	26.00	
Sales		495.00
Wages	58.00	
Purchases	258.00	
Office expenses	3.00	
Office desk	32.00	
	1494.00	1494.00
Inventory at cost £ 374.00		

Income statement of profit or loss for the month ended 31 January

To see how much profit or loss generates the business we are preparing Statement of profit or loss. Cost of goods sold is the sum of the straight costs of the goods manufactured for sale. Purchases are goods bought by the business for the initial purpose of selling them again. The Closing stock is the amount that a company possess at the end of the financial period. Gross profit is the amount remaining after the cost of sales have been subtracted revenue. Expenses are the value of all the assets that have been consumed to receive revenues.

DESCRIPTION	DEBIT £	CREDIT £
Sales		412.00
(-) Cost of goods sold		
Purchases	225.00	
Inventory	458.00	
(-)Closing stock	374.00	
Net of good sold	309.00	
Gross profit = Sales - Net of god sold		103.00
(-) Less expenses		
Wages	58.00	
office expenses	3.00	
Total less expenses	61.00	
Net profit = Gross profit - Total expenses		412.00

Statement of financial position at 31 January

Balance sheet

The balance sheet is made at a particular moment in time describes the balances at a distinct date that remain in the ledger system once the trading and profit and loss accounts have been prepared. This is the financial statement where Fixed assets are assets with long life bought with aim to use them in the business and not with the aim to simply resell them; Current assets are assets include cash goods for resale or stuffs having a short life; Current liabilities are liabilities to be paid for within a year of the balance sheet date. Drawing are resources or goods taken out of a business by the owner.

DESCRIPTION	DEBIT £	CREDIT £
Total assets		
Fixed Assets		
Furniture and fittings	198.00	
Office desk	32.00	
Total fixed assets		230.00
Current Assets		
Cash	323.00	
(+) Closing stock	374.00	
Harvey- receive account	138.00	
Moon - Receive account	26.00	
Total current assets		861.00
Total Assets=Total fixed asset + Total current assets		1091.00
Total liabilities		
Capital	1049.00	
(+) Net profit	42.00	
Gross capital= Capital + Net profit	1091.00	
(-) Drawings		
Net capital = Gross capital - drawings		1091.00

Task 4

The Journal entries are shown each transaction described in a debit and credit structure, including date, debit and credit amount, account headline, and a brief description of the reason for compiling the journal entry.

DATA	DESCRIPTION	DEBIT	CREDIT
		£	£
02-Jun	Sales on credit		8500.00
	Claire account relievable	8500.00	
Sold goods on credit to Claire			
13-Jun	Georgina account payable		12000.00
	Purchases	12000.00	
Bought goods on credit from Georgina			
14-Jun	Hywe; account relievable	8550.00	
	Sales		8550.00
Sold goods to Hywel			

20-Jun	Sold to Jane		6000.00
	Cash account	6000.00	
Sales for cash to Jane			
21-Jun	Andrew account payable		4500.00
	Purchases	4500.00	
Bought good on credit from Andrew			
22-Jun	Returned sales	1000.00	
	Claire account		1000.00
Returned sold goods from Carrie			
24-Jun	Mandy account relievable	5000.00	
	Sales		5000.00
Bought goods from Mandy			
24-Jun	Ricardo account relievable	7500.00	
	discount sales		375.00
	Carrie account payable		7125.00
Carrie paid to Ricardo the net amount after taking the discount			
25-Jun	Hywel account relievable		8500.00
	Cash account	8500.00	
Hywel settled in full the amount			
25-Jun	Georgina account payable	12000.00	
	purchases discount		840.00
	Cash account		11160.00
Ricardo paid the amount to Georgina after the discount offered			
27-Jun	Andrew account payable	4500.00	
	Purchases discount		90.00
	Cash account		4410.00
Ricardo paid in full to Andrew after discount offered			
27-Jun		£ 78,050.00	£ 78,050.00

General Ledger

The general ledger, where journal entries are posted in a T-account, and the total amount of debt and credit transactions must balance.

CARIE account relievable

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPRION	CREDIT
		£			£
02-Jun	Sales	8500.00	22-Jun	Return goods	1000.00
			24-Jun	discount sales	373.00
			24-Jun	Cash	7125.00
		8500.00			8500.00

GEORGINA account payable

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
25-Jun	Payment discount	840.00	13-Jun	Purchases	12000.00
25-Jun	Cash	11160.00			
		12000.00			12000.00

HYWEL account relievable

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
14-Jun	Sales	8550.00	25-Jun	Cash	8550.00

JANE

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
20-Jun	Sales	6000.00			

ANDREW account
payable

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
27-Jun	Cash	4410.00	21-Jun	Purchases	4500.00
27-Jun	Payment discount	90.00			
		4500.00			4500.00

MANDY account
relievable

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
24-Jun	Sales	5000.00			

CASH account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
20-Jun	sales	6000.00	25-Jun	Georgina account payable	11160.00
24-Jun	Claire account relievable	7125.00	27-Jun	Andrew account payable	4410.00
25-Jun	Hywel account relievable	8550.00		Balance c/d	6105.00
		21675.00			21675.00
	Balance b/d	6105.00			

PURCHASES

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
13-Jun	Georgina account payable	12000.00			
21-Jun	Andrew account payable	4500.00		Balance c/d	16500.00
		16500.00			16500.00
	Balance b/d	16500.00			

RETURN goods

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
22-Jun	Claire account relievable	1000.00			

DISCOUNT account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
	Balance c/d	930.00	25-Jun	Georgina account payable	840.00
		930.00	27-Jun	Andrew account payable	90.00
					930.00
				Balance b/d	930.00

SALES account

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
			02-Jun	Claire account relievable	8500.00
			14-Jun	Hywel account relievable	8550.00
			20-Jun	Jane	6000.00
			24-Jun	Mandy account relievable	5000.00
	Balance c/d	28050.00			28050.00
				Balance b/d	28050.00

DISCOUNT sales

DATA	DESCRIPTION	DEBIT	DATA	DESCRIPTION	CREDIT
		£			£
24-Jun	Carrie account relievable	375.00			

Task 5

Expenses are the value of all assets that have been used up to obtain revenues. Revenues are the financial value of goods and services sold to customers. Capital is the owner's interest

The difference between capital and revenue expenditure and depreciating a company's fixed assets are defined. Capital expenditure shows in the balance sheet as an asset, and revenue expenditure shows as an expense in the profit and loss account.

According to Frederick (at. al., Dec 1999) capital expenditure does not include repair or support expense. They are expenditure on the purchase or progress of fixed assets. All other expenditure is non-capital expenditure and called revenue expenditure which is connected with the business' trade. There is to distinguish between Capital expenditure and revenue expenditure to gain a view of a business' financial doings.

Capital expenditure purchases fixed assets that are used within the business, such as machines, but revenue expenditure is actually the daily running costs of the business, as wages.

Basically, there are two areas where the money into the business can be invest. In one hand can be used to purchase items to be kept into the business for several years. These items are called Non-current (i.e. Fixed) assets. In the other hand money spent on daily running costs where the benefit will be rapidly used up is called revenue expenditure, like salaries, telephone bills or the purchase of inventory items.

The salaries and telephone bills are objects of a short-term nature and the benefit from the expenditure will be rapidly used up. The purchase of inventory is somewhat different. The inventory is an asset of the business and has value, but it is a current asset because the purpose is to use it somewhat quickly for resale. (Walker J., 08 Apr. 2011)

Capital expenditures are charged to via depreciation and above a long period of time. Revenue expenditures are charged to expense in the current period, or soon afterward. Capital expenditures to involve larger financial amounts than revenue expenditures. If it exceeds a certain threshold value an article of expenditure is only classified as a capital expenditure, if not, it is automatically pointed as revenue expenditure. Some given large expenditures can still be classified as revenue expenditures, as long they are directly affiliated with sale transactions or are period purchases. (Bragg S., 13 Feb. 2018)

The capital expenditure is a one-off investment, while revenue expenditure is made repeatedly.

Capital expenditure is shown in the Balance Sheet, in the asset side, and in the depreciation, but Revenue Expenditure is shown only in the Income Statement. Balance Sheet is a statement of financial position and shows the value of business assets and liabilities at a certain time. Income Statement of profit or loss shows the sales, expenses and the profit of a business over a period of time.

According to Surbhi S.(February 12, 2015) Capital Expenditure is capitalized, and Revenue Expenditure not. They both are considered for business for gaining a profit now as well as in

the following years. Both have their own advantages and disadvantages. If in case of a Capital expenditure an asset has been purchased by the business which makes the revenue for future years or, no asset is acquired as such in the case of a Revenue Expenditure.

Commonly, expenditure is incurred to increase the productivity of the business and more revenues. The expenditure is obtained in having a capital asset or mending the capability of an available one, resulting in the protraction in its life years. Revenue expenses control the daily activities of the business.

By formulating to the Income statement and Balance sheet can we understand how much profit or loss the business made. Actually this is the purpose of the accounting. Users of accounting information are employers, banks and other lenders, owners and management, competitors, tax authorities, prospective buyers.

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