

ACCOUNTING **FUNDAMENTALS**

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INTRODUCTION

Accounting is defined as the art and science of identifying, recording, classifying, summarizing the transactions which are of financial nature and interpreting the results thereof. These results are further communicated to the users of financial communication. Accounting is concerned with evaluating the profit and loss for a stated financial period. The study is based on fundamentals of accounting where the accounting entries are assessed to develop ledgers, closing accounts, trial balance, income statements and balance sheets (O'Hanlon and Steele, 2000).

TASK 1

Date	Journal Entry	Debit	Credit
5 th April	Cash A/c Dr.	£300.00	
	To Capital A/c		£300.00
7 th April	Purchase A/c Dr.	£200.00	
	To Cash A/c		£200.00
8 th April	Cash A/c Dr.	£250.00	
	To Tatiana's Loan A/c		£250.00
15 th April	Motor Van A/c Dr.	£150.00	
	To Cash A/c		£150.00
20 th April	Cash A/c Dr.	£350.00	
	To Sales A/c		£350.00
28 th April	Rent A/c Dr.	£50.00	
	To Cash A/c		£50.00
29 th April	Tatiana's Loan A/c Dr.	£200.00	
	To Cash A/c		£200.00
30 th April	Drawings A/c Dr.	£60.00	
	To Cash A/c		£60.00

Cash A/c -

Date	Particulars	Amount	Date	Particulars	Amount
5 th April	To Capital A/c	£300.00	7 th April	By Purchase A/c	£200.00
8 th April	To Tatiana's Loan A/c	£250.00	15 th April	By Motor Van A/c	£150.00
20 th April	To Sales A/c	£350.00	28 th April	By Rent A/c	£50.00
			29 th April	By Tatiana's Loan A/c	£200.00
			30 th April	By Drawings A/c	£60.00
			30 th April	By balance c/d	£240.00
	Total	£900.00		Total	£900.00

Capital A/c -

Date	Particulars	Amount	Date	Particulars	Amount (£)
30 th April	To balance c/d	£300.00	5 th April	By Cash A/c	£300.00
	Total	£300.00		Total	£300.00

Purchase A/c -

Date	Particulars	Amount	Date	Particulars	Amount
7 th April	To Cash A/c	£200.00	30 th April	By balance c/d	£200.00
	Total	£200.00		Total	£200.00

Tatiana's Loan A/c -

Date	Particulars	Amount	Date	Particulars	Amount
29 th April	To Cash A/c	£200.00	8 th April	By Cash A/c	£250.00
30 th April	To balance c/d	£50.00			
	Total	£250.00		Total	£250.00
	Total	£250.00		Total	£250.00

Motor Van A/c -

Date	Particulars	Amount	Date	Particulars	Amount
15 th April	To Cash A/c	£150.00	30 th April	By balance c/d	£150.00
	Total	£150.00		Total	£150.00

Sales A/c -

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
30 th April	To balance c/d	£350.00	20 th April	By Cash A/c	£350.00
	Total	£350.00		Total	£350.00

Rent A/c -

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
28 th April	To Cash A/c	£50.00	30 th April	By balance c/d	£50.00
	Total	£50.00		Total	£50.00

Drawings A/c -

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
30 th April	To Cash A/c	£60.00	30 th April	By balance c/d	£60.00
	Total	£60		Total	£60

Account	Debit (£)	Credit (£)
Cash A/c	£240.00	
Purchase A/c	£200.00	
Tatiana's Loan A/c		£50.00
Motor Van A/c	£150.00	
Capital A/c		£300.00
Sales A/c		£350.00
Drawings A/c	£60.00	
Rent A/c	£50.00	
Total	£700.00	£700.00

Statement of Profit & Loss for the month ended 30th April

Particulars	Amount
Sales	£350.00
Less: COGS	£100.00
Gross Profit	£250.00
Less : Rent	£50.00
Less : Drawings	£60.00
Operating Profit	£140.00

Working Note :

Particulars	Amount (£)
Opening Stock	0.00
Add: Purchases	£200.00
Less: Closing Stock	£100.00
Cost of goods sold (COGS)	£100.00

Statement of financial position for the month ended 30th April

Assets	Amount	Liabilities	Amount
Fixed assets		Capital	£300.00
Motor Van	£150.00	Less : Drawings	£60.00
Current Assets		Add: Operating Profit	£140.00
Inventory	£100.00		£380.00
Cash	£240.00	Tatiana's Loan	£250.00
		Less : Repaid Amount	£200.00
			£50.00
Total	£490.00	Total	£430.00

TASK 2

Journal Entries

Date	Particulars	Debit	Credit
1 st Jan	Cash A/c Dr.	£5,000.00	
	To Capital A/c		£5,000.00
2 nd Jan	Motor Van A/c Dr.	£600.00	
	To Cash A/c		£600.00
3 rd Jan	Purchase A/c Dr.	£1,300.00	
	To Cash A/c		£1,300.00
4 th Jan	Cash A/c Dr.	£1,000.00	
	To Sergei's Loan A/c		£1,000.00
10 th Jan	Motor Van Expenses A/c Dr.	£200.00	
	To Cash A/c		£200.00
13 th Jan	Cash A/c Dr.	£300.00	
	To Sales A/c		£300.00
20 th Jan	Cash A/c Dr.	£500.00	
	To Sales A/c		£500.00
24 th Jan	Storage Expenses A/c Dr.	£150.00	
	To Cash A/c		£150.00
27 th Jan	Sergei's Loan A/c Dr.	£350.00	
	To Cash A/c		£350.00
30 th Jan	Drawings A/c Dr.	£175.00	
	To Cash A/c		£175.00

Cash A/c -

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
1 st Jan	To Capital A/c	£5,000.00	2 nd Jan	By Motor Van A/c	£600.00
4 th Jan	To Sergei's Loan A/c	£1,000.00	3 rd Jan	By Purchases A/c	£1300.00
13 th Jan	To Sales A/c	£300.00	10 th Jan	By Motor Van Expenses A/c	£200.00
20 th Jan	To Sales A/c	£500.00	24 th Jan	By Storage Expenses A/c	£150.00
			27 th Jan	By Sergei's Loan A/c	£350.00
			30 th Jan	By Drawings A/c	£175.00
			31 st Jan	By Balance c/d	£4,025.00
	Total	£6,800.00		Total	£6,800.00

Capital A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1 st Jan	To Cash A/c	£5,000.00	31 st Jan	By balance c/d	£5,000.00
	Total	£5,000.00		Total	£5,000.00

Motor Van A/c -

Date	Particulars	Amount	Date	Particulars	Amount
2 nd Jan	To Cash A/c	£600.00	31 st Jan	By balance c/d	£600.00
	Total	£600.00		Total	£600.00

Purchase A/c -

Date	Particulars	Amount	Date	Particulars	Amount
3 rd Jan	To Cash A/c	£1,300.00	31 st Jan	By balance c/d	£1,300.00
	Total	£1,300.00		Total	£1,300.00

Sergei's Loan A/c -

Date	Particulars	Amount	Date	Particulars	Amount
27 th Jan	To Cash A/c	£350.00	4 th Jan	By Cash A/c	£1,000.00
31 st Jan	To balance c/d	£650.00			
	Total	£1,000.00		Total	£1,000.00

Motor Van Expenses A/c -

Date	Particulars	Amount	Date	Particulars	Amount
10 th Jan	To Cash A/c	£200.00	31 st Jan	By balance c/d	£200.00
	Total	£200.00		Total	£200.00

Sales A/c -

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
31 st Jan	To balance c/d	£800.00	13 th Jan	By Cash A/c	£300.00
			20 th Jan	By Cash A/c	£500.00
	Total	£800.00		Total	£800.00

Storage Expenses A/c -

Date	Particulars	Amount (£)	Date	Particulars	Amount (£)
24 th Jan	To Cash A/c	£150.00	31 st Jan	By balance c/d	£150.00
	Total	£150.00		Total	£150.00

Drawings A/c -

Date	Particulars	Amount	Date	Particulars	Amount
30 th Jan	To Cash A/c	£175.00	31 st Jan	By balance c/d	£175.00
	Total	£175.00		Total	£175.00

Account	Debit	Credit
Cash A/c	£4,025.00	
Capital A/c		£5,000.00
Motor Van A/c	£600.00	
Purchase A/c	£1,300.00	
Sergei's Loan A/c		£650.00
Motor Van Expense A/c	£200.00	
Sales A/c		£800.00
Storage Expense A/c	£150.00	
Drawings A/c	£175.00	
Total	£6,450.00	£6,450.00

Statement of Profit & Loss of Pendo for the month ended 31st Jan

Sales		£800.00
less: COGS		£500.00
Gross Profit		£300.00
less: operating expenses		
motor van expenses	£200.00	
storage expenses	£150.00	
		£350.00
Loss		£-50.00

TASK 3

Journal Entries

Date	Particulars	Debit	Credit
2 nd Jan	Harvey A/c Dr.	£124.00	
5 th Jan	Wages A/c Dr.	£12.00	£124.00
5 th Jan	Purchase A/c Dr.	£150.00	£12.00
7 th Jan	Cash A/c Dr.	£18.00	£150.00
	To Sales A/c		£18.00
9 th Jan	Max A/c Dr.	£21.00	
	To Cash A/c		£21.00
11 th Jan	Cash A/c Dr.	£64.00	
	To Sales A/c		£64.00
14 th Jan	Wages A/c Dr.	£14.00	
	To Cash A/c		£14.00
14 th Jan	Purchase A/c Dr.	£75.00	
	To Cash A/c		£75.00
15 th Jan	Rich A/c Dr.	£162.00	
	To Cash A/c		£162.00
20 th Jan	Office Desk A/c Dr.	£32.00	
	To Cash A/c		£32.00
21 st Jan	Wages A/c Dr.	£17.00	
	To Cash A/c		£17.00
21 st Jan	Cash A/c Dr.	£110.00	
	To Sales A/c		£110.00
23 rd Jan	Office Expenses A/c Dr.	£3.00	
	To Cash A/c		£3.00

23 rd Jan	Cash A/c Dr.	£25.00	
	To Harvey A/c		£25.00
28 th Jan	Cash A/c Dr.	£84.00	
	To Sales A/c		£84.00
28 th Jan	Wages A/c Dr.	£15.00	
	To Cash A/c		£15.00
31 st Jan	Cash A/c Dr.	£30.00	
	To Sales A/c		£30.00

Harvey A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1 st Jan	To balance b/d	£39.00	23 rd Jan	By Cash	£25.00
2 nd Jan	To Sales A/c	£124.00			
			31 st Jan	By balance c/d	£138.00
	Total	£163.00		Total	£163.00

Sales A/c -

Date	Particulars	Amount	Date	Particulars	Amount
31 st Jan	To balance c/d	£412.00	2 nd Jan	By Harvey A/c	£124.00
			11 th Jan	By Cash A/c	£64.00
			21 st Jan	By Cash A/c	£110.00
			28 th Jan	By Cash A/c	£84.00
			31 st Jan	By Cash A/c	£30.00
	Total	£412.00		Total	£412.00

Wages A/c -

Date	Particulars	Amount	Date	Particulars	Amount
5 th Jan	To Cash A/c	£12.00	31st Jan	By balance c/d	£58.00
14 th Jan	To Cash A/c	£14.00			
21 st Jan	To Cash A/c	£17.00			
28 th Jan	To Cash A/c	£15.00			
	Total	£58.00		Total	£58.00

Cash A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1 st Jan	To balance B/d	£343.00	5 th Jan	By Wages	£12.00
7 th Jan	To Smith	£18.00	9 th Jan	By Max	£21.00
11 th Jan	To Sales	£64.00	14 th Jan	By Wages	£14.00
21 st Jan	To Sales	£110.00	15 th Jan	By Rich	£162.00
23 rd Jan	To Harvey	£25.00	20 th Jan	By Office Desk	£32.00
28 th Jan	To Sales	£84.00	21 st Jan	By Wages	£17.00

Purchase A/c -

Date	Particulars	Amount	Date	Particulars	Amount
05/01/18	To Rich	£150.00	31 st Jan	By balance c/d	£225.00
14/01/18	To Cash	£75.00			
	Total	£225.00		Total	£225.00

Rich A/c -

Date	Particulars	Amount	Date	Particulars	Amount
15/01/18	To Cash	£162.00	1st Jan	By balance b/d	£12.00
			5 th Jan	By Purchase	£150.00
	Total	£162.00		Total	£162.00

Smith A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1st Jan	To balance B/d	£18.00	7 th Jan	By Cash	£18.00
	Total	£18.00		Total	£18.00

Max A/c -

Date	Particulars	Amount	Date	Particulars	Amount
9 th Jan	To Cash	£21.00	1 st Jan	By balance b/d	£21.00
	Total	£21.00			£21.00

Wages A/c -

Date	Particulars	Amount	Date	Particulars	Amount
5 th Jan	To Cash	£12.00	31 st Jan	By balance c/d	£58.00
14 th Jan	To Cash	£14.00			
21 st Jan	To Cash	£17.00			
28 th Jan	To Cash	£15.00			
	Total	£58.00		Total	£58.00

Office Desk A/c -

Date	Particulars	Amount	Date	Particulars	Amount
20 th Jan	To Cash	£32.00	31 st Jan	By balance c/d	£32.00
	Total	£32.00		Total	£32.00

Office Expense A/c -

Date	Particulars	Amount	Date	Particulars	Amount
23 rd Jan	To Cash A/c	£3.00	31 st Jan	By balance c/d	£3.00
	Total	£3.00		Total	£3.00

Furniture A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1 st Jan	To balance b/d	£198.00	31 st Jan	By balance c/d	£198.00
	Total	£198.00		Total	£198.00

Moon A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1 st Jan	To balance b/d	£26.00	31 st Jan	By balance c/d	£26.00
	Total	£26.00		Total	£26.00

Inventory A/c -

Date	Particulars	Amount	Date	Particulars	Amount
1 st Jan	To balance b/d	£458.00	31 st Jan	By COGS	£84.00
			31 st Jan	By balance c/d	£374.00

Account	Debit	Credit
Cash A/c	£323.00	
Sales A/c		£412.00
Wages a/c	£58.00	
Office expense a/c	£3.00	
Office desk A/c	£32.00	
Harvey A/c	£138.00	
Purchase A/c	£225.00	
Inventory A/c	£374.00	
furniture and fittings	£198.00	
Moon A/c	£26.00	
Capital (Balancing figure)		£965.00
Total	£1377.00	£1377.00

Statement of Profit & Loss for the month ended 30th April

Particulars	Amount (£)
sales	£412.00
less: COGS	£309.00
Gross profit	£103.00
Expenses	
Office expense	£3.00
wages	£58.00
Operating profit	£42.00

Working Note :

opening stock	£458.00
Add: Purchase	£225.00
Less: closing stock	£374.00
Cost of goods sold	£309.00

Statement of Financial Position for the month ended 30th April

Assets	Amount	Liabilities	Amount
Fixed assets		capital	£965.00
furniture and fittings	£198.00	Add: Net profit	£42.00
Office desk	£32.0	bank O/d	£84.00
current assets			
cash	£323.00		
Inventory	£374.00		
debtors			
Harvey	£138.00		
Moon	£26.00		
Total	£1,091.00	Total	£1,091.00

TASK 4

Journal Entries

Date	Journal Entry	Debit	Credit
2 nd June	Claire A/c Dr.	£425.00	
	To Sales A/c		£425.00
13 th June	Purchase A/c Dr.	£12,000.00	
	To Discount Received A/c		£840.00
	To Georgine A/c		£11,160.00
14 th June	Hywel A/c Dr.	£8,550.00	
	Trade A/c Dr.	£450.00	
	To Sales A/c		£9,000.00
20 th June	Jane A/c Dr.	£6,000.00	
	To Cash A/c		£6,000.00
21 st June	Purchases A/c Dr.	£4,500.00	
	To Discount Received A/c		£90.00
	To Andrew A/c		£4,410.00
22 nd June	Sales Return A/c Dr.	£1,000.00	
	To Clarie A/c		£1,000.00
24 th June	Mandy A/c Dr.	£4,850.00	
	Discount Payable A/c Dr.	£150.00	
	To Sales A/c		£5,000.00
24 th June	Cash A/c Dr.	£7,075.00	
	Discount Payable A/c Dr.	£425.00	
	To Claire A/c		£7,500.00
25 th June	Cash A/c Dr.	£8,550.00	
	To Hywel A/c		£8,550.00

25 th June	Georgina A/c Dr.	£11,160.00	
	To Ricardo A/c		£11,160.00
27 th June	Andrew A/c Dr.	£4,410.00	
	To Ricardo A/c		£4,410.00

Cash A/c -

Date	Particulars	Amount	Date	Particulars	Amount
24 th June	To Clarie A/c	£8,075.00	20 th June	By Jane A/c	£6,000.00
25 th June	To Hywel A/c	£9,000.00		By balance c/d	£11,075.00
Total		£17,075.00	Total		£17,075.00

Sales A/c -

Date	Particulars	Amount	Date	Particulars	Amount
27 th June	To balance c/d	£14,700.00	2 nd June	By Claire A/c	£425.00
			14 th June	By Hywel A/c	£8,550.00
			14 th June	By trade A/c	£450.00
			24 th June	By Mandy A/c	£4,850.00
			24 th June	By discount A/c	£425.00
Total		£14,700.00	Total		£14,700.00

CLAIRE ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
02/06/18	To sales	£425	22/06/18	By sales return	£1,000.00
	To discount				
	To balance c/d	£8,075.00	24/06/18	By cash	£7,075.00
			24/06/18		
Total		£8,500.00	Total		8,075.00

PURCHASE ACCOUNT

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
13/06/18	To discount received	£840.00		By balance c/d	£16,500.00
13/06/18	To georgine	£11,160.00			
21/06/18	To discount received	£90.00			
21/06/18	To andrew	£4,410.00			
Total		£16,500.00	Total		£16,500.00

GEORGINE ACCOUNT

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
16/06/18	To discount received	£840.00	13/06/18	By purchases	£12,000.00
25/06/18	To Ricardo	£11,160.00		By cash	£9,000.00
Total		£12,000.00	Total		£12,000.00

HYWEL ACCOUNT

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
14/06/18	To sales	£9,000.00	14/06/18	By trade	£450.00
				By cash	£8,550.00
Total		£9,000.00	Total		£9,000.00

JANE ACCOUNT

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
20/06/18	To cash	£6,000.00		By balance c/d	£6,000.00
Total		£6,000.00	Total		£6,000.00

ANDREW ACCOUNT

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
27/06/18	To ricardo	£4,410.00	21/06/18	By purchases	£4,500.00
21/06/18	To discount received	£90.00			
Total		£4,500.00	Total		£4,500.00

SALES RETURN ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
22/06/18	To clarie	£1,000.00		By balance c/d	£1,000.0
	Total	£1,000.00		Total	£1,000.00

MANDY ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
24/06/18	To sales	£5,000.00	24/06/18	By discount	£150.00
				By balance c/d	£4,850.00
	Total	£5,000.00		Total	5,000.00

RICARDO ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
	To balance c/d	£15,570.00	25/06/18	By georgina	£11,160.00
			27/06/18	By andrew	£4,410.00
	Total	£15,570.00		Total	15,570.00

TRADE ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
14/06/18	To sales	£9,000.00	14/06/18	By Hywel	£8,550.00
				By balance c/d	£450.00
	Total	£9,000.00		Total	£9,000.00

DISCOUNT RECEIVED ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
21/06/18	To andrew	£4,410.00	21/06/18	By purchases	£4,500.00
13/06/18	To georgine	£11,160.00	13/06/18	By purchases	£12,000.00
	To balance c/d	£930.00			
	Total	£16,500.00		Total	£16,500.00

DISCOUNT PAYABLE ACCOUNT					
DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
24/06/18	To clarie	£7,500.00	24/06/18	By cash	£7,075.00
24/06/18	To sales	£5,000.00	24/06/18	By mandy	£4,850.00
				By balance c/d	£575.00
	Total	12,500.00		Total	£12,500.00

TASK 5

Capital expenditure(CE) is the money or funds used by the organisation or a business for acquiring, improving and maintaining the long term assets such as, building, land and equipment in order to improve the efficiency.

Revenue expenditure(RE) is an expense incurred by the business for running its day to day operations in order to maintain the productivity or earning capacity of a business, it could include repair and maintenance expenses, Sales salaries, office suppliers, rent etc.

According to international accounting standards Capital expenditure is the fund which is spent on more valuable goods and services which is used for a long period whereas Revenue expenditure is the amount incurred on goods and services which is consumed in a short period. The duration of capital expenditure is more than one year and the duration of revenue expenditure is limited up to one year. CE is non-recurring in nature and RE is recurring in nature. As far as the matching concept is concerned, the capital expenditures are not matched with the capital receipts. Whereas the revenue expenditure are matched with revenue receipts in order to know the profits/losses for the year. CE is required to grow and improve the working capacity of the business And RE is required to run the existing day to day business requirement capacity. In the financial statement capital expenditure is posted in the balance sheet whereas in the revenue expenditure, it will be posted in profit and loss and trading account(Jackson, Lopez and Reitenga, 2008).

Capital expenditure are capitalised but in the revenue expenditure it will not be capitalised. A business can get current year as well as future year benefits from capital expenditure, but in case

of revenue expenditure a business can get benefit only in current year. A CE has no subcategories whereas RE has two subcategories that is Direct expenses and indirect expenses. The main difference in CE and RE is the time period or the duration as expenses on which a business spent a huge amount in order to get the long term benefits are treated as capital expenditure but those expenses on which a business spent less amount as it gives short or current year benefits are treated as revenue expenditure(Hilton and Platt, 2013).

Capital expenditures are considered as the major investments of the organisation because funds are used to maintain the fixed assets, to expand the business in order to generate additional profits. Capital expenditure are considered as the shorter term expenses that supports in generating revenue to meet the operating cost and for maintaining the revenue generating assets which can include the repair and maintenance cost that is required to keep the assets working and to extend the life of assets. CE are often used for the new investment or projects by the organisation. Capital expenditure has the physical presence with its business operations of the organisation but the presence is not shown in the existence of the intangible assets whereas in revenue expenditure there is no physical expenses. The expenses in the CE do not affect the profit and revenue of the business but in case of revenue expenditure, the expenses can negatively effect the profitability of the company as the occurrence of expenses can reduce the profit oh the business(Beaver and Ryan, 1993).

CONCLUSION

From the above study it is concluded that how journal entries are recorded in ledger for further classification in trial balance. The profit and loss statement express an opinion regarding the profitability and loss of a concern or an individual. The financial position and performance of company is reflected in the balance sheet of the company. The financial statements of the company are necessary to communicate the end results to its users.

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