

University of Wales

Trinity Saint David

Module Code: LCBB4001

Accounting Fundamentals

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Contents

Introduction.....	29
Task 1.....	29
Task 2.....	35
Task 3.....	40
Task 4.....	46
Task 5.....	52
Conclusion.....	54
References.....	55

Introduction

The entire report has portrayed different accounting treatment for respective firms that have apportioned different accounting balance through business operations. In this report, the preparation of different accounting ledger balances along with trial balance and also different statement of accounts are directly showcased. Moreover, differentiation of capital and revenue expenditure has also been showcased in this report.

Task 1

a) Writing up the balance and closing the relevant ledger accounts:

In the books of Maxim trading

Journal Entries for the year ended 30th April

Date	Particulars	L/ F	AMT (Debited)	AMT (Cr)
5 th	Cash Debited To Capital		300	300
7 th	Purchase Debited To Cash		200	200
8 th	Cash Debited To Tatiana's Loan		250	250
15 th	Motor Van Debited To Cash		150	150
20 th	Cash Debited To Sales		350	350
28 th	Rent Debited To Cash		50	50
29 th	Loan Debited To Cash		200	200
30 th	Bank Debited To cash		60	60

In the books of Maxim Trading

Ledger Accounts as on 30th April

Debited		Cash	
Credited			
To Capital	300.00	By Purchase	200.00
To Tatania's Loan	250.00	By Motor Van	150.00
To Sales	350.00	By Rent	50.00
		By Loan	200.00
		By Bank	60.00
		By Balance carry forward	240.00
	<u>900</u>		<u>900</u>
To Balance brought down	240		

Debited		Capital	
Credited			
To balance carry forward	300.00	By Cash	300.00
	<u>300.00</u>		<u>300.00</u>
		By balance carry forward	300

Debited		Capital	
Credited			
To balance carry forward	300	By Cash	300
	<u>300</u>		<u>300</u>
		By balance carry forward	300

Debited		Purchase	
Credited			
To cash	200	By balance carry forward	200

	<u>200</u>		<u>200</u>
To balance brought down	200		

Debited		Tatiana's Loan	
Credited			
To balance carry forward	250	By cash	250
	<u>250</u>		<u>250</u>
		By Balance brought down	250

Debited		Loan		Credited	
To Cash	200	By balance carry forward		200	
	<u>200</u>			<u>200</u>	
To balance brought down	200				

Debited		Motor Van		Credited	
To cash	150	By balance carry forward		150	
	<u>150</u>			<u>150</u>	
To balance brought down	150				

Debited		Rent		Credited	
To cash	50	By balance carry forward		50	

Bank		60.00	
Loan		200.00	
Total Balance		900.00	900.00

(c) Prepare the statement of profit or loss for the month ended 30 April and a statement of financial position at that date

In the books of Maxim Trading

Statement of Profit and Loss as on 30th April

Description	Debit	Credit
Sales		350
(-) Cost regarding the Goods Sold		
Purchase	200	
(-) Closing Stock or inventory	- 100	
Total cost of goods sold	100	
Gross Profit		250
(-) Total Expenses (Rent)		- 50
Net Profit		200

In the books of Maxim Trading

Statement of Financial Position as at 30th April

Assets:	(£)	(£)
Purchase of Fixed Assets which is (Motor Van)	150	
Cash	240	
Bank	60	
Closing Inventory or Stock	100	
<u>Total Assets</u>	<u>550</u>	
Liabilities:		
Tatiana's Loan		250
Capital		300
<u>Total Liabilities</u>		<u>550</u>

Task 2

a) Write up the ledger accounts for the above transactions, including dates, descriptions and balances

In the books of Pendo

Journal Entries as on 31st Jan 2018

Date	Particulars	L/ F	AMT (Debited)	AMT (Credited)
1 st	Cash ----- Debited To Capital		5000.00	5000.00
2 nd	Motor Van ----- Debited To Cash		600.00	600.00
3 rd	Purchase ----- Debited To Cash		1300.00	1300.00
4 th	Cash ----- Debited To Sergei's Loan		1000.00	1000.00
10 th	Motor Van ----- Debited To Cash		200.00	200.00
13 th	Cash ----- Debited To Sales		300.00	300.00
20 th	Cash ----- Debited To Sales		500.00	500.00
24 th	Storage Expenses ----- Debited To Cash		150.00	150.00
27 th	Sergei's Loan ----- Debited To Cash		350.00	350.00
30 th	Bank ----- Debited To Cash		175.00	175.00

In the books of Pendo

Ledger Accounts as on 31st Jan

Debited		Cash	Credited
To Capital	5000	By Purchase	1300
To Sergei's Loan	1000	By Motor Van	600
To Sales	300	By Motor Van	200
To Sales	500	By storage expense	150
		By Sergei's Loan	350
		By Bank	175
		By Balance carry forward	4025
	<u>6800</u>		<u>6800</u>

To Balance brought down	4025		
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Debited	Bank		Credited
To Cash	175	By balance carry forward	175
	<u>175</u>		<u>175</u>
To balance brought down	175		

Debited	Capital		Credited
To balance carry forward	5000	By Cash	5000
	<u>5000</u>		<u>5000</u>
		By balance brought down	5000

Debited	Sergei's Loan		Credited
To Cash	350	By Cash	1000
To balance carry forward	650		
	<u>1000</u>		<u>1000</u>
		By balance brought down	650

Debited	Sales		Credited
To Balance carry forward	800	By Cash	300
		By cash	500
	<u>800</u>		<u>800</u>
To balance brought down	800		

Debited	Motor Van		Credited
To Cash	600	By Balance carry forward	800
To cash	200		
	<u>800</u>		<u>800</u>

Debited	Purchase		Credited
To Cash	1300	By Balance Carry forward	1300
	<u>1300</u>		<u>1300</u>
To balance brought down	1300		

Debited	Storage Expenses		
Credited			
To Cash	150	By Balance Carry forward	150
	<u>150</u>		<u>150</u>
To balance brought down	150		

(b) Prepare the trial balance at 31 January.

In the books of Pendo

Account Balance at 31th January

Particulars	l/ f	Amt (Debited)	Amt (Credited)
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Cash		£ 4025	
Capital			£ 5000
Purchase		£ 1300	
Sergei's Loan			£ 650
Motor Van		£ 800	
Storage Expenses		£ 150	
Sales			£ 800
Bank		£ 175	
Total Balance		£ 6450	£ 6450

(c) Prepare the statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

In the books of Maxim Trading

Statement of Profit and Loss as on 30th April

Description	Debit	Credit
Sales		800.00
(-) Cost regarding the Goods Sold		
Purchase made	1300.00	
(-) Closing Inventory or Stock	- 800.00	
Total cost of goods sold	500.00	
Gross Profit		300.00
(-) Total Expenses (Storage Expenses)		- 150.00
Net Profit		150.00

In the books of Pendo

Statement of Financial Position as at 30th April

Assets:	Debit (£)	Credit (£)
Fixed Assets (Motor Van)	800	
Cash	4025	
Bank	175	
Closing Stock	800	
Total Assets	5800	
Liabilities:		
Sergei's Loan		650
Net profit		150
Capital		5000
Total Liabilities		5800

Task 3

(a) Write up and close the relevant ledger accounts

In the books of Mafuta

Ledger Accounts as on 31st Jan

Debited		Cash	
		Credited	
To balance brought down	343	By Purchase	75
To Smith	18	By Office Desk	32
To Harvey	25	By Wages	15
To Sales	64	By Office Expenses	3
To Sales	30	By Wages	17
To Sales	110		
To Sales	84	By Wages	12
		By Max	21
		By Rich	162
		By Wages	14
		By Balance carry forward	323
	<u>674</u>		<u>674</u>
To Balance brought down	323		

Debited		Harvey	
		Credited	
To balance brought down	39	By Cash	25
To Sales	124		
		By Balance carry forward	138
	<u>163</u>		<u>163</u>
To balance brought down	138		

Debited		Sales	
		Credited	
To Cash	1300	By Harvey	124
		By Cash	64
		By cash	110
To balance carry forward	412		84

			30
	<u>412</u>		<u>412</u>
		By Balance brought down	412

Debited	Wages		Credited
To Cash	12	By Balance Carry forward	58
To Cash	14		
To Cash	17		
To Cash	15		
	<u>58</u>		<u>58</u>
To balance brought down	58		

Debited	Purchase		Credited
To Rich	150	By Balance Carry forward	225
To Cash	75		
	<u>225</u>		<u>225</u>
To balance brought down	225		

Debited	Smith		Credited
To Balance carry forward	18		
		By Cash	18
	<u>18</u>		<u>18</u>
		By Balance Brought down	18

Debited	Max		Credited
To Cash	21	By Balance brought down	21

	<u>21</u>		<u>21</u>

Debited	Rich		Credited
To Cash	162	By balance brought down	12
		By Purchase	150
	<u>162</u>		<u>162</u>

Debited	Office Desk		Credited
To Cash	32	By Balance Carry forward	32
	<u>32</u>		<u>32</u>
To balance brought down	32		

Debited	Office Expenses		
Credited			
To Cash	3	By Balance Carry forward	3
	<u>3</u>		<u>3</u>
To balance brought down	3		

(b) Extract a trial balance at 31 January.

In the books of Mafuta

Trial Balance as at 31th January

Particulars	l/ f	Amt (Debited)	Amt (Credited)
Cash		£ 323	
Office Desk		£ 32	
Purchase		£ 225	
Harvey		£ 138	
Wages		£ 58	
Sales			£ 412
Office Expenses		£ 3	
Owner's Equity			£ 1049
Moon		£ 26	
Opening Stock		£ 458	
Furniture		£ 198	
Total Balance		£ 1461	£ 1461

Owner's Equity = Total Assets – Current Liability = £ 1082 – (£ 12 + £ 21) = £ 1049

(c) Prepare a statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

In the books of Mafuta
Statement of Profit and Loss as on 30th April

Description	Debit	Credit
Sales		£ 412
(-) Cost of Goods Sold		
Opening Stock	£ 458	
Purchase	£ 225	
Wages	£ 58	
(-) Closing Stock	- £ 374	
Total cost regarding goods sold	£ 367	
Gross Profit		£ 45
(-) Total Expenses which considers the (Office Expenses)		- £ 3
Net Profit		£ 42

In the books of Mafuta
Statement of Financial Position as at 30th April

Assets:	Debit (£)	Credit (£)
Fixed Assets (Furniture)	198	
Cash	323	

Receivables (Moon, Harvey)	164	
Office Desk	32	
Inventory	374	
<u>Total Assets</u>	<u>1091</u>	
Liabilities:		
Net profit		42
Owner's Equity		1049
<u>Total Liabilities</u>		<u>1091</u>

Task 4

In the books of Ricardo

Journal Entries as on 30th Jun 2018

Date	Particulars	L/ F	AMT (Debited)	AMT (Cr)
2 nd	Claire ----- Debited To Sales		8500	8500
13 th	Purchase ----- Debited To Georgina		12000	12000
14 th	Hywel ----- Debited To Sales		8550	8550
20 th	Cash ----- Debited To Sales		6000	6000
21 st	Purchase ----- Debited To An Debitedew		4500	4500
22 nd	Return Inwards ----- Debited To Claire		1000	1000
24 th	Mandy ----- Debited To Sales		5000	5000
24 th	Cash ----- Debited Discount allowed ----- Debited To Claire		7125 375	7500
25 th	Cash ----- Debited To Hywel		8550	8550
25 th	Georgina ----- Debited		12000	

	To Discount Received			840
	To Cash			11160
27 th	An Debitedew ----- Debited		4500	90
	To Discount Received			4410
	To Cash			

In the books of Ricardo

Ledger Accounts as on 30th Jun

Debited		Cash	
Credited			
To Harvey			
To Sales	6000	By Andrew	4410
To Claire	7125	By Georgina	11160
To Hywel	8550		
		By Balance carry forward	6105
	<u>21675</u>		<u>21675</u>
To Balance brought down	6105		

Debited		Claire		Credited	
			By Return Inwards		1000
To Sales	8500		By Cash		7125
			By Discount Allowed		375
	<u>8500</u>				<u>8500</u>

Debited		Sales		Credited	
			By Hywel		8550
			By Mandy		5000
			By Cash		6000
			By Claire		8500
To balance carry forward	28050				

	<u>28050</u>		<u>28050</u>
		By Balance brought down	28050

Debited	Georgina		Credited
To Cash	11160	By Purchase	12000
To Discount Received	840		
	<u>12000</u>		<u>12000</u>
To balance brought down	12000		

Debited	HyWel		Credited
To Sales	8550	By Cash	8550
	<u>8550</u>		<u>8550</u>

Debited	An Debitedew		Credited
To Cash	4410	By Purchases	4500
To Discount Received	90		
	<u>4500</u>		<u>4500</u>

Debited	Return Inwards		
Credited			
To Claire	1000	By Balance carry forward	1000

	<u>1000</u>		<u>1000</u>
To Balance Brought down	1000		

Debited			Mandy
Credited			
To Sales	5000		
		By Balance carry forward	5000
	<u>5000</u>		<u>5000</u>
Top Balance Brought down	5000		

Debited	Discount Allowed		Credited
To Claire	375		
		By Balance carry forward	375
	<u>375</u>		<u>375</u>
To Balance brought down	375		

Debited	Discount Received		Credited
		By Georgina	840
To Balance carry forward	930	By Andrew	90
	<u>930</u>		<u>930</u>
		By Balance Brought down	930

In the books of Ricardo

Trial Balance as at 30th June

Particulars	l/ f	Amt (Debited)	Amt (Credited)
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Cash		£ 6105	
Purchase		£ 16500	
Return Inward		£ 1000	
Sales			£ 28050
Discount Allowed		£ 375	
Discount Received			£ 930
Mandy		£ 5000	
Total Balance		£ 28980	£ 28980

Task 5

Organizations dealing the business operations have to maintain the expenses and profit generated from the actions. These are maintained as per the accounting standards and treated within respective accounting heads of the organization which are maintains proper accounting statement. Here in this section proper differentiation of Capital expenditure and revenue expenditure are discussed. Capital expenditure is considered upon the fixed assets of the organization that are also judged as productive asset for a longer period of time.

On the other hand, revenue expenditure are considered as the costs which are specified as per the revenue of the transaction within the operating periods by accompanying the cost of goods sold as well as other cost allocated towards repairs and maintenance (Arrfelt, 2015). Capital expenditure are also considered as the funds that have been used for acquiring and upgrading the company's fixed assets which relates to property as well as plant and equipment of the organization. Revenue expenditure are considered as the expenses that are incurred upon the fixed assets that has included the costs aimed for maintaining irrespective of enhancing the entire earning capacity of the respective assets.

The International Accounting Standards has maintained efficient treatment of the accounting structure in accordance with some important consequences on the capital expenditure and also revenue expenditure. Firstly, it has been identified that timing is the one of the most influential aspect in maintaining the accounting treatment. Capital expenditure are significantly charged as per the expenses and it has been gradually pertained through charging depreciation for a longer period (Ardanaz and Izquierdo, 2017).

Revenue expenditure is efficiently charged to the respective expenses within the current period with an aspect of shorter time. Secondly, consumption has relatively influence the aspects of both the expenditure. Capital expenditure has been assumed for consuming the entire usefulness

of life in relation with the fixed assets. Revenue expenditure has been assumed for consuming the entire expenses for a shorter period. Thirdly, size has been considered as one of the most important aspects where more questionable and differentiated value tends to involve quite larger monetary amount upon the revenue expenses (Muda and Naibaho, 2018). This is due to the fact

that the expenditure has only classified as per the capital expenditure if it will be exceeded with a certain amount of threshold value. If the expenditure do not exceed, then it will be designated as per the revenue expenditure. Moreover, larger expenditure will be classified as per the revenue expenditure as they are directly associated with the entire sales of the transactions which are also presumed as period costs. According to IAS, it is also assumed that the outlay of capital expenditure is non-recurring and considering the revenue expenditure, it is recurring in nature. The entire earning capacity has been sight to adhere improvement within the capital expenditure, but in revenue expenditure, it has to be maintained with proper valuations.

Conclusion

The entire report has provided a holistic knowledge regarding the different evaluation of accounting techniques that are posted within the respective ledger accounts. It has also underpinned the aspects of different treatments in posting within the statement of financial position and income statement. Furthermore, the entire justification for capital and revenue expenditure has been empowered

References

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