

Name: Georgi Ivanov

ID: 1814701

Assignment 1

Lecturer's name: Gazi Arif

Module: Accounting fundamentals

Module № LCBB 4001

Introduction.

Accounting is the process in which financial information about a business is being identified, measured and communicated in order to permit informed judgements and decisions by the users of that information. Normally a business owner runs a business in order to make money. It is very important for the business owner to know how much profit or loss the business has made or how much the business owe, or will the business have enough funds to meet commitments. Potential users of the accounting information might be the owners of the business, the employees, the tax authorities, the banks or other lenders, the prospective buyers or even competitors (businessdictionary.com, 2019).

Double-entry bookkeeping.

The accountants in all over the world are using one and the same system to record financial data. It is called double-entry bookkeeping and it identifies that every transaction has a twofold effect. For example, if George loans £ 90 to Chris there is a twofold effect because George gave some money to Chris and Chris received it. In this way the transaction has a twofold effect on both.

The effect on Chris:

1. His cash goes up by £ 90.
2. What Chris owes to George is going up by £ 90 as well.

The effect on George:

1. The cash of George goes down by £ 90.
2. What Chris owes to George goes up by £ 90.

When an entity, for example George, is using the twofold effect to record twice each one of the transactions that took place between him and another entity, for example Chris, then George is using the double-entry bookkeeping system in some form. In the last six hundred years this most commonly used system has evolved a lot and now it is being used worldwide. There are three very important accounting terms:

- **Assets:** These are things or resources which an entity owns. These are possessions which are physical or tangible such as property, plant, equipment, stock or cash. They could be intangible assets as well, for example copyright or rights over a patent even debts owed to the entity.
- **Capital:** This term is being used to describe what amount is being invested in the entity by the owners. In fact, the capital is the amount owned to the owners by the entity.
- **Liabilities:** Exactly the opposite of assets. These are the amounts that the entity owes to outside parties. They can be loans, creditors, bank overdrafts or in other words amounts that are being owed to parties for supplying the entity with goods or services that still need to be paid. The relationship between assets liabilities and capital is very close. This relationship is being presented in a form called an 'accounting equation'. The equation is telling us in a very clear and simple way that whatever the entity owns was gained in a combination of contribution from the owners of the entity and borrowings from other people. For example, if George has decided to start a business, he needs to transfer £ 5000 in cash from his own private account in the bank. The rule of the entity is saying that for the accountants are not interested in George's private

affairs, they just want to keep a track of George's £5000 and how the business is dealing with them. £ 5000 are now invested in the business. This amount is the capital of the business, but it also has £ 5000 in cash. This means that the cash is an asset which means that the £ 5000 asset equals the £5000 of capital. In other words, the equation is showing the twofold effect of the transaction. There is an increase of the assets of the business by the capital contributed by the owner (Dyson, 2010).

Ledger accounts.

Even that most of the systems today are computerized it is important for people to understand how the handwritten double-entry bookkeeping works. It is important because both systems are using the same principles of accounting and these principles are much easier to be followed in a simple handwritten system. People who are familiar with accounting knows very well that the accounting equation reflects the twofold effect of every transaction. In the same way the double-entry bookkeeping is being reflected which means that every transaction must be recorded twice. When there is a change to the accounting system it is known as an entry and people are making entries in accounts. Basically, an account is just a record or history of a transaction of a particular type. Back in the days, accounts used to be kept in different bound books referred to as ledgers. Then all the ledgers which are used in a particular accounting system are known as books of account. Probably people may ask what is in the effect of entering a transaction once in one ledger account and again in another ledger account. The answer is that this entering causes the balance on each of the accounts to either go up or down. In this case a transaction can decrease or increase the total amount held in a certain account. To make it even more simple an account could receive or accepts an addition amount, or it gives or releases it. When there is such a receiving and giving effect, it rises to two terms from Latin that are used very often in accounting. Accountants judge the twofold effect of all transactions on particular accounts from a giving and receiving point of view which means that each transaction is recorded on that basis. When a transaction is taking place there are two questions that are necessary to be asked:

- Which accounts should be debited, or which account should receive this transaction?
- Which account should be credited, or which account gave this amount?

That is why accounts have been created to keep the credit entries separate from the debit ones. In this way the opposite effect that each transaction has within the recording system is being emphasized. When people are using the handwritten system the separation of the credit and the debit entries is achieved by recording the credit entries on the right-hand side of the page and the debit entries on the left-hands side of the page. In this case debit means something to be received or value received, and credit means that something must be given r value given (Dyson, 2010).

Trial balance.

A trial balance is a working paper which is being compiled at the end of a specific accounting period and it does not form part of the double-entry procedure. The trial balance has three main purposes:

- The first purpose is to check if all the transactions entered in the ledger system for a particular period of time are entered correctly.
- The second purpose is to confirm if the balance on each account is correct.
- The third purpose is to assist in the preparation of the profit and loss account and the preparation of the balance sheet.

The trial balance lists in columns side by side each debit and each credit balance. After that the total of each of the columns is added up. If the two totals are equal, then it could be stated with confidence that the double-entry procedures have been carried out in the correct way (myaccountingcourse.com, 2019).

Profit and Loss statement.

Profit & Loss statement is a financial statement also known as income statement. The purpose of it is to report the revenue of a company for a given time period or in other words it shows the profit of a business for a particular time period. The Profit and Loss Statement along with the Balance Sheet and Cash Flow Statement are the three main statements in finance. It shows the expenses and the income of a business which are separated in four main sections: cost of goods or services that are sold, financial expenses, revenues and operating expenses. The Profit & Loss Statement is important because it gives the opportunity for analysts to view the profitability of a business on different levels and to decide how good are actually the results. For example, Jacobs LTD is a company that sells furniture. The end of the fiscal year of the company is 31 December and the manager wants to show the results of the business for the last year to potential investors. The company has some projects to expand and the manager would like to analyze all the data about how profitable his business is before showing the information to the investors. In order to analyze this data, the manager of the company would need the Profit and Loss Statement created by the accounting department. Then he can show the information to the potential investors and convince them that the company is profitable enough and they would not have any problems with their investments (myaccountingcourse.com, 2019).

Balance Sheet.

Statement of financial position also known as balance sheet, is under number three in general purpose statements in finance that is prepared during the accounting cycle. It gives information about the assets of a company, the liabilities and the equity at a particular moment of time. It could be considered as a snapshot of the business on that particular day and time. A difference between the balance sheet and the income statement is that the balance sheet does not show activities over a time period. The balance sheet can be considered as a picture of the resources of a company, debts and ownership on a particular day. This is the reason why the balance sheet sometimes is considered as not so reliable as the profit and loss

statement in telling the users of that information how a company is performing financially at that particular moment. For example, the annual income statements are looking at the performance of a company for twelve months, while the statement of financial position is focusing on the financial position of just one day. The balance sheet is actually a report version of an accounting equation which is also known as balance sheet equation where assets is always equal to liabilities plus capital. In other words, the balance sheet is showing how the business-controlled resources (the assets) are financed with debt (liabilities) or owner investment (capital). Creditors and potential investors are basically looking at the statement of financial position in order to see how efficiently a business can use its resources and how effectively it can finance them (myaccountingcourse.com, 2019).

Cash flow statement.

The Cash flow statement is the fourth general-purpose statement in finance, and it summarizes what is the affection on the cash account during the accounting period caused by changes in the balance sheet. Another purpose of the cash flow statement is the reconciliation of beginning and ending cash and cash equivalents account balances. The cash flow statement is showing the potential investors and creditors of a business what transactions affected the cash accounts and if the business is efficient and effective enough in using its cash to finance its expansions and operations. This is very important for investors and creditors because in this way the investors will have the opportunity to see if the company is financially stable and the creditors will see if the business is liquid enough to pay its bills. In other words, cash flow as a term is referring to the ability of the company to collect and maintain properly cash amounts in order to pay its bills (myaccountingcourse.com, 2019).

General Journal.

The book of first entry also known as general journal is being used as record of the transactions of the business and events for a specific account. In other words, the general journal is storing all the entries for a specific account or a group of accounts chronologically so that the management and the bookkeepers can use this data for analysis. The journals in accounting are called often the book of first entry because this is where the entries of the journal are being made. If a business transaction has been made, the bookkeepers are recording that in the form of a journal entry in one of the particular accounting journals. After that, at the end of a particular period, for reporting purposes the journals are being posted to accounting ledgers. Depending on their accounting system and industry, different companies may use different journals, but all of them are using the general journal (myaccountingcourse.com, 2019).

Task 1:

Cash Account

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
5 - Apr.	Capital	£ 300,00	7 - Apr.	Purchase goods	£ 200,00
8 - Apr.	Loan from 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.	Withdraw	£ 60,00
		£ 900,00			
Balance c/d		£240,00	Total:		£ 660,00

Purchased goods

Dr			Cr	
Date	Description	Amount	Date	Description
7 - April	Cash	£ 200,00		

Motor Van

Dr			Cr	
Date	Description	Amount	Date	Description
15 - Apr.	Cash	£ 150,00		

Rent

Dr			Cr	
Date	Description	Amount	Date	Description
28 - Apr.	Cash	£ 50,00		

Capital

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
30 - Apr.	Cash	£ 60,00	5 - Apr.	Cash	£ 300,00
			Balance c/d		£ 240,00

Loan from Tatiana

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
29 - Apr.	cash	£200,00	8 - Apr.		£ 250,00
Balance c/d					£ 50,00

Sales

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
			20 - Apr.	Cash	£350,00

Drawing

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
30 - Apr.	Cash	£ 60,00			

Journal entries in Maxim's book.			
Date	Description	Dr	Cr
5 - Apr.	Cash Capital (Introduce cash into the business)	£ 300,00	£ 300,00
7 - Apr.	Purchase Cash (Purchase goods)	£ 200,00	£ 200,00
8 - Apr.	Cash Loan from Tatiana (Loan from Tatiana to be paid within twelve months.)	£ 250,00	£ 250,00
15 - Apr.	Motor van Cash (Purchase of motor van.)	£ 150,00	£ 150,00
20 - Apr.	Cash Sales (Goods sold.)	£ 350,00	£ 350,00
28 - Apr.	Rent account Cash (Rent paid.)	£ 50,00	£ 50,00
29 - Apr.	Loan from Tatiana Cash (Partly loan repayment.)	£ 200,00	£ 200,00
30 - Apr.	Withdraw Cash (Cash withdraw.)	£ 60,00	£ 60,00
30 - Apr.		£1560,00	£1560,00

Trail Balance as on 30 April		
Description	Dr	Cr
Cash	£ 240,00	
Capital		£ 240,00
Purchase	£ 200,00	
Motor Van	£ 150,00	
Rent	£ 50,00	
loan payment		
Current Liabilities (Loan from Tatiana)		£ 50,00
Sales		£ 350,00
Total:	£ 640,00	£ 640,00

Profit and Loss statement		
	Dr	Cr
Sales		£ 350,00
Purchases	£ 200,00	
(-) Goods in hand on 30 April	£ 100,00	£ 100,00
Gross profit		£ 250,00
(-)Expenses		
Rent	£ 50,00	
loan	£ 200,00	£ 250,00
Net profit		£ -
SALES REVENUE - EXPENSES = PROFIT		
Total Assets:	£ 490,00	
Fixed assets		
Motor van	£ 150,00	
Current assets		
Cash	£ 240,00	
Goods in hand	£ 100,00	£ 340,00
Liabilities		
loan		£ 250,00
Capital		£ 300,00
(+) Net Profit		£ -
(-)Drawing		£ 60,00
New Capital		£ 240,00

ASSETS = LIABILITIES + CAPITAL

TOTAL ASSETS = CURRENT ASSETS + NON - CURRENT ASSETS

TOTAL LIABILITIES = CURRENT LIABILITIES + NON - CURRENT LIABILITIES

Task 2:

Cash Account					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
1 - Jan	Capital	£ 5 000,000	2 - Jan	Motor van	£ 600,00
4 - Jan	Loan from Sergei	£ 1 000,000	3 - Jan	Goods purchased	£ 1 300,000
13 - Jan	Goods sold	£ 300,00	10 - Jan	Motor Van Expenses	£ 200,00
20 - Jan	Goods sold	£ 500,00	24 - Jan	Storage expense	£ 150,00
			27 - Jan	loan repayment	£ 350,00
			30 - Jan	Withdraw	£ 175,00
		Total: £ 6 800,000		Total: £ 2 775,000	
Closing balance		£ 4 025,000			

Capital					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
30 - Jan	Cash	£ 175,00	1 - Jan	Cash	£ 5,000
			Closing balance c/d		£ 4,825

Motor Van					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
2 - Jan	Cash	£ 600,00			

Purchase goods					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
3 - Jan	Cash	£ 1,300			

Loan from Sergei

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
27 - Jan	cash	£ 350,00	4 - Jan	Cash	£ 1 000,00
			Balance c/d		£ 650,00

Sales

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
			13 - Jan	Cash	£ 300,00
			20 - Jan	Cash	£ 500,00
			Closing balance c/d		£ 800,00

Storage Expenses

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
24 - Jan	Cash	£ 150,00			

Motor Van Expenses

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
10 - Jan	Cash	£ 200,00			

Closing inventory £ 800,00

Journal entries in Pendo's book for January			
Date	Description	Dr	Cr
1 - Jan	Cash Capital (Introduced cash into the business.)	£ 5,000	£ 5,000
2 - Jan	Motor van Cash (Motor van purchase.)	£ 600,00	£ 600,00
3 - Jan	Purchases Cash (Goods bought.)	£ 1,300	£ 1,300
4 - Jan	Cash Current liabilities (Loan from Sergei.)	£ 1,000	£ 1,000
10 - Jan	Motor Van Expenses Cash (Motor van expenses.)	£ 200,00	£ 200,00
13 - Jan	Cash Sales	£ 300,00	£ 300,00
20 - Jan	Cash Sales	£ 500,00	£ 500,00
27 - Jan	Loan from Sergei Cash (Partly loan repayment.)	£ 350,00	£ 350,00
30 - Jan	Capital Cash (Cash withdraw.)	£ 175,00	£ 175,00
31 - Jan		£ 9,425	£ 9,425

Profit & Loss Statement

	Dr	Cr
Sales		£ 800,00
Purchase	£ 1 300,000	
(-) goods in hand at 30 April	£ 800,00	£ 500,00
Gross profit		£ 300,00
(-)Expenses		
Motor van	£ 200,00	
Storage	£ 150,00	
loan	£ 350,00	£ 700,00
Net profit/loss		-£ 400,00
SALES REVENUE - EXPENSES = PROFIT		

Statement of Financial position for 31 January

Total Assets:	£ 5,425	
Fixed assets:		
Motor van	£ 600,00	
Current assets:		
Cash	£ 4 025,000	
Goods in hand	£ 800,00	£ 4 825,000
Liabilities:		
loan		£ 1 000,000
Capital		£ 5 000,000
(+) Net Profit/loss		-£ 400,00
(-)Drawings		£ 175,00
New Capital		£ 4,425

NON - CURRENT ASSETS + CURRENT ASSETS - LIABILITIES = OWNERSHIP INTEREST

Trail Balance for 31 January		
Description	Dr	Cr
Cash	£ 4 025,000	
Capital		£ 4 825,000
Purchases	£ 1 300,000	
Motor Van	£ 600,00	
Expenses for motor van	£ 200,00	
Expenses for storage	£ 150,00	
Current Liabilities:		
Loan from Sergei		£ 650,000
Sales		£ 800,00
Total:	£ 6 275,000	£ 6 275,000

NON - CURRENT ASSETS + CURRENT ASSETS - LIABILITIES = OWNERSHIP INTEREST

Task 3:

Cash Account					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
1 - Jan		£ 343,00	5 - Jan	Wages	£ 12,00
7 - Jan	Smith	£ 18,000	9 - Jan	Max	£ 21,00
11 - Jan	Sales	£ 64,00	14 - Jan	Wages	£ 14,00
23 - Jan	Harvey	£ 25,000	14 - Jan	Purchases	£ 75,00
21 - Jan	Sales	£ 110,00	15 - Jan	Rich	£ 162,00
28 - Jan	Sales	£ 84,00	20 - Jan	Office desk	£ 32,00
31 - Jan	Sales	£ 30,000	21 - Jan	Wages	£ 17,00
			23 - Jan	Office expenses	£ 3,00
			28 - Jan	Wages	£ 15,00
Closing balance		-£ 351,00			£ 351,00

Smiths Account					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
1 - Jan		£ 18,00	7 - Jan		£ 18,000

Harveys Account

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
1 - Jan		£ 39,00			
2 - Jan	On credit	£ 124,00			
			23 - Jan	Cash	£ 25,00
Closing balance		£ 138,00			

Moons Account

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
		£ 26,00			

Rich

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
15 - Jan	Cash	£ 162,00	1 - Jan		£ 12,00
			5 - Jan		£ 150,00

Max

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
9 - Jan		£ 21,00	1 - Jan		£ 21,00

Wages

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
5 - Jan	Cash	£ 12,00			
14 - Jan	Cash	£ 14,00			
21 - Jan	Cash	£ 17,00			
28 - Jan	Cash	£ 15,00			
	Total:	£ 58,00			

Sales					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
			2 - Jan	Harvey	£ 124,00
			11 - Jan	Cash	£ 64,00
			21 - Jan	Cash	£ 110,00
			28 - Jan	Cash	£ 84,00
			31 - Jan	Cash	£ 30,00
Closing balance					£ 412,00

Purchase					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
5 - Jan	Rich account	£ 150,00			
14 - Jan	Cash	£ 75,00			
Total:		£ 225,00			

Office expenses					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
23 - Jan	Cash	£ 3,00			

Office desk					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
20 - Jan	Cash	£ 32,00			

The cost of the inventory is: £ 374.00

Journal of account entry

Date	Description	Dr	Cr
2 - Jan	Account recievable (Goods sold to Harvey.) Goods	£ 124,00	£ 124,00
5 - Jan	Wages Cash	£ 12,00	£ 12,00
5 - Jan	Purchase Account payable (Rich)	£ 150,00	£ 150,00
7 - Jan	Cash Smith	£ 18,00	18,000
9 - Jan	Max Cash (Max)	£ 21,00	£ 21,00
11 - Jan	Cash Sales	£ 64,00	£ 64,00
14 - Jan	Wages Cash	£ 14,00	£ 14,00
14 - Jan	Purchase Cash	£ 75,00	£ 75,00
15 - Jan	Rich Cash (Rich)	£ 162,00	£ 162,00
20 - Jan	Office desk Cash	£ 32,00	£ 32,00
21 - Jan	Wages Cash	£ 17,00	£ 17,00
21 - Jan	Cash Sales	£ 110,00	£ 110,00
23 - Jan	Office expenses Cash	£ 3,00	£ 3,00
23 - Jan	Cash Harvey	£ 25,00	£ 25,00
28 - Jan	Cash	£ 84,00	
28 - Jan	Sales		£ 84,00
28 - Jan	Wages Cash	£ 15,00	£ 15,00
31 - Jan	Cash Sales	£ 30,00	£ 30,00
	Total:	£ 956,00	£ 956,00

Profit & Loss Statement		
	Dr	Cr
Sales		£ 412,00
Purchase	£ 225,000	
(+)Inventory	£ 458,000	
(-) Goods in hand on 30 Jan	£ 374,00	£ 309,00
Gross profit		£ 103,00
(-)Expenses		
Wages	£ 58,00	
Office expenses	£ 3,00	£ 61,00
Net profit/loss		£ 42,00
Total Assets:	£ 1 091,000	
<u>Fixed assets:</u>		
Furniture and fittings	£ 198,00	
Office desk	£ 32,00	£ 230,00
<u>Current assets:</u>		
Cash	£ 323,000	
Goods in hand	£ 374,00	
Recievable (Moon)	£ 26,00	
Recievable (Harvey)	£ 138,00	£ 861,00
<u>Liabilities:</u>		
Capital	£ 1 049,00	
(+) Net Profit/loss	£ 42,00	
(-)Drawings		
New Capital		£ 1 091,000

Assets = Liabilities + Capital

Trail Balance on 31 January		
Description	Dr	Cr
Cash	£ 323,000	
Capital		£ 1 049,000
Harvey	£ 138,000	
Moon	£ 26,00	
Sales		£ 412,00
Purchase	£ 225,00	
Office expenses	£ 3,00	
Desk	£ 32,00	
Inventory	£ 458,00	
Assets	£ 198,00	
wages	£ 58,00	
	£ 1 461,000	£ 1 461,000

Task 4:

Clarie's Account					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
2 - Jun	Sales	£ 8500	22 - Jun	Sales	£1000,00
			24 - Jun	Cash	£7125,00
			24 - Jun	Sales Discount	£375,00

Cash					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
24 - Jun	Clarie	7 125	25 - Jun	Georgia	11 160
25 - Jun	Hywel	8 550	27 - Jun	Andrew	4 410
20 - Jun	Sales	6 000			15570
		21 675			
	Balance c/d	£ 6 105,00			

Hywel					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
14 - Jun	Sales	£ 8550,00	25 - Jun	Cash	£ 8550,00

Andrew					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
27 - Jun	Cash	£ 4 410,00	21 - Jun	Purchase	£ 4 500,00
27 - Jun	Purchase discount	£ 90,00			

Mandy					
Dr			Cr		
Date	Description	Amount	Date	Description	Amount
24 - Jun	Sales	£ 5,000			

Sales

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
22 - Jun		£ 1 000,00	2 - Jun	Clarie	£ 8 500
			14 - Jun	Hywel	£ 8 550
			20 - Jun	Cash	£ 6 000
			24 - Jun	Mandy	£ 5 000
			Total:		£ 28 050

Purchase

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
13 - Jun	Cash	£ 12 000			
21 - Jun	Andrew	£ 4 500			

Georgia

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
25 - Jun	Cash	£ 11 160,00	13 - Jun	Purchase	£ 12 000,00
25 - Jun	Purchase disscount	£ 840,00			
	Total:	£ 12 000,00			

Sales discount

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
24 - Jun	Clarie a/c	£ 375,00			

Purchase discount

Dr			Cr		
Date	Description	Amount	Date	Description	Amount
			25 - Jun	Georgina a/c	£ 840,00
			27 - Jun	Andrew	£ 90,00
			Total:		£ 930,00

Transactions in Ricardo's book				
Date	Description		Dr	Cr
2 - Jun	Account Recievable (Clarie) Sales (Sold goods to Clarie on credit.)		£ 8 500,000	£ 8 500,000
13 - Jun	Purchase Account Payable (Georgina) (Bought goods from Georgina on credit.)		£ 12 000,000	£ 12 000,000
14 - Jun	Hywel Sales (Sold goods to Hywel.)		£ 8 550,000	£ 8 550,000
20 - Jun	Cash Sales (Sold goods to Jane for cash.)		£ 6 000,000	£ 6 000,000
21 - Jun	Purchase Account Payable (Andrew) (Bought goods from Andrew on credit.)		£ 4 500,000	£ 4 500,000
22 - Jun	Sales returned Clarie		£ 1 000,000	£ 1 000,000
24 - Jun	Account Recievable (Mandy) Sales (Goods bought by Mandy.)		£ 5 000,000	£ 5 000,000
24 - Jun	Cash Sales discount Account Recievable (Clarie) (Clarie's payment with the discount.)		£ 7 125,000 £ 375	£ 7 500,000
25 - Jun	Cash Account Recievable Hywel (Hywel settled amount.)		£ 8 550,000	£ 8 550,000
25 - Jun	Georgina Cash Purchase Discount (Ricardo paid Georgina after the discount.)		£ 12 000,000	£ 11 160,000 £ 840,000
27 - Jun	Andrew's account Cash Purchase Discount (Paiment to Andrew.)		£ 4 500,000	£ 4 410,000 £ 90,000
Total:			£ 78 100,000	£ 78 100,000

Task 5:

According to Avery (1941), business managers should create strategies to differ capital and revenue expenditures in order to sustain and run an effective accounting system which can deliver the organization and control of a fixed asset which can be depreciated. Accounting and engineering departments must create appropriate standards to distinct the capital from the expense items.

Avery (1941) states that expenditures that are considered as investments for example in land, equipment, copyrights or patents and are placing the business in situation in which it can earn income every year should be classified as capital. He continues with his statement that all funds which are used for increasing the flow of income from the investment every year or decreasing the costs of the manufacturing current income are supposed to increase the capital investment and should be considered as capital expenditures.

Every time when a business starts to receive money, another category of expenditure arises. That new category of expenditure is called revenue expenditure. It does not increase the investment of capital in the business, but simply maintains the account of the investment and supports the flow of current income. For example, it could be depreciation, taxes or repairs. Another example could be an organization expense which when it first incurrence is considered as a capital expenditure since there is no revenue, but as soon as significant profits are accumulated this expenditure is recorded against the current operations as an expense item. After that capital expenditures are charged to some asset account and revenue expenditures are charged to some expense account. In theory these two expenditures are easy to differ, but in practice it is more difficult (Avery, 1941).

In accordance with International Accounting Standard 16 (IAS 16), Property, plant and Equipment summaries how accounting treats most categories of plant, property and equipment. These different categories are firstly measured at its price, secondly measured either using a price or revaluation model and then depreciated so that its depreciable sum is allocated on a methodical basis over its useful lifecycle (iasplus.com, 2019).

Conclusion.

Accounting is very important for today's society. If there was no proper accounting, it was going to be very difficult for the business to calculate the right amounts that needs to be paid to a particular supplier for example or how much money does the business owe to a creditor or taking into account different costs like cost of goods, cost of purchases, the tax of the sales, the refunds that took place and many more. Accounting is a very strict system with international applied standards and no matter where the business is around the world the rules of accounting are always the same. There might be different ways to achieve a particular result, but no matter which one an accountant will use in the end everything matches and that is the beauty of accounting.

References:

Avery G. H. (1941) 'Capital and Revenue Expenditures' *The Accounting Review*, 16 (3), pp. 274 – 281. [Online]. Available at: <https://www-jstor-org.ezproxy.uwtsd.ac.uk/stable/pdf/240085.pdf?refreqid=excelsior%3A76bccc2249f06353009c40a8c81ed343> [Accessed: 23rd April 2019].

Businessdictionary (2019) *Accounting*. Available at: <http://www.businessdictionary.com/definition/accounting.html> [Accessed: 25th April 2019].

Dyson, R. (2010) *Accounting for Non - Accounting Students*. 8th edition. Financial Times Press.

IAS Plus (2019) 'IAS 16 – Property, Land and Equipment'. Available at: <https://www.iasplus.com/en/standards/ias/ias16> [Accessed: 23rd April 2019].

Myaccountingcourse (2019) *Accounting topics*. Available at: <https://www.myaccountingcourse.com/> [Accessed: 24th April 2019].