

SAMPLE

ACCOUNTING FUNDAMENTALS

Table of Contents

Task 1.....	3
Task 2.....	10
Task 3.....	14
Task 4.....	18
Task 5.....	18

SAMPLE

Task 1

(a) Write up, balance and close the relevant ledger accounts for the above transactions.

Journal

Journal Entries as on 30 April

Date	Details	Folio no.	dr.	cr
5 Apr	Cash Capital (Introduced capital into business)		£ 300	£ 300
7 Apr	Purchase Cash at Bank (Bought goods)		200	200
8 Apr	Cash Tatiana (Received loan from Tatiana)		250	250
15 Apr	Motor Van Cash (Purchased Motor Van)		150	150
20 Apr	Cash Sales (Sold goods for cash)		350	350
28 Apr	Rent Cash (Paid Rent)		50	50

29 Apr	Tatiana Cash (Repaid a part of the loan)		200	200
30 Apr	Drawings Cash (Drew cash)		60	60
30 Apr	Stock (closing) Purchases (Goods in hand)		100	100

Ledger Accounts

Cash			
Apr		Apr	
5 Capital	300	7 Purchase	200
8 Tatiana	250	15 Motor Van	150
20 Sales	350	28 Rent	50
		29 Tatiana	200
		30 Drawings	60
		30 Balance	240
Total	900	Total	900

Capital			
Apr		Apr	
30 Balance c/f	300	5 Cash	300

Total	300	Total	300

Purchase			
Apr 7 Cash	200	Apr 30 Closing Stock 30 Balance	100 100
Total	200	Total	200

Tatiana			
Cash	200	Cash	250
Balance	50		
Total	250	Total	250

Motor Van			
Cash	150	Balance	150

Total	150	Total	150
-------	-----	-------	-----

Sales			
Balance	350	Cash	350
Total	350	Total	350

Rent			
Balance	50	Cash	50
Total	50	Total	50

Drawings			
Cash	60	Balance	60
Total	60	Total	60

Stock			
Purchases	100	Balance	100
Total	100	Total	100

SAMPLE

(b) List of account balances on 30 April

1. Cash - £240
2. Capital - £300
3. Purchase -£100
4. Tatiana - £50
5. Motor Van - £150
6. Sales - £350
7. Rent- £50
8. Drawings- £60
9. Stock- £100

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

Maxim

Statement of Profit and Loss

For the month ended April 30

Revenues		
Revenue from sales	<u>£ 350</u>	
Total Revenues:		£ 350
Expenses		
Rent	£ 50	
Loan repayment	<u>£ 200</u>	
		(£ 250)
Net Profit		£ 100

Statement of Financial Position as at 30 April

	5 April	30 april
	Euros	Euros
ASSETS		
Non current assets		
Motor Van	150	150
	<u>150</u>	<u>150</u>
Current Assets		
Stock	200	100
Cash and cash equivalents	300	240
	<u>500</u>	<u>340</u>
TOTAL ASSETS	650	680
EQUITY AND LIABILITIES		
Current Liabilities		
Short Term borrowings	250	50
Total current Liabilities	250	50
TOTAL EQUITY AND LIABILITIES	250	50

Task 2

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

Ledger Accounts

Cash(£)			
Jan		Jan	
1 Capital	5000	2 Motor Van	600
4 Sergei	1000	3 Purchase	1300
13 Sales	300	10 Expenses on motor van	200
20 Sales	500	24 Storage Expenses	150
		27 Sergei	350
		30 Drawings	175
		31 Balance	4025
Total	6800	Total	6800

Capital(£)			
Jan		Jan	
31 Balance c/f	5000	1 Cash	5000
Total	5000	Total	5000

Purchase(£)			
Jan		Jan	
3 Cash	1300	31 Closing Stock	800
		31 Balance	500
Total	1300	Total	1300

Sergei(£)			
Jan		Jan	
4 Cash	1000	27 Cash	350
		31 Balance	650
Total	1000	Total	1000

Motor Van(£)			
Jan		Jan	
2 Cash	600	31 Balance	600
Total	600	Total	600

Sales(£)			
Jan		Jan	
31 Balance	800	13 Cash	300

		20 Cash	500
Total	800	Total	800

Storage Expenses(£)			
Jan		Jan	
31 Balance	150	24 Cash	150
Total	150	Total	150

Expenses on Motor Van(£)			
Jan		Jan	
31 Balance	200	10 Cash	200
Total	200	Total	200

Drawings(£)			
Jan		Jan	
31 Balance	175	10 Cash	175
Total	175	Total	175

Closing Stock (£)			
Jan		Jan	
31 Purchase	800	31 Balance	800
Total	800	Total	800

(b) Prepare the trial balance at 31 January

[Refer to the provided excel sheet]

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

Maxim

Statement of Profit and Loss

For the month ended April 30

Revenues		
Revenue from sales	<u>£ 800</u>	
Total Revenues:		£ 800
Expenses		
Motor Van expenses	£ 200	
Storage Expenses	£ 150	
Loan Repayment	£ 350	(£ 700)
Net Profit		£ 100

Statement of Financial Position as at 30 April

	5 April	30 april
	Euros	Euros
ASSETS		
Non current assets		
Motor Van	600	600
	<u>600</u>	<u>600</u>
Current Assets		
Stock	800	800
Cash and cash equivalents	4025	4025
	<u>4825</u>	<u>4825</u>
TOTAL ASSETS	5425	5425
EQUITY AND LIABILITIES		
Current Liabilities		
Short Term borrowings	1000	650
Total current Liabilities	1000	650
TOTAL EQUITY AND LIABILITIES	1000	650

Task 3

(a) Write up and close the relevant ledger accounts.

Ledger Accounts

Cash(£)	
Jan	Jan

1 brought forward	343	5 Wages	12
7 Smith	18	9 Max	21
11 Sales	64	14 Wages	14
21 Sales	110	Purchases	75
23 Harvey	25	21 Wages	17
28 sales	84	23 office expenses	3
31 sales	30	28 Wages	15
		31 Balance	517
Total	674	Total	674

Wages(£)			
Jan		Jan	
31 Balance	58	5 Cash	12
		14 Cash	14
		21 Cash	17
		28 Cash	15
Total	58	Total	58

Sales (£)			
Jan			Jan
31 Balance	288		11 Cash
			21 Cash
			28 Cash
			31 Cash
Total	288	Total	288

Harvey (£)			
Jan			Jan
31 Balance	149		2 Credit sales
			23 Cash
Total	149	Total	149

b) Extract a trial balance at 31 January.

[Refer to the excel sheet]

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

Mafuta

Statement of Profit and Loss
For the month ended January 31

Revenues		
Revenue from sales	<u>£ 288</u>	
Total Revenues:		£ 288
Expenses		
Wages	£ 58	
Office expenses	£ 3	
		(£ 61)
Net Profit		£ 227

Statement of Financial Position as at January 31

	1 jan	31 Jan
	Euros	Euros
ASSETS		
Non-current assets		
Furniture And Fittings	198	198
	<u>600</u>	<u>600</u>
Current Assets		
Stock	488	374
Cash and cash equivalents	58	58

	546	405
TOTAL ASSETS	1146	1005

EQUITY AND LIABILITIES

Current Liabilities

Short Term borrowings	33	33
Total current Liabilities	33	33

TOTAL EQUITY AND LIABILITIES	33	33
-------------------------------------	-----------	-----------

Task 4

[Refer to the excel sheet]

Task 5

Demonstrating your research, differentiate between revenue expenditure and capital expenditure with reference to International Accounting Standards

Revenue expenditure is a charge that is budgeted in the bookkeeping year in which it is obtained. The cost is coordinated with the earnings of the accounting year in which the expense took place. As stated by Wang (2014), costs spent on fixed assets are often matched with revenue expenditure. Repairing costs of an instrument is revenue expenditure. On the other hand, capital expenditure are resources used by a firm to obtain, improve and maintain physical assets such as industrial buildings, property and so on. It is often used by a company to take up new investments. It includes everything from repairing to purchasing or building (Brown, Preiato & Tarca, 2014).

There are certain differences between revenue expenditure and capital expenditure. The benefits of revenue expenditure are temporary. It is recurring and takes place repeatedly. Taking an example of this expenditure is the wages paid in **Task 3**. The expenses occur thrice in a single month. Though the expense is recurring, but it helps in smooth running of the business. It

reduces the profit of the business. In the **Task 1**, the profits of Maxim were reduced due to the rent expenses.

Capital Expenditure is a long term effect. The existence is tangible. It does not repeat unlike revenue expenditure. This type of expense improves the level of the business. In **Task 1**, Maxim purchases a motor van for the smooth running of his business. In the **Task 2**, Pendo purchases motor van for his business. The benefits of this expenditure are more than one year.

SAMPLE

REFERENCES

Wang, C. (2014). 'Accounting standards harmonization and financial statement comparability: Evidence from transnational information transfer'. *Journal of Accounting Research*, 52(4), pp.955-992.

Brown, P., Preiato, J., & Tarca, A. (2014). 'Measuring country differences in enforcement of accounting standards: An audit and enforcement proxy'. *Journal of Business Finance & Accounting*, 41(1-2), pp. 1-52.

SAMPLE

SAMPLE