

Financial Accounting

CS -4

Semester -1

24 Dec- 20

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Financial Accounting

BOOKS OF ORIGINAL ENTRY

Transaction



Cash/Bank Transaction

(Only record cash/Bank Transaction)

1. **Cash Book** (All Receipts & Major Payments)
2. **Petty cash Book** (Minor payments)

Credit Transaction

(Only Credit Transactions)

1. **Purchase Day Book**
2. **Purchase Return Day Book**
3. **Sales Day Book**
4. **Sales return Day Book**

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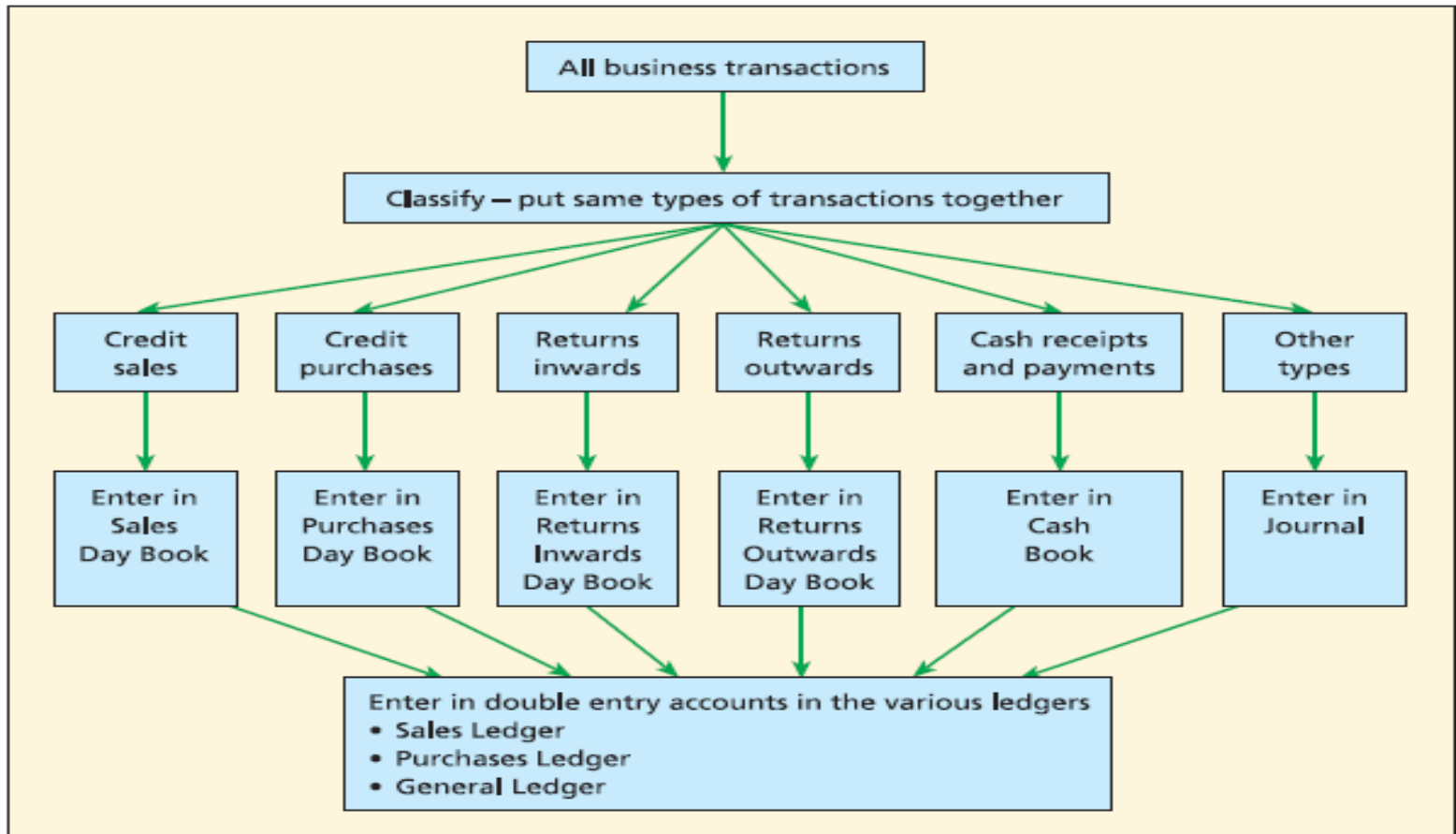
BOOKS OF ORIGINAL ENTRY

- **Types of ledgers**
- **Sales Ledger.** This is for customers' personal accounts.
- **Purchases Ledger.** This is for suppliers' personal accounts.
- **General Ledger.** This contains the remaining double entry accounts, such as those relating to expenses, fixed assets, and capital.

Financial Accounting

BOOKS OF ORIGINAL ENTRY

11.6 A diagram of the books commonly used

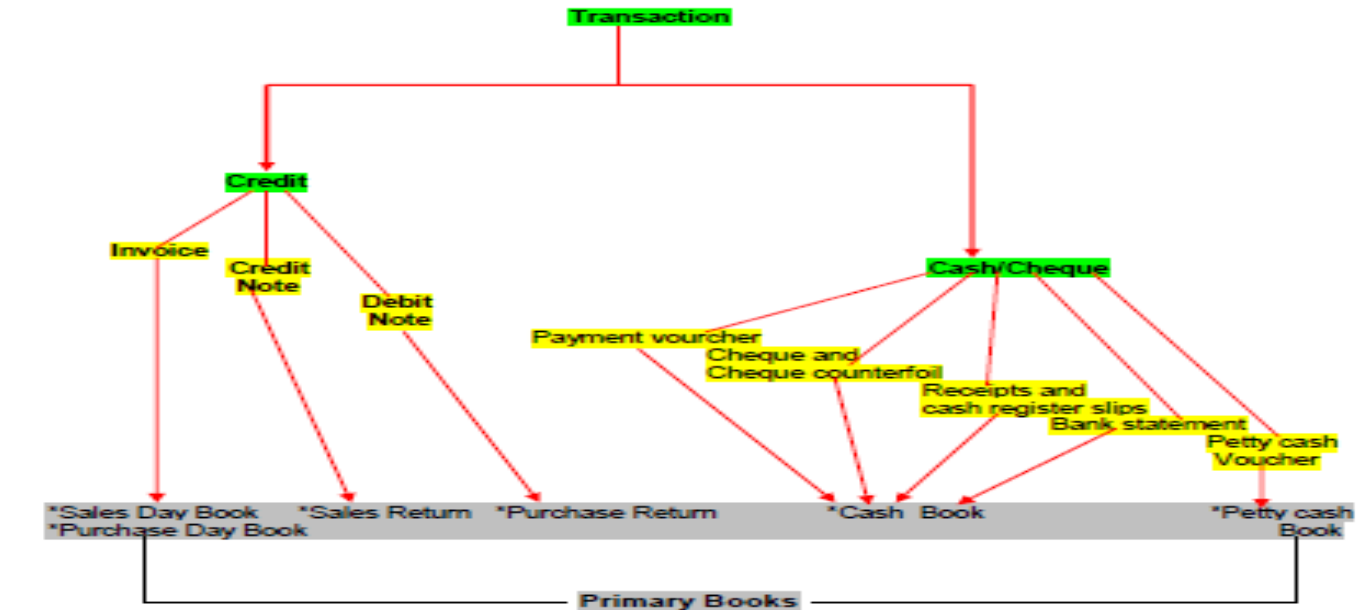


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BOOKS OF ORIGINAL ENTRY

Source of Document

- i) Invoice
- ii) Credit note
- iii) Debit note
- iv) Payment voucher
- v) Cheque and Cheque counterfoil
- vi) Receipts and cash register slips
- vii) Bank statement
- viii) Petty cash voucher



Purpose of Source of Document

- i) They provide evidence or proof that transaction has occurred
- ii) They Provide information which are recorded into the **books of prime entry**

- | | |
|------|--------------------------|
| i) | Cash Book |
| ii) | Petty Cash Book |
| iii) | Purchase Day Book |
| iv) | Purchase Return Day Book |
| v) | Sales Day Book |
| vi) | Sales Return Day Book |
| vii) | Journals |

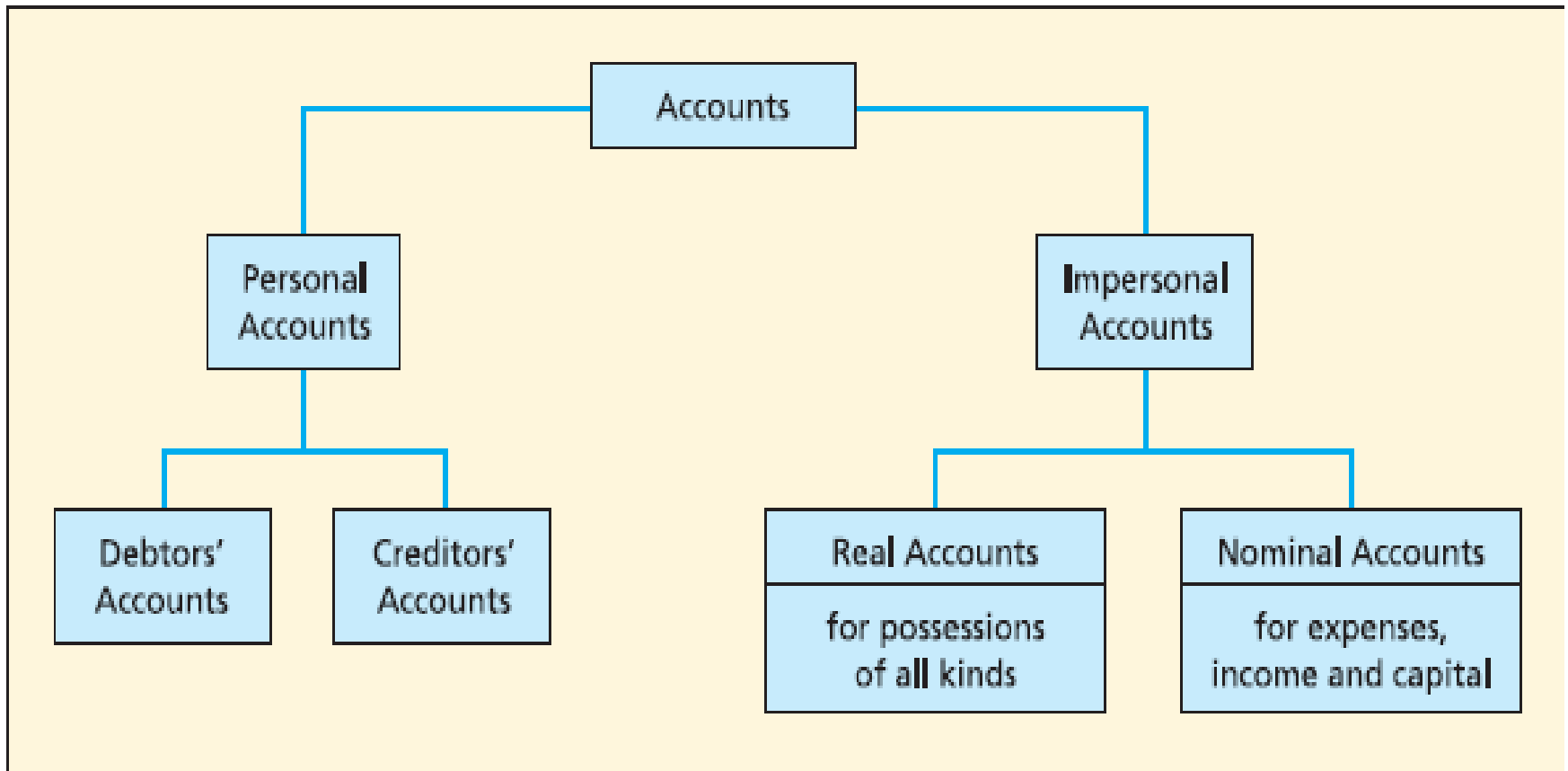
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BOOKS OF ORIGINAL ENTRY

- **Types of accounts**
 - 1. Personal Accounts** – these are for debtors and creditors (i.e. customers and suppliers).
 - 2. Impersonal Accounts** – divided between ‘**real**’ accounts and ‘**nominal**’ accounts:
 - – **Real Accounts** – accounts in which possessions are recorded. Examples are buildings, machinery, fixtures and stock.
 - – **Nominal Accounts** – accounts in which expenses, income and capital are recorded.

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BOOKS OF ORIGINAL ENTRY



impersonal accounts are kept is known as the **Nominal (or 'General') Ledger**.

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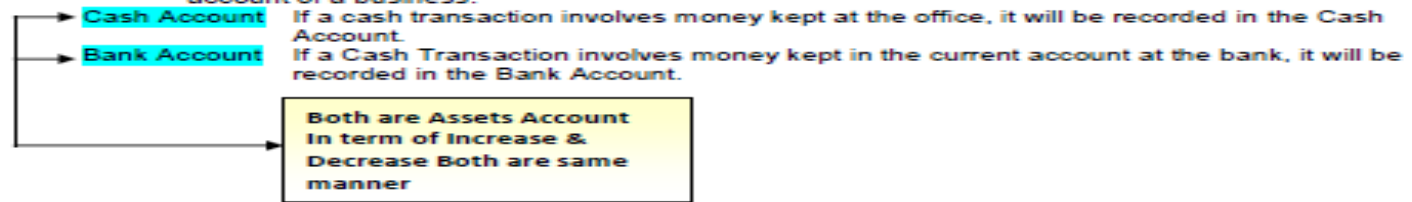
BOOKS OF ORIGINAL ENTRY

Cash books

Financial Accounting

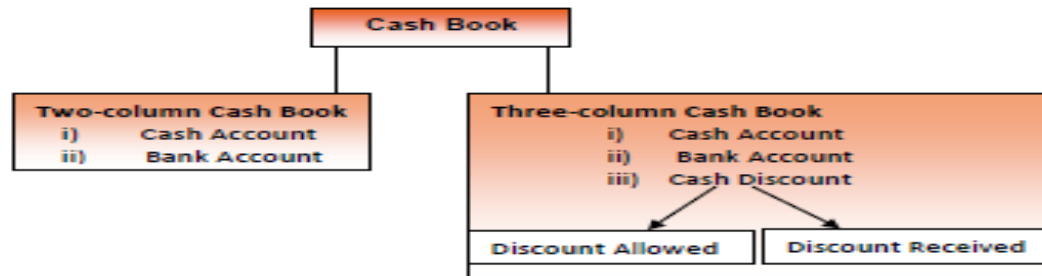
BOOKS OF ORIGINAL ENTRY

Cash Book: Cash Book as a book of prime entry as well as ledger to maintain both the **Cash** and **Bank** account of a business.



Purpose of Cash Book:

- Serves as a book of prime entry when information from source of documents.
- Serves as a Ledger as it contains both the **Cash Account** and the **Bank Account** for recording cash transaction.



Difference between Cash Discount and Trade Discount

	Cash Discount	Trade Discount
Definition	A deduction off the net invoice price	A deduction off list price
Purpose	Given to encourage prompt payment of amount owing	given to encourage bulk purchase
Basic Calculation	Rate depends on period of credit given	Rate depends on quantity purchase
Effect on profit	Net profit is decreased by discount allowed and increase by discount received.	Has no direct effect on net profit but with attractive trade discount sales may increase and hence Profit
Book Keeping	Discount allowed is recorded as an expense and discount received as revenue in the ledger	No record of trade discount in the ledger as it is not part of the double entry recording

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 13.1

Cash

20X8			£	20X8			£
Aug	2	T Moore	33	Aug	18	Printing	20
"	5	K Charles	25	"	12	C Potts	19
"	15	F Hughes	37	"	28	Office stationery	25
"	30	H Howe	18	"	31	Balance c/d	49
			<u>113</u>				<u>113</u>
Sept	1	Balance b/d	49				

Bank

20X8			£	20X8			£
Aug	1	Capital	10,000	Aug	7	Rent	205
"	3	W P Ltd	244	"	12	F Small Ltd	95
"	16	K Noone	408	"	26	K French	268
"	30	H Sanders	20	"	31	Balance c/d	10,104
			<u>10,672</u>				<u>10,672</u>
Sept	1	Balance b/d	10,104				

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 13.2

Cash Book									
			Cash	Bank				Cash	Bank
20X8			£	£	20X8			£	£
Aug	1	Capital		10,000	Aug	7	Rent		205
"	2	T Moore	33		"	8	Printing	20	
"	3	W P Ltd		244	"	12	C Potts	19	
"	5	K Charles	25		"	12	F Small Ltd		95
"	15	F Hughes	37		"	26	K French		268
"	16	K Noone		408	"	28	Office stationery	25	
"	30	H Sanders		20	"	31	Balances c/d	49	10,104
"	30	H Howe	18						
			113	10,672				113	10,672
Sept	1	Balances b/d	49	10,104					

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 13.1

Cash			
20X8	£	20X8	£
Aug 2 T Moore	33	Aug 18 Printing	20
" 5 K Charles	25	" 12 C Potts	19
" 15 F Hughes	37	" 28 Office stationery	25
" 30 H Howe	18	" 31 Balance c/d	49
	<u>113</u>		<u>113</u>
Sept 1 Balance b/d	49		

Bank			
20X8	£	20X8	£
Aug 1 Capital	10,000	Aug 7 Rent	205
" 3 W P Ltd	244	" 12 F Small Ltd	95
" 16 K Noone	408	" 26 K French	268
" 30 H Sanders	20	" 31 Balance c/d	10,104
	<u>10,672</u>		<u>10,672</u>
Sept 1 Balance b/d	10,104		

Exhibit 13.2

Cash Book					
	Cash	Bank		Cash	Bank
20X8	£	£	20X8	£	£
Aug 1 Capital		10,000	Aug 7 Rent		205
" 2 T Moore	33		" 8 Printing	20	
" 3 W P Ltd		244	" 12 C Potts	19	
" 5 K Charles	25		" 12 F Small Ltd		95
" 15 F Hughes	37		" 26 K French		268
" 16 K Noone		408	" 28 Office stationery	25	
" 30 H Sanders		20	" 31 Balances c/d	49	10,104
" 30 H Howe	18				
	<u>113</u>	<u>10,672</u>		<u>113</u>	<u>10,672</u>
Sept 1 Balances b/d	49	10,104			

Financial Accounting

BOOKS OF ORIGINAL ENTRY

20X8			£
Sept	1	Proprietor puts capital into a bank account for the business.	10,940
"	2	Received cheque from M Boon.	315
"	4	Cash sales.	802
"	6	Paid rent by cash.	135
"	7	Banked £50 of the cash held by the business.	50
"	15	Cash sales paid direct into the bank.	490
"	23	Paid cheque to S Wills.	277
"	29	Withdrew cash from bank for business use.	120
"	30	Paid wages in cash.	518

Cash Book										(page 1)	
			Folio	Cash	Bank				Folio	Cash	Bank
20X8				£	£	20X8				£	£
Sept	1	Capital	GL1		10,940	Sept	6	Rent	GL65	135	
"	2	M Boon	SL98		315	"	7	Bank	£	50	
"	4	Sales	GL87	802		"	23	S Wills	PL23		277
"	7	Cash	£		50	"	29	Cash	£		120
"	15	Sales	GL87		490	"	30	Wages	GL39	518	
"	29	Bank	£	120		"	30	Balances	c/d	219	11,398
				<u>922</u>	<u>11,795</u>					<u>922</u>	<u>11,795</u>
Oct	1	Balances	b/d	219	11,398						

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Thank You

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Semester -1

Section C

6th Aug 20

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BOOKS OF ORIGINAL ENTRY

13.9 A worked example

20X8		£
May	1 Balances brought down from April:	
	Cash balance	29
	Bank balance	654
	Debtors accounts:	
	B King	120
	N Campbell	280
	D Shand	40
	Creditors accounts:	
	U Barrow	60
	A Allen	440
	R Long	100
"	2 B King pays us by cheque, having deducted 2½ per cent cash discount £3.	117
"	8 We pay R Long his account by cheque, deducting 5 per cent cash discount £5.	95
"	11 We withdrew £100 cash from the bank for business use.	100
"	16 N Campbell pays us his account by cheque, deducting 2½ per cent discount £7.	273
"	25 We paid office expenses in cash.	92
"	28 D Shand pays us in cash after having deducted 5 per cent cash discount.	38
"	29 We pay U Barrow by cheque less 5 per cent cash discount £3.	57
"	30 We pay A Allen by cheque less 2½ per cent cash discount £11.	429

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Cash Book (page 64)									
	<i>Folio</i>	<i>Discount</i>	<i>Cash</i>	<i>Bank</i>		<i>Folio</i>	<i>Discount</i>	<i>Cash</i>	<i>Bank</i>
20X8		£	£	£	20X8		£	£	£
May 1 Balance	b/d		29	654	May 8 R Long	PL58	5		95
" 2 B King	SL13	3		117	" 11 Cash	C			100
" 11 Bank	C		100		" 25 Office	GL77		92	
" 16 N Campbell	SL84	7		273	expenses				
" 28 D Shand	SL91	2	38		" 29 U Barrow	PL15	3		57
					" 30 A Allen	PL98	11		429
					" 31 Balances	c/d		75	363
		<u>12</u>	<u>167</u>	<u>1,044</u>			<u>19</u>	<u>167</u>	<u>1,044</u>
Jun 1 Balances	b/d		75	363					

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Review questions

13.1 -13.3

Assignment

13.4A

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **The Sales Day Book And The Sales Ledger**

Sales Transaction

```
graph TD; A[Sales Transaction] --> B[Cash/Bank Transaction]; A --> C[Credit sales Transaction]
```

Cash/Bank Transaction

(Only record cash/Bank Transaction)

1. **Cash Book (Receipts & Payments)**

Credit sales Transaction

(Only Credit Transactions)

1. **Sales Day Book (only Credit)**

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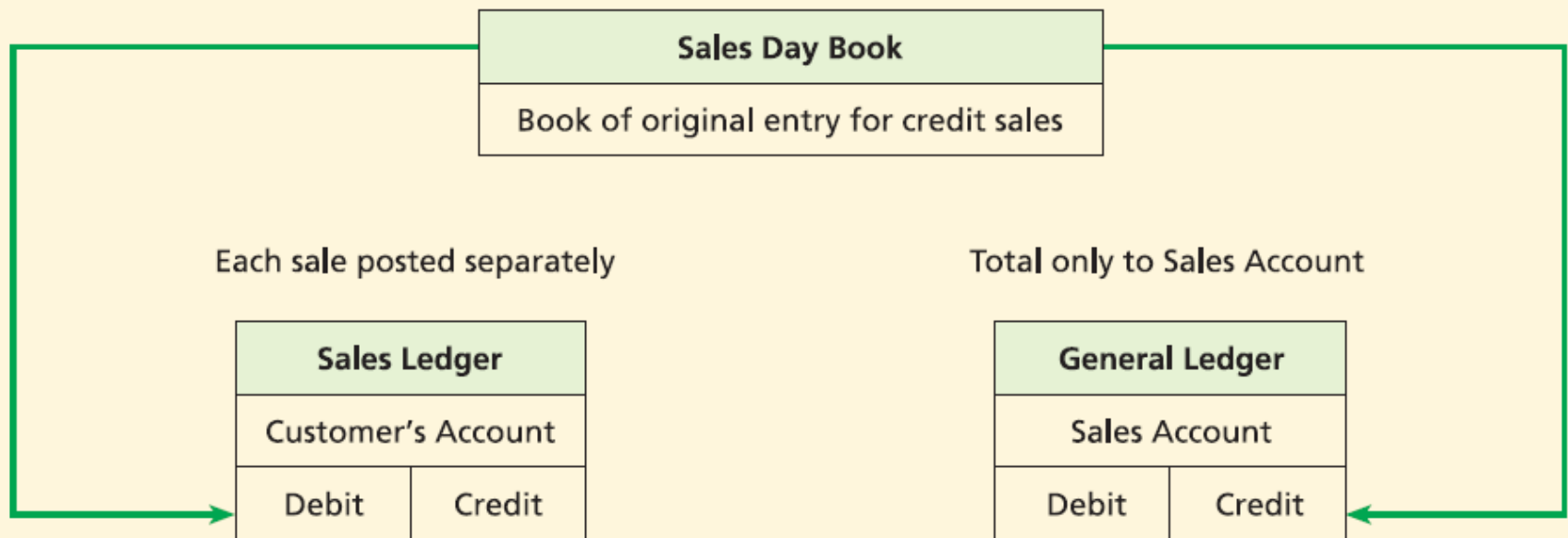
BOOKS OF ORIGINAL ENTRY

- The Sales Day Book

Exhibit 14.2

Sales Day Book			(page 26)
	Invoice No	Folio	Amount £
20X9			
Sept 1 D Poole	16554		560
" 8 T Cockburn	16555		1,640
" 28 C Carter	16556		220
" 30 D Stevens & Co	16557		<u>1,100</u>
			<u><u>3,520</u></u>

Exhibit 14.3 Posting credit sales



Financial Accounting

BOOKS OF ORIGINAL ENTRY

- An Example Of Posting Credit Sales

Sales Day Book (page 26)			
	Invoice No	Folio	Amount £
20X9			
Sept 1 D Poole	16554	SL 12	560
" 8 T Cockburn	16555	SL 39	1,640
" 28 C Carter	16556	SL 125	220
" 30 D Stevens & Co	16557	SL 249	1,100
Transferred to Sales Account		GL 44	<u>3,520</u>

Sales Ledger D Poole (page 12)			
	Folio	£	

20X9			
Sept 1 Sales	SB 26	560	

T Cockburn (page 39)			
	Folio	£	

20X9			
Sept 8 Sales	SB 26	1,640	

C Carter (page 125)			
	Folio	£	

20X9			
Sept 28 Sales	SB 26	220	

D Stevens & Co (page 249)			
	Folio	£	

20X9			
Sept 30 Sales	SB 26	1,100	

General Ledger Sales (page 44)			

20X9			
Sept 30 Credit sales for the month	SB 26	3,520	

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **Review questions**
 - **14.1-14.3**

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- The Purchases Day Book And The Purchases Ledger

Purchase Transaction

```
graph TD; A[Purchase Transaction] --> B[Cash/Bank (Purchase) Transaction]; A --> C[Credit Purchase Transaction]
```

Cash/Bank (Purchase) Transaction

(Only record cash/Bank Transaction)

1. Cash Book (Receipts & Payments)

Credit Purchase Transaction

(Only Credit Transactions)

1. Purchase Day Book

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BOOKS OF ORIGINAL ENTRY

- Purchases Day Book**

Exhibit 15.1

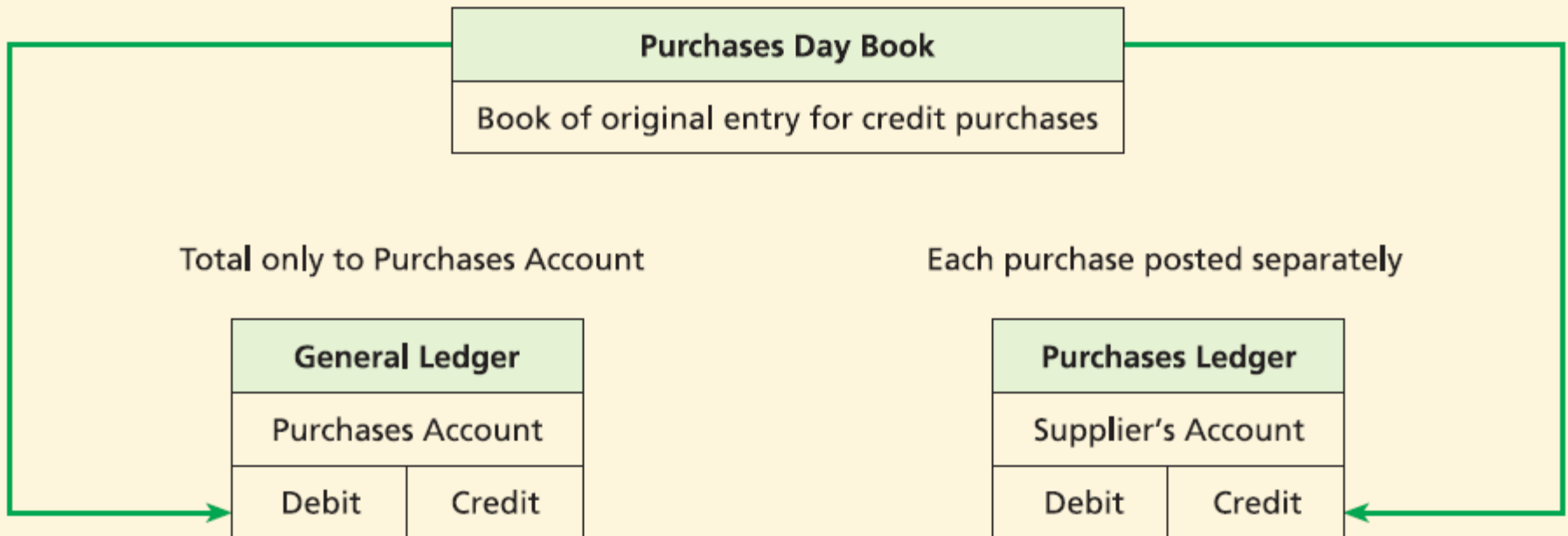
Purchases Day Book				(page 49)	
			Invoice No	Folio	Amount
20X9					£
Sept	1	J Blake	9/101		560
"	8	B Hamilton	9/102		1,380
"	19	C Brown	9/103		230
"	30	K Gabriel	9/104		510
					<u>2,680</u>

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **Posting credit purchases to the purchases ledger**

Exhibit 15.2 Posting credit purchases



Financial Accounting

BOOKS OF ORIGINAL ENTRY

An example of posting credit purchases

The Purchases Day Book in Exhibit 15.1 is now shown again in Exhibit 15.3 but, this time, posting is made to the Purchases Ledger and the General Ledger. Note the completion of the folio columns indicating that the posting had been completed.

Exhibit 15.3

Purchases Day Book				(page 49)	
				Invoice No	Folio
					Amount
20X9					£
Sept	1	J Blake		9/101	560
	8	B Hamilton		9/102	1,380
"	19	C Brown		9/103	230
"	30	K Gabriel		9/104	510
Transferred to Purchases Account				GL 63	<u>2,680</u>

Purchases Ledger				(page 16)	
J Blake					
	20X9			Folio	£
	Sept	1	Purchases	PB 49	560

B Hamilton				(page 29)	
	20X9			Folio	£
	Sept	8	Purchases	PB 49	1,380

C Brown				(page 55)	
	20X9			Folio	£
	Sept	19	Purchases	PB 49	230

K Gabriel				(page 89)	
	20X9			Folio	£
	Sept	30	Purchases	PB 49	510

General Ledger				(page 63)	
Purchases					
20X9				Folio	£
Sept	30	Credit purchases for the month		PB 49	2,680

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BOOKS OF ORIGINAL ENTRY

- **Review questions**
 - **15.1-15.3**

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Semester -1

Section C

7th Aug 20

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BOOKS OF ORIGINAL ENTRY

The Returns Day Books

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BOOKS OF ORIGINAL ENTRY

- **Returns Inwards And Credit Notes**
- **Example of a returns inwards day book**

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 16.2

Returns Inwards Day Book (page 10)			
	Note No	Folio	Amount £
20X9 Sept 8 D Poole	9/37	SL 12	40
" 17 A Brewster	9/38	SL 58	120
" 19 C Vickers	9/39	SL 99	290
" 29 M Nelson	9/40	SL 112	160
Transferred to Returns Inwards Account		GL 114	<u>610</u>

Sales Ledger

D Poole

(page 12)

20X9 Sept 8 Returns inwards	Folio RI 10	£ 40
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A Brewster

(page 58)

20X9 Sept 17 Returns inwards	Folio RI 10	£ 120
---------------------------------	----------------	----------

C Vickers

(page 99)

20X9 Sept 19 Returns inwards	Folio RI 10	£ 290
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M Nelson

(page 112)

20X9 Sept 29 Returns inwards	Folio RI 10	£ 160
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General Ledger

Returns Inwards

(page 114)

20X9 Sept 30 Returns for the month	Folio RI 10	£ 610
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Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 16.4

Returns Outwards Day Book				(page 7)	
			Note No	Folio	Amount
20X9					£
Sept	7	R Grant	9.22	PL 29	40
"	16	B Rose	9.23	PL 46	240
"	28	C Blake	9.24	PL 55	30
"	30	S Saunders	9.25	PL 87	<u>360</u>
Transferred to Returns Outwards Account				GL 116	<u>670</u>

Purchases Ledger R Grant (page 29)

20X9			Folio	£	
Sept	7	Returns outwards	RO 7	40	

B Rose (page 46)

20X9			Folio	£	
Sept	16	Returns outwards	RO 7	240	

C Blake (page 55)

20X9			Folio	£	
Sept	28	Returns outwards	RO 7	30	

S Saunders (page 87)

20X9			Folio	£	
Sept	30	Returns outwards	RO 7	360	

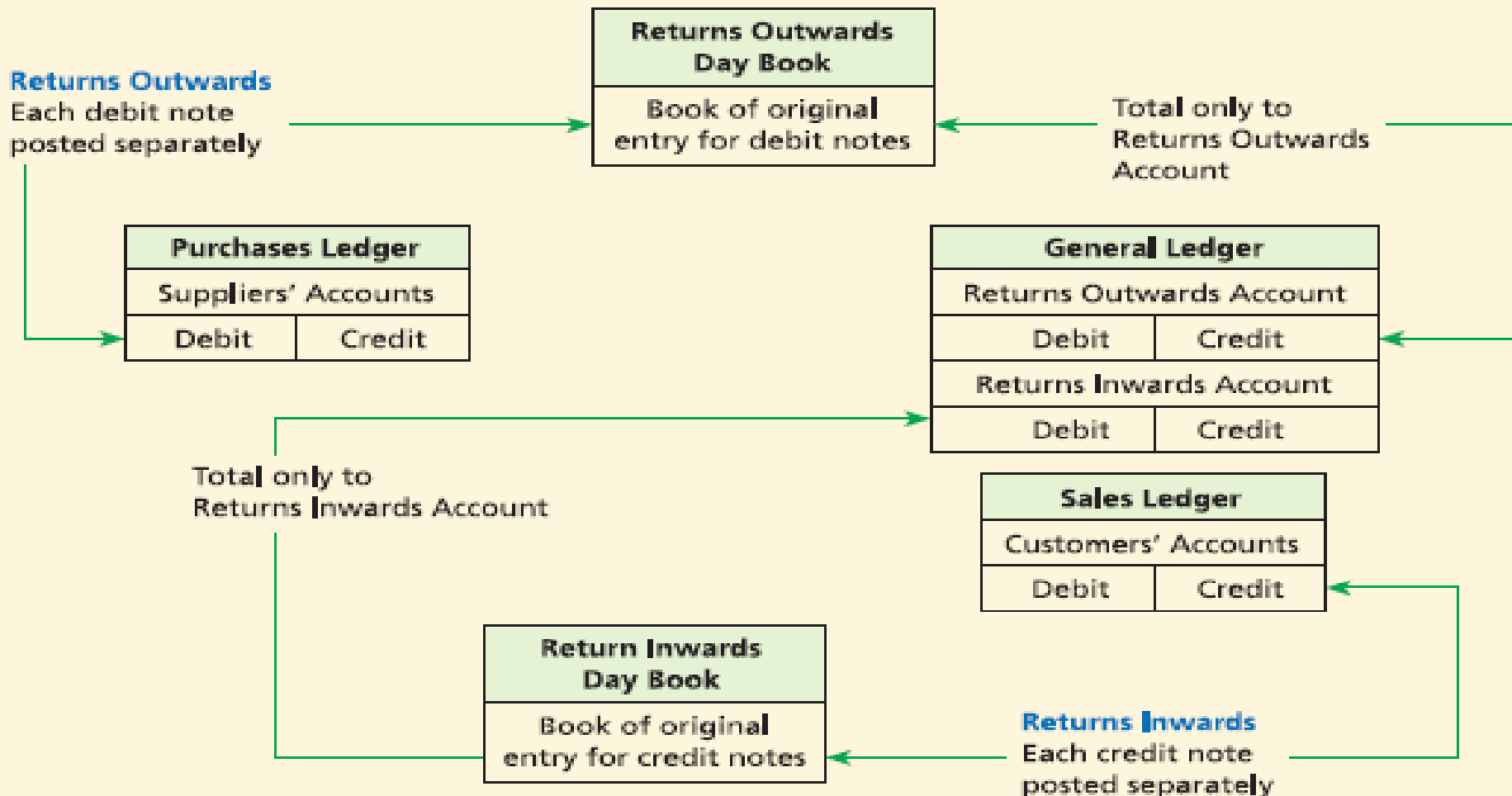
General Ledger Returns Outwards (page 116)

			20X9			Folio	£
			Sept	30	Returns for the month	RO 7	670

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 16.5 Posting returns inwards and returns outwards



Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **Review Questions**
 - **16.1-16.3**

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **Journal**

The Journal				
<i>Date</i>	<i>Details</i>	<i>Folio</i>	<i>Dr</i>	<i>Cr</i>
	The name of the account to be debited. The name of the account to be credited. The narrative.			

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **Typical uses of the journal**
- Some of the main uses of the Journal are listed below. It must not be thought that this is a complete list.
 1. The purchase and sale of fixed assets on credit.
 2. Writing off bad debts.
 3. The correction of errors in the ledger accounts.
 4. Opening entries. These are the entries needed to open a new set of books.
 5. Adjustments to any of the entries in the ledgers.

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 17.2 The accounting cycle for a profit-making organisation

Source documents

Where original information is to be found

- Sales and purchases invoices
- Debit and credit notes for returns
- Bank pay-in slips and cheque counterfoils
- Receipts for cash paid out and received
- Correspondence containing other financial information

Original entry

What happens to it

Classified and then entered in books of original entry:

- The Cash Books*
- Sales and Purchases Day Books
- Returns Inwards and Outwards Day Books
- The Journal

Double entry

How the dual aspect of each transaction is recorded

Double entry accounts

<i>General Ledger</i>	<i>Sales Ledger</i>	<i>Purchases Ledger</i>	<i>Cash Books*</i>
Real and nominal accounts	Debtors' accounts	Creditors' accounts	Cash Book and Petty Cash Book

(*Note: Cash Books fulfil both the roles of books of original entry and double entry accounts)

Check arithmetic

Checking the arithmetical accuracy of double entry accounts

Trial balance

Profit or Loss

Calculation of profit or loss for the accounting period

Trading and Profit and Loss Account

Closing financial position

Financial statement showing liabilities, assets and capital at the end of the accounting period

Balance sheet

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- The Analytical Petty Cash Book And The Imprest System

Exhibit 18.2

Petty Cash Book (page 31)											
Receipts	Folio	Date	Details	Voucher No	Total	Motor Expenses	Staff Travelling Expenses	Postages	Cleaning	Ledger Folio	Ledger Accounts
£ 300	CB 19	Sept 1	Cash		£	£	£	£	£		£
		" 2	Petrol	1	16	16					
		" 3	J Green	2	23		23				
		" 3	Postage	3	12			12			
		" 4	D Davies	4	32		32				
		" 7	Cleaning	5	11				11		
		" 9	Petrol	6	21	21					
		" 12	K Jones	7	13		13				
		" 14	Petrol	8	23	23					
		" 15	L Black	9	5		5				
		" 16	Cleaning	10	11				11		
		" 18	Petrol	11	22	22					
		" 20	Postage	12	12			12			
		" 22	Cleaning	13	11				11		
		" 24	G Wood	14	7		7				
		" 27	C Brown	15	13					PL18	13
		" 29	Postage	16	12			12			
					<u>244</u>	<u>82</u>	<u>80</u>	<u>36</u>	<u>33</u>		<u>13</u>
244	CB 22	" 30	Cash			GL 17	GL 29	GL 44	GL 64		
<u>544</u>		" 30	Balance	c/d	<u>300</u>						
300		Oct 1	Balance	b/d	<u>544</u>						

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 18.3

Cash Book
(Bank and Folio columns only)

(page 19)

	20X8			<i>Folio</i>	£
	Sept	1	Petty cash	PCB 31	300
	"	30	Petty cash	PCB 31	244

General Ledger School Bus Expenses

(page 17)

20X8		<i>Folio</i>	£	
Sept 30	Petty cash	PCB 31	82	

Staff Travelling Expenses

(page 29)

20X8	<i>Folio</i>	£	
Sept 30 Petty cash	PCB 31	80	

Postages

(page 44)

20X8		<i>Folio</i>	£	
Sept 30	Petty cash	PCB 31	36	

Cleaning

(page 64)

20X8		<i>Folio</i>	<i>£</i>	
Sept 30	Petty cash	PCB 31	33	

Purchases Ledger

(page 18)

20X8			<i>Folio</i>	£	20X8				£
Sept	30	Petty cash	PCB 31	13	Sept	1	Balance	b/d	13

Financial Accounting

BOOKS OF ORIGINAL ENTRY

Exhibit 18.2

Petty Cash Book (page 31)											
Receipts	Folio	Date	Details	Voucher No	Total	Motor Expenses	Staff Travelling Expenses	Postages	Cleaning	Ledger Folio	Ledger Accounts
£ 300	CB 19	Sept 1	Cash		£	£	£	£	£		£
		" 2	Petrol	1	16	16					
		" 3	J Green	2	23		23				
		" 3	Postage	3	12			12			
		" 4	D Davies	4	32		32				
		" 7	Cleaning	5	11				11		
		" 9	Petrol	6	21	21					
		" 12	K Jones	7	13		13				
		" 14	Petrol	8	23	23					
		" 15	L Black	9	5		5				
		" 16	Cleaning	10	11				11		
		" 18	Petrol	11	22	22					
		" 20	Postage	12	12			12			
		" 22	Cleaning	13	11				11		
		" 24	G Wood	14	7		7				
		" 27	C Brown	15	13					PL18	13
		" 29	Postage	16	12			12			
					<u>244</u>	<u>82</u>	<u>80</u>	<u>36</u>	<u>33</u>		<u>13</u>
244	CB 22	" 30	Cash			GL 17	GL 29	GL 44	GL 64		
		" 30	Balance	c/d	300						
<u>544</u>					<u>544</u>						
300		Oct 1	Balance	b/d							

Exhibit 18.3

Cash Book (Bank and Folio columns only) (page 19)					
20X8				Folio	£
Sept 1	Petty cash			PCB 31	300
" 30	Petty cash			PCB 31	244
General Ledger School Bus Expenses (page 17)					
20X8		Folio	£		
Sept 30	Petty cash	PCB 31	82		
Staff Travelling Expenses (page 29)					
20X8		Folio	£		
Sept 30	Petty cash	PCB 31	80		
Postages (page 44)					
20X8		Folio	£		
Sept 30	Petty cash	PCB 31	36		
Cleaning (page 64)					
20X8		Folio	£		
Sept 30	Petty cash	PCB 31	33		
Purchases Ledger C Brown (page 18)					
20X8		Folio	£	20X8	
Sept 30	Petty cash	PCB 31	13	Sept 1	Balance
					b/d
					£ 13

Financial Accounting

BOOKS OF ORIGINAL ENTRY

- **Review questions**
 - **18.1 & 18.3A**

Financial Accounting

Adjustments For Financial Statements

- **Adjustments For Financial Statements**
- Capital expenditure and revenue expenditure
 - Depreciation of fixed assets: nature and calculations
 - Double entry records for depreciation
- Bad debts, provisions for doubtful debts, and provisions for discounts on debtors
- Accruals and prepayments and other adjustments for
- financial statements
- Bank reconciliation statements
- Control accounts
- Errors not affecting trial balance agreement
- Suspense accounts and errors

Financial Accounting

Adjustments For Financial Statements

- Capital expenditure and revenue expenditure

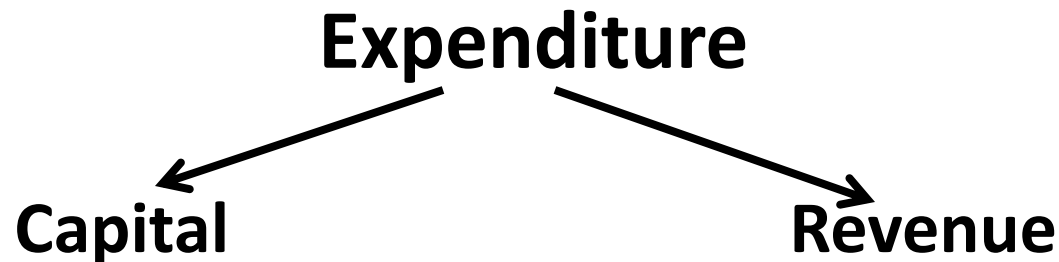
Depreciation of fixed assets: nature and calculations

Double entry records for depreciation

Financial Accounting

Adjustments For Financial Statements

- Capital expenditure and revenue expenditure



Included in such amounts should be spending on

- acquiring fixed assets
- bringing them into the business
- legal costs of buying buildings
- carriage inwards on machinery bought
- any other cost needed to get a **fixed asset ready for use**

Expenditure which is not spent on increasing the value of fixed assets, but on running the business on a day-to-day basis, is known as **revenue expenditure**.

Financial Accounting

Adjustments For Financial Statements

- Differences between capital and revenue expenditure

Exhibit 24.1

Expenditure	Type of Expenditure
1 Buying van	Capital
2 Petrol costs for van	Revenue
3 Repairs to van	Revenue
4 Putting extra headlights on van	Capital
5 Buying machinery	Capital
6 Electricity costs of using machinery	Revenue
7 We spent £1,500 on machinery: £1,000 was for an item (improvement) added to the machine; and £500 was for repairs	Capital £1,000 Revenue £500
8 Painting outside of new building	Capital
9 Three years later – repainting outside of building in (8)	Revenue

Financial Accounting

Adjustments For Financial Statements

Machine Cost Calculation

List Price	100,000.00
Less Trade Discount	(2,000.00)
Invoice Price	<u>98,000.00</u>
less Cash Discount	(5,000.00)
Machine Purchase price	<u>93,000.00</u>

Add : Other Expenditures

Transportation	15,000.00
Insurance In transit	2,000.00
Import Duties	2,000.00
Transportation	1,500.00
Foundation	20,000.00
Installation	5,500.00
Trial run	2,000.00

Total Expenditure	<u>48,000.00</u>
--------------------------	------------------

Total Machine Cost

<u>141,000.00</u>

Financial Accounting

Adjustments For Financial Statements

	Dr	Cr
Machine	93,000	
Bank		93,000
<hr/>		
Machine	48,000	
Bank		48,000
<hr/>		

Machine	
	93,000
	48,000
	<hr/>
	141,000

Thank You