
Tassio Gomes: responses from B190_1

Introduction to bookkeeping and accounting

1.9 Table of equivalencies

Activity 11

Use the box below to record your answers for the gaps in the table. The first one is done for you. Answers required in decimals should be rounded off to two decimal points. Answers required in fractions should be written in the lowest possible terms.

Table 3

<i>Percentage</i>	<i>Decimal</i>	<i>Fraction</i>
1%	0.01	1/100
2%	0.02	2/100
5%	0.05	5/100
10%	0.1	1/10
20%	0.2	2/10
25%	0.25	2.5/10
33 1/3%	0.33	33/100
50%	0.5	2.5/5
66%	0.66	2/3
75%	0.75	3/4
100%	1.0	100/100
200%%	1.5	2/1

[...]

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2.4 A simplified UK balance sheet format

Activity 16

Fill in the missing values in Table 10 in order to prepare a new balance sheet after each of the six transactions by Edgar Edwards Enterprises we have seen in Section 2.3. (The first and last columns have been done for you.). You may find it easier to work on a piece of paper before inputting your answers into the box.

Table 10

	1 July 20X2 £	2 July 20X2 £	3 July 20X2 £	4 July 20X2 £	5 July 20X2 £	6 July 20X2 £
Assets						
Furniture	0	400	400	400	400	400
Computer	0	0	600	600	600	600
Bank	5,000	5000	4400	9400	9200	9,150
Total Assets (A)	5,000	5400	5400	10400	10200	10,150
Liabilities						
Bank loan	0	0	0	5000	5000	5,000
Creditors	0	400	400	400	200	200
Total liabilities (L)	0	400	5400	5400	5200	5,200
Net Assets (A- L)	5,000	5000	5000	5000	5000	4,950
Capital (C)	5,000	5000	5000	5000	5000	4,950
[...]						

It can be clearly seen in the six balance sheets above that each new financial transaction leads to new figures in the accounting equation $A - L = C$ and thus a new balance sheet. Normally, however, it is not seen as useful information to have a new balance sheet after each transaction. Rather, an ongoing record or account is kept of each sub-heading or sub-category in the balance sheet (Furniture, Computer, Bank, Bank loan, etc.) and at the end of the financial period the final figures or balances for all the individual sub-categories are put together to produce an end-of-period balance sheet.

These sub-categories in the balance sheet correspond to the accounts in a book called the nominal ledger or general ledger or ledger for short. (Ledger is an old word that means book.) There would thus be a ledger account called 'Bank', for example, which records every financial transaction affecting the bank. After each relevant transaction involving the bank account, the net figure or balance in the bank account would either go up or down.

[...]

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3.1 Making a profit and generating cash

Activity 18

Use the box below to complete answers for Table 13. Indicate the effect (either none, increase or decrease) on profit and/or cash of the following eight transactions. The first four transactions relate to the transactions completed in Activity 17 while the last four transactions refer to likely further transactions of the businesses in Activity 17.

[...]

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1. NONE, INCREASE
2. NONE, DECREASE
3. INCREASE, INCREASE
4. INCREASE, NONE
5. NONE, INCREASE
6. NONE, DECREASE
7. NONE, DECREASE
8. NONE, DECREASE

[...]

* It is only when stock is sold that there is an effect on profit. Later in this section you will see that when stock is sold the value of the stock that is sold becomes an expense called cost of sales. At that stage there is an effect on profit, but only an effect on cash if the goods or stock is sold for cash not credit.

** This increase in profit assumes the normal situation where goods are sold for more than they are bought – such as the example of the CDs in Activity 17. If goods are sold for less than they are bought then the effect will be a decrease in profit.

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