



Accounts preparation

Webinar notes

Accruals concept

Features of the accruals concept:

- Income from sales is reported in the Income Statement in the period in which the sale takes place which may not be the same period in which payment is received
- Cost of sales is all costs incurred in making those sales, whether or not payment has been made
- Selling, distribution and administration charges are charged in the Income Statement in the period to which they relate which may not be the same period as incurred.

Reminder of the effects of debiting and crediting ledger accounts

DEBIT	CREDIT
Increase an asset	Increase a liability
Decrease a liability	Decrease an asset
Increase a cost	Increase income
Decrease income	Decrease a cost

Accrued expenses

Accrued expenses: a provision for revenue expenses that relate to the accounting period but that have not yet been invoiced.

Prepaid expenses

Prepaid expenses: an adjustment for expenses that have been invoiced in advance of any services or goods being provided

Accrued income

A provision for income that relates to the accounting period but that has not yet been invoiced.

Prepaid income

An adjustment for income that has been invoiced in advance of any services or goods being provided

Disclosure

The Business Statement of Financial Position At 31 December 2013

Non-current assets

	Cost £	Acc. Depn £	Carrying amount £
Fixtures	20,000	4,000	16,000

Current assets

Inventory		2,500	
Trade receivables		6,200	
Prepayments and accrued income		5,020	
		<u>13,720</u>	

Less: Current liabilities

Trade payables	3,800		
Accruals and prepaid income	<u>2,010</u>		
		<u>5,810</u>	
			<u>7,910</u>
			<u>23,910</u>

FINANCED BY

Capital

Opening capital			10,510
Add: Profit for the year			<u>25,400</u>
			35,910
Less: Drawings			<u>12,000</u>
Closing capital			<u>23,910</u>

Summary

Item	Effect	Double entry posting	Disclosure
Accrued expenses			
Prepaid expenses			
Accrued Income			
Prepaid Income			

ACTIVITY 1

General ledger:

Account name	Debit £	Credit £

ACTIVITY 2

General ledger:

Account name	Debit £	Credit £

ACTIVITY 3

General ledger:

Account name	Debit £	Credit £

ACTIVITY 4

General ledger:

Account name	Debit £	Credit £

ACTIVITY 5

Motor expenses					
Date	Details	£	Date	Details	£
31/12/13	Expense for year	4,896			