

16.2 A drill to practise recording transactions and transferring balances to a simple P&L Account

For each separate business below, record the given transactions on the relevant accounts, balance the accounts if necessary, and prepare a P&L Account at the end of the period.

Business 1

1. owner puts £1 500 into a bank account for the business
2. business buys goods on credit for £1 800
3. business sells goods on credit for £2 100

NOTE goods value £800 remain in stock at the end of the period

<i>Bank</i>	
(1)	1 500

<i>Capital</i>	
(1)	1 500

<i>Purchases</i>	
(2)	<u>1 800</u>
	to P&L <u>1 800</u>

<i>Promises from/to Supplier</i>	
(2)	1 800

<i>Promises from/to Customer</i>	
(3)	2 100

<i>Sales</i>	
to P&L	<u>2 100</u>
(3)	<u>2 100</u>

<i>P&L Account</i>			
<i>purchases</i>	1 800	<i>sales</i>	2 100
<i>c/f</i>	<u>1 100</u>	<i>closing stock</i>	800
	<u>2 900</u>		<u>2 900</u>
		<i>b/f profit</i>	1100

<i>Stock</i>	
from P&L	800

1. owner puts £5 000 into a bank account for the business
2. business buys goods on credit for £4 700
3. business sells goods on credit for £3 000

NOTE goods value £700 remain in stock at the end of the period

Bank	
(1)	5 000

	<i>Capital</i>	
	(1)	5 000

<i>Purchases</i>			
(2)	<u>4 700</u>	to P&L	<u>4 700</u>

<i>Promises from/to Supplier</i>	
	(2) 4 700

<i>Promises from/to Customer</i>	
(3)	3 000

	Sales		
to P&L	<u>3 000</u>	(3)	<u>3 000</u>

<i>P&L Account</i>			
<i>purchases</i>	4 700	<i>sales</i>	3 000
		<i>closing stock</i>	700
		<i>c/f</i>	1 000
	<u>4 700</u>		<u>4 700</u>
<i>b/f loss</i>	1 000		

Stock	
from P&L	700

1. owner puts £3 000 into a bank account for the business
2. business buys goods on credit for £1 900
3. business returns goods value £400 to supplier
4. business sells goods on credit for £500

<i>Bank</i>			
(1)	3 000		
<i>Purchases</i>			
(2)	1 900	(3)	400
		<i>c/f</i>	1 500
	<u>1 900</u>		<u>1 900</u>
<i>b/f</i>	<u>1 500</u>	<i>to P&L</i>	<u>1 500</u>

<i>Capital</i>			
		(1)	3 000
<i>Promises from/to Supplier</i>			
(3)	400	(2)	1 900
c/f	1 500		
	<u>1 900</u>		<u>1 900</u>
		b/f	1 500

<i>Promises from/to Customer</i>	
(4)	500

Sales			
to P&L	<u>500</u>	(4)	<u>500</u>

P&L Account			
<i>purchases</i>	1 500	<i>sales</i>	5 000
		<i>closing stock</i>	1 000
	<u>1 500</u>		<u>1 500</u>

		Stock
from P&L	1 000	

1. owner puts £750 into a bank account for the business
2. business buys goods on credit for £600
3. business sells goods for £600 on credit

The diagram illustrates the flow of funds between various accounts, organized into four rows of T-accounts.

- Row 1:**
 - Bank:** Debit side has (1) 750. Credit side is empty.
 - Capital:** Debit side is empty. Credit side has (1) 750.
- Row 2:**
 - Purchases:** Debit side has (2) 600. Credit side has to P&L 600.
 - Promises from/to Supplier:** Debit side is empty. Credit side has (2) 600.
- Row 3:**
 - Promises from/to Customer:** Debit side has (3) 600. Credit side is empty.
 - Sales:** Debit side has to P&L 600. Credit side has (3) 600.
- Row 4:**
 - P&L Account:**
 - Debit side: purchases 600, c/f 50. Total debit 650.
 - Credit side: sales 600, closing stock 50. Total credit 650. Below the credit side is b/f profit 50.
 - Stock:** Debit side has from P&L 50. Credit side is empty.