Lesson No 03
Additional Material

Make Your Concepts Clear Here about "Capital And Revenue Expenditure"

LIST OF ITEMS CHARGEABLE TO REVENUE EXPENDITURES

1. All expenses incurred in the ordinary conduct and administration of the business, such as rent, salaries, taxes, insurance, commission discount, advertising, stationery and printing etc.
2. Expenses incurred for maintaining the earning capacity of the asset such as repairs, renewals, etc.
3. Cost of raw material for manufacturing of finished goods.
4. Cost of goods for resale.
5. Interests paid on loans taken for the short period.
6. Annual fees paid for renewal of patents.
7. Repairs and white-washing of office rooms.
8. Depreciation of fixed assets.
9. Annual amount written off the lease.
10. Maintenance of office car, or motor van including replacement of tyres, tubes, wheels, etc.
11. Wages paid for manufacture of products for sale.
12. Maintenance of Electric lights and fittings.
13. Freight and carriage paid on merchandise purchased.
14. Loss arising from the sale of floating assets.
15. Services charges to Motor Vehicles.
16. Oil to lubricate machines.
17. Petrol consumed in motor Vehicles.
18. Replacement cost of a small worn part of machinery.

Lesson No 03
Additional Material

Make Your Concepts Clear Here
about
"Capital And Revenue Expenditure"

LIST OF ITEMS CHARGEABLE TO CAPITAL EXPENDITURES

1. Payment for intangible assets such as cost of goodwill, patent rights, copy rights, trade marks etc.
2. Cost of free-hold, land and building plant and machinery, furniture and fixtures office equipment, etc.
3. Cost of lease acquired.
4. Expenditure on installation of plant and machinery.
5. Cost of office equipment, motor van or any other motor vehicle.
6. Additions or extensions of existing fixed assets.
7. Structural improvements or alteration to existing assets in order to increase their earning capacity.
8. Legal charges and stamp duty paid on the acquisition of fixed assets.
9. Development expenses in case of Mines and Plantations.
10. Administration expenses in industrial enterprises incurred during period of construction and equipment.
11. Cost of experimenting when the some results ultimately in acquisition of a patent.
12. Cost of issue of shares and debentures.
13. Legal expenses on loans and mortgage.
14. Interest on capital during construction period.
15. Legal expenses incurred in raising a loan for the purchase of fixed assets.
16. Premium given for a lease.
17. Cost of shifting the business from an old place to a new and better site.
18. Wages paid for the construction of building.

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Make Your Concepts Clear Here about "Capital And Revenue Expenditure"

Distinction between Capital Expenditures and Revenue Expenditures

S.No	Capital		Revenue
1	Expenditure incurred for the acquisition of fixed assets which are retained in the business for the purpose of earning profit and not for resale such a land and building plant and machinery etc.	1	These are the expenditures incurred on the purchase of floating assets i.e. for resal purpose such as cost c merchandise raw material used ii producing the goods or the cost of goods purchased for resale.
2	The benefits of the capital expenditures are enjoyed for many years to come.	2	The benefits of the revenue expenditures are exhausted within the current accounting year.
3	It is incurred for the purchase of fixed asset such as machinery furniture etc.	3	It is incurred to maintain the fixed assets in proper working condition such as repair of building and machinery etc.
4	Its physical existence can be seen with eyes.	4	Revenue expenditure has got no physical existence.
5	It appears in the balance sheet until it is fully exhausted.	5	It appears only in the Income Statement of the relevant year.
6	It is incurred only once i.e. at the time of the purchase of fixed asset.	6	It is incurred repeatedly again and again i.e. it is recurring and regular such as salaries, rent taxes, etc.
7	It is incurred for increasing and improving the earning capacity of the business.	7	It is incurred for to maintaining the earning capacity of the business.
8	It does not reduce the revenue of the concern. Purchase of fixed asset does not affect revenue.	8	It reduces revenue, for instance, payment of salaries to employees decreases revenue.
9	A portion of this expenditure is shown in Income statement or Income and Expenditure statement	9	The whole amount of this expenditure is shown the Income Statement or income and expenditure account.