

CAPITAL & REVENUE EXPENDITURE & INCOMES

Q.1 State with reasons whether the following are capital or revenue or deferred revenue expenses:

- (1) Payment for purchase of goods.
- (2) Payment for purchase of stationery.
- (3) Payment for purchase of car.
- (4) Payment of heavy inaugural expenses.
- (5) Partial refund of capital to a partner.
- (6) Repayment of loan taken earlier.
- (7) Payment of Salaries.
- (8) Wages paid of erection of machinery.
- (9) Expenses for air-conditioning a cinema hall.
- (10) Expenses for increasing the seating capacity of an auditorium.
- (11) Expenses on replacing or repairing the damaged seats of a theatre.
- (12) Cost of experiments.
- (13) Expenses for preparing a project report.
- (14) Amount spent on uniform of workers.
- (15) Expenditure for training workers for better running of machinery.

Q.2.State whether the following expenses are Capital, Revenue or Deferred Revenue with reasons supporting your answer?

- (1) Legal expenses incurred in connection with issue of capital.
- (2) Cost of replacement of a defective part of the machinery.
- (3) Expenditure incurred for repairing cinema screen.
- (4) White-washing of the factory building.
- (5) Expenses for painting of a new factory building.

Q.3.State with reasons the nature of each of the following expenses:

- (1) Wages paid for construction of the building extension.
- (2) Import duty on raw material purchased.
- (3) Cost of changing the petrol engine of a car to a diesel engine.
- (4) Cost of redecorating a cinema house and improving its seating capacity.
- (5) Cost of alteration to a cinema hall in accordance with the changes in municipal law.
- (6) Expenses the benefit of which is consumed within a year.
- (7) Revenue Expenses the benefit of which is consumed within 2 to 5 years
- (8) Expenses the benefit of which continues for several years.

Q.4. State whether the following incomes are capital or revenue with reasons:

- (1) Receipt of commission.
- (2) Receipt of a loan
- (3) Receipt of Capital from a partner.
- (4) Sale proceeds of goods.
- (5) Recovery of a debt previously written off as bad debts.
- (6) Proceeds of machinery sold at a loss.
- (7) Rent received in advance
- (8) All receipts normally found in Profit & Loss Account.

Q.5. Management of Mahatma College, Thane has started a new information & Technology Center recently for the benefit of the students. State whether the following are Capital or Revenue and Give reasons:

- (1) A new building is constructed in the college campus only & amount incurred for the ultra modern design of the building Rs.75,000/-
- (2) The center purchased 30 Computers at a cost of Rs.8,00,000/-
- (3) Management appointed 10 instructors at a salary of Rs.7,000/- p.m.
- (4) Management charged fees at a concessional rate & received Rs.70,000/- as monthly fees from the students & Rs.30,000 as admission fees.
- (5) Management received Rs.2,00,000 as donation from various sources.
- (6) Rs. 1,00,000 were incurred for furniture.

(7) Computer maintenance contract was given to Zenith Agencies for rs.1,00,000 for 3 years.

(8) Internet connections taken through VSNL at a cost of Rs.80,000.

Q.6. Determine whether the following expenditure is Capital or Revenue expenditure.

- (1) Repairs of building.
- (2) Legal expenses incurred in connection with issue of share capital.
- (3) Amount realised from sale of machinery.
- (4) Amount brought by the proprietor as Capital.
- (5) Building costing Rs.20,000 sold for Rs.15,000.

Q.7. State whether the following are Capital or Revenue.

- (1) Replacement of worn out Tyre of delivery van.
- (2) Claim received from Insurance Co. on fire destroying one machine.
- (3) Gift received from a relative.
- (4) Renewal of factory licence.

Q.8. State whether the following are Capital or Revenue items (give reasons any 6)

- (a) Interest received on Loan.
- (b) Sales tax refund receipt.
- (c) Cost of issue of Shares.
- (d) Purchase of umbrella foe employees.
- (e) Cost of goodwill purchased.
- (f) Cost of transporting newly purchased Furniture.
- (g) Preliminary Expenses.

Q.9. Classify the following into Capital or Revenue & give reasons in one-two lines:

- (1) Cost of Rs.60,000 for dismantling, removing and reinstalling a plant by Nagarjun Sugar Mills for more suitable locality.
- (2) Imported trading goods worth Rs.25,000 confiscated by custom authority for non disclosure of material facts.
- (3) A petrol driven engine car was replaced by diesel engine.
- (4) Cost of whitewashing of factory building Rs.10,000.
- (5) Rs.1,50,000 paid for excise duty on Sugar manufactured.
- (6) Rs.1,00,000 received from ICICI as Loan.
- (7) A motor truck costing Rs.15,000 & standing in the books at Rs.7,500 was sold for Rs.12,000.
- (8) Rs.50,000 invested in IDBI Flexi Bonds on 1st Jan .2001
- (9) Rs.4,000 received as interest on Bonds.

Q.10. Classify the following between Capital and Revenue Expenditure giving brief reason in each case:

- (1) Preliminary Expenses
- (2) Payment for purchase of a Car.
- (3) Payment for purchase of goods.
- (4) Payment for heavy inaugural Expenses.
- (5) Payment for loan taken earlier.

Q.11.State with reasons, whether you consider the following as Capital Expenditure or Revenue Expenditure.

- (1) Amount Spent on Uniform of Workers.
- (2) White Washing of Factory Building.
- (3) Cost of Stores consumed in manufacturing machinery for installation in own factory.
- (4) Wages paid for construction of building extension.
- (5) Import duty on raw material purchased.
- (6) Premium paid in connection with acquisition of leasehold premises.

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