

## Capital and revenue expenditure and receipts

**J11/21**

5(c) (i) State the difference between capital expenditure and revenue expenditure.

.....  
.....  
.....  
.....  
..... [2]

(ii) State the difference between capital receipts and revenue receipts.

.....  
.....  
.....  
.....  
..... [2]

**J12/12**

4 Bamber is a manufacturer. He knows that it is important to distinguish between capital expenditure and revenue expenditure.

REQUIRED

(a)(i) Explain the effect on Bamber's income statement of recording capital expenditure as revenue expenditure.

.....  
.....  
.....  
..... [2]

(ii) Explain the effect on Bamber's Statement of Financial Position of recording capital expenditure as revenue expenditure.

.....  
.....  
.....  
..... [2]

On 1 April 2011 Bamber bought a new computer for his business costing \$4800. He also bought a new laser printer costing \$750.

On 1 January 2012 Bamber replaced the hard disk in the computer as the existing one had failed. The cost was \$450.

**REQUIRED**

- (b) In the table below, place a tick (✓) under the most appropriate heading to show whether the item is capital or revenue.

	Capital Expenditure	Revenue expenditure
Purchase of new computer		
Purchase of new laser printer		
Replacement of hard disk in computer		

[3]

Bamber decided to depreciate the capital items using the straight line method. He considered the useful life of the items would be three years and that they would have a total scrap value of \$600 at the end of this time.

**REQUIRED**

- (c)(i) Calculate the depreciation for the year ended 31 March 2012. Show your workings.

.....

.....

.....

.....

.....

.....[4]

- (ii) Calculate the net book value of the assets at 31 March 2012. Show your workings.

.....

.....

.....

.....[2]

When preparing his Statement of Financial Position, Bamber wishes to show his assets in the correct category.

REQUIRED

(d) In the following table, place a tick (✓) under the heading to show the correct category of each asset.

	Non-current tangible asset	Non-current intangible asset	Current asset
Office building			
Motor vehicle			
Goodwill			
Work in progress			

[4]

[Total: 17]

**J13/11**

2(a) Ravi is a retailer of garden furniture. Complete the table below, using a tick (✓) to indicate how each item would be classified. The first one has been completed as an example.

	Capital Receipt	Revenue Receipt	Capital Expenditure	Revenue expenditure
Rent received		✓		
Proceeds of sale of vehicle				
Purchase of goods for Resale				
Discount allowed				
Discount received				
Legal fees on purchase of property				

[5]

**N13/13**

6(d) Complete the table below using a tick (✓) to indicate how each item would be classified. The first one has been completed as an example.

	Capital expenditure	Capital receipt	Revenue expenditure	Revenue receipt
Rental income				✓
Purchase of goods for resale				
Purchase of equipment				
Proceeds of sale of fixtures				
Payment of advertising				
Credit sales				
Discount allowed				

[6]

(e) Name the financial statement in which the following are shown.

1 Capital expenditure

.....

2 Revenue expenditure

.....[2]

**J14/12**

6 (a) Explain the difference between capital expenditure and revenue expenditure.

.....

.....

.....

.....[2]

(b) Complete the table below, indicating with a tick (✓) how each item would be classified. The first has been completed as an example.

	Capital expenditure	Revenue expenditure
Salesman's commission		✓
Carriage of raw materials		
Purchases of goods for resale		
Purchases of plant and equipment		
Payment of insurance		
Legal fees on purchase of property		

[5]

**J14/21**

2(e) Define the following terms.

Capital receipts

.....

.....

Capital expenditure

.....

.....

Revenue receipts

.....

.....

Revenue expenditure

.....  
.....[4]

- (f) On 31 March 2014 Leroy Smith discovered that an item of revenue expenditure had been recorded as capital expenditure.

Complete the following table by putting ticks (✓) in the correct columns to indicate the effect of this error on the non-current assets and the profit for the year.

non-current assets at 31 March 2014		profit for the year ended 31 March 2014	
Overstated	Understated	Overstated	Understated

[2]

**N14/23**

- 2(g) Explain the following terms.

Capital expenditure

.....  
.....

Revenue expenditure

.....  
.....

Capital receipts

.....  
.....

Revenue receipts

.....  
.....[4]

On 31 October 2014 Alina Tan discovered that an item of capital expenditure had been recorded as revenue expenditure.

**REQUIRED**

- (h) Complete the following table by putting a tick (✓) in the correct columns to indicate the effect of this error on the non-current assets and the profit for the year.

non-current assets at 31 March 2014		profit for the year ended 31 March 2014	
Overstated	Understated	Overstated	Understated

[2]

**J15/22**

- 3(c) State the meaning of the following terms.

Capital expenditure

.....  
 .....

Revenue expenditure

.....  
 ..... [2]

On 31 March 2015 Akhtar Hussain discovered that an item of revenue expenditure had been recorded as capital expenditure.

**REQUIRED**

- (d) Complete the following table by putting a tick (✓) in the correct column to indicate the effect of this error on the non-current assets and the profit for the year.

	Overstated	Understated
non-current assets at 31 March 2015		
profit for the year ended 31 March 2015		

[2]

**N15/12**

6(a) Complete the following sentences using the words

*capital          current          non-current          overstated          revenue          understated*

..... expenditure relates to the purchase of an asset which will last for more than 12 months.

..... expenditure relates to the day-to-day running costs of the business or the purchase of a  
..... asset.

A capital receipt arises when a ..... asset is sold.

If an item of capital expenditure is wrongly recorded as revenue expenditure profit will be .....

If an item of revenue expenditure is wrongly recorded as capital expenditure profit will be ..... [6]

**N15/13**

3(c) Give **one** example of a capital receipt.

.....[1]

(d) Complete the following table using a tick (✓) to indicate if **each** item is capital or revenue expenditure.

	Capital Expenditure	Revenue expenditure
Purchase of inventory		
Purchase of stationery		
Legal fees on purchase of land		
Construction costs of factory		

[4]

**N16/23**

**3** On 31 October 2016 the following transactions took place.

- 1 Kristy transferred her personal computer system to the business. When purchased it cost \$1 200 and was now valued at \$740.
- 2 An invoice was received from Comp4u for \$266, consisting of \$40 for repairs to the computer system and \$226 for a new printer.

**REQUIRED**

**(c)** Prepare journal entries to record the transactions which took place on 31 October 2016. Narratives are required.

Kristy  
Journal

	Debit \$	Credit \$

[7]

During the year ended 31 October 2016 the payments made by Kristy included both capital and revenue expenditure.

**REQUIRED**

**(d)** Complete the following table by placing a tick (✓) in the correct column to show whether each payment is capital expenditure or revenue expenditure.

	Capital Expenditure	Revenue expenditure
Wages paid to employees to build new office block		
Insurance premium for new office block		
Cost of painting new office block		
Cost of moving furniture into new office block		

[4]

J17/11

3 Zameer has a financial year end of 28 February.

He extracted the following ledger balances from his books of account on 21 February 2017.

	\$
Purchases	67 210 debit
Rent payable	6 600 debit

Zameer's purchases journal for the week ended 28 February 2017 was as follows:

Zameer  
Purchases Journal

Date	Name	\$
Feb 22	Qasim	500
25	Farid	270
27	Qasim	190
		<b>960</b>

Zameer's cash book recorded a payment, \$1 800, made on 25 February by credit transfer. This payment was for rent for the three months ending 30 April 2017.

**REQUIRED**

(d) State whether Zameer's payments were capital expenditure or revenue expenditure.

Purchases .....

Rent .....

[2]

(e) (i) Give **one** example of a revenue receipt.

.....

(ii) Give **one** example of a capital receipt.

..... [2]

**N17/11**

4 Bayani also bought a motor vehicle. The costs relating to the purchase were as follows:

	\$
cost of vehicle	17 200
number plates	120
fuel	80
insurance of vehicle	450

**REQUIRED**

(g) Complete the following table, indicating with a tick (✓) whether each item is a capital expenditure or a revenue expenditure.

	capital expenditure	revenue expenditure
cost of vehicle		
number plates		
Fuel		
insurance of vehicle		

[4]

(h) Give **one** example of a capital receipt.

.....[1]

**N17/22**

5(c) Explain **each** of the following terms and give **one** example of each.

Capital expenditure

Explanation

.....  
 .....

Example

.....

Revenue expenditure

Explanation

.....  
 .....

Example

.....

Revenue receipts

Explanation .....

.....

Example .....[6]

**J18/22**

2 Sophia is a food wholesaler. Her receipts and payments during the financial year ended 31 March 2018 included both capital and revenue items.

**REQUIRED**

(a) State the meaning of **each** of the following terms and give an example of each.

Capital expenditure

Meaning .....  
.....  
.....  
.....  
Example .....

Capital receipt

Meaning .....  
.....  
.....  
.....  
Example .....

Revenue expenditure

Meaning .....  
.....  
.....  
.....  
Example .....

Revenue receipt

Meaning .....  
.....  
.....  
.....  
Example ..... [8]

**N18/11**

2 (f) Complete the following sentences.

Money spent on purchasing or improving non-current assets is known as .....  
.....

Money spent on the day-to-day running of a business is known as .....  
..... [2]

## N18/12

4 Most businesses have receipts and payments which include both capital and revenue items.

### REQUIRED

(a) Complete the table by inserting a tick (✓) to show how **each** item should be classified. The first one has been completed as an example.

	Capital Expenditure	Revenue Expenditure	Capital Receipt	Revenue receipt
Motor vehicle repairs		✓		
Legal fees on purchase of office building				
Purchase of goods for resale				
Insurance of plant and equipment				
Proceeds of sale of fixtures at net book Value				
Discount received from supplier				

[5]

## J19/11

3 Kadar purchased the motor vehicle on 30 March 2019. He entered the total amount paid in the motor vehicle account. The total paid consisted of the following.

	\$
cost of motor vehicle	16 000
1 year's insurance	420
delivery charge	350
fuel	80
	<u>16 850</u>

### REQUIRED

(d) State whether **each** cost is capital expenditure or revenue expenditure. Give a reason for your answers. The first item has been completed as an example.

Cost	Type of expenditure	Reason
cost of motor vehicle	Capital	<i>This is the cost of purchasing a non-current asset which will be kept for over 12 months</i>
1 year's insurance		
delivery charge		
Fuel		

[6]

**J19/12**

2 Nabil owns a food store. He purchases goods on credit terms and sells on cash terms.

Nabil's financial year ends on 31 March.

Nabil's receipts and payments during the year ended 31 March 2019 included both capital and revenue items.

**REQUIRED**

(a) State whether **each** of the following represents capital expenditure, revenue expenditure, a capital receipt or a revenue receipt. The first one has been completed as an example.

Payment of annual insurance premium	<i>revenue expenditure</i>	
Purchases of goods for resale	.....	
Proceeds of sale of old shop fittings at book value	.....	
Cost of new shop fittings	.....	
Delivery charge on new shop fittings	.....	
Cash sales	.....	
Loan from bank	.....	[6]

**N19/21**

5 Lili's receipts and payments during the financial year ended 31 July 2019 included both capital and revenue items.

**REQUIRED**

(e) State the meaning of **each** of the following terms.

Capital expenditure  
.....  
.....

Capital receipt  
.....  
.....

Revenue expenditure  
.....  
.....

Revenue receipt  
.....  
..... [4]

**N19/22**

- 2 Amelia opened a business on 1 April 2017. On that date she made the following payments by bank transfer.

	\$
Premises	100 000
Office furniture	3 450
Carriage on office furniture	50
Stationery and small office equipment	30
Legal expenses on purchase of premises	1 400
Computer equipment	1 600
Installation of computer equipment	100
Ink cartridges and printer paper	40

**REQUIRED**

- (a) Complete the table by placing a tick (✓) in the correct column to indicate whether **each** payment is capital expenditure or revenue expenditure.

Payment	Capital Expenditure	Revenue expenditure
Premises		
Office furniture		
Carriage on office furniture		
Stationery and small office equipment		
Legal expenses on purchase of premises		
Computer equipment		
Installation of computer equipment		
Ink cartridges and printer paper		

[6]