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Accountancy Class XI

Chapter 2 Basic Accounting Terms | With Sarita Ma'am



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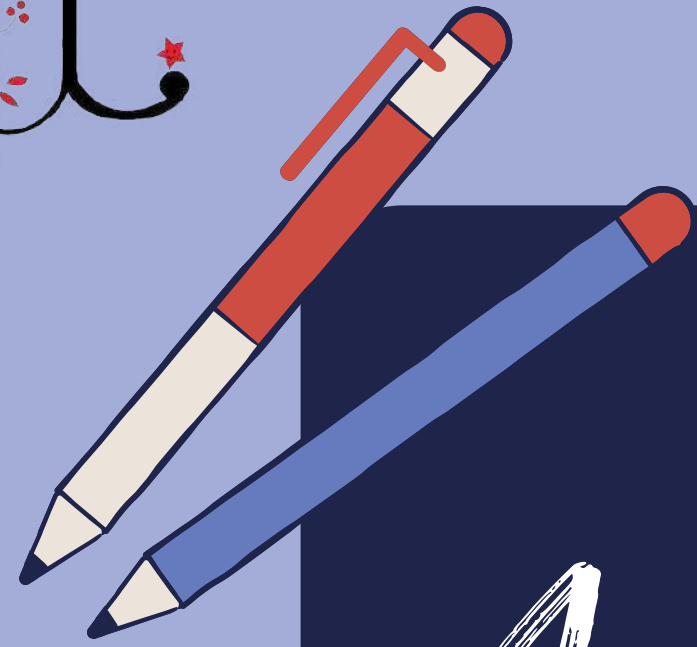


Welcome

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Accountancy Class XI

Chapter 2 Basic Accounting Terms

Entity,
Business Transaction,
Capital, Drawings.
Liabilities (Non Current and Current).
Assets (Non Current, Current);
Expenditure (Capital and Revenue),
Expense, Revenue, Income,
Profit, Gain, Loss, Purchase, Sales, Goods,
Stock, Debtor, Creditor, Voucher,
Discount (Trade discount and Cash Discount)



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Accountancy Class XI

Chapter 2 Basic Accounting Terms

PART 2

Expenditure (Capital and Revenue)



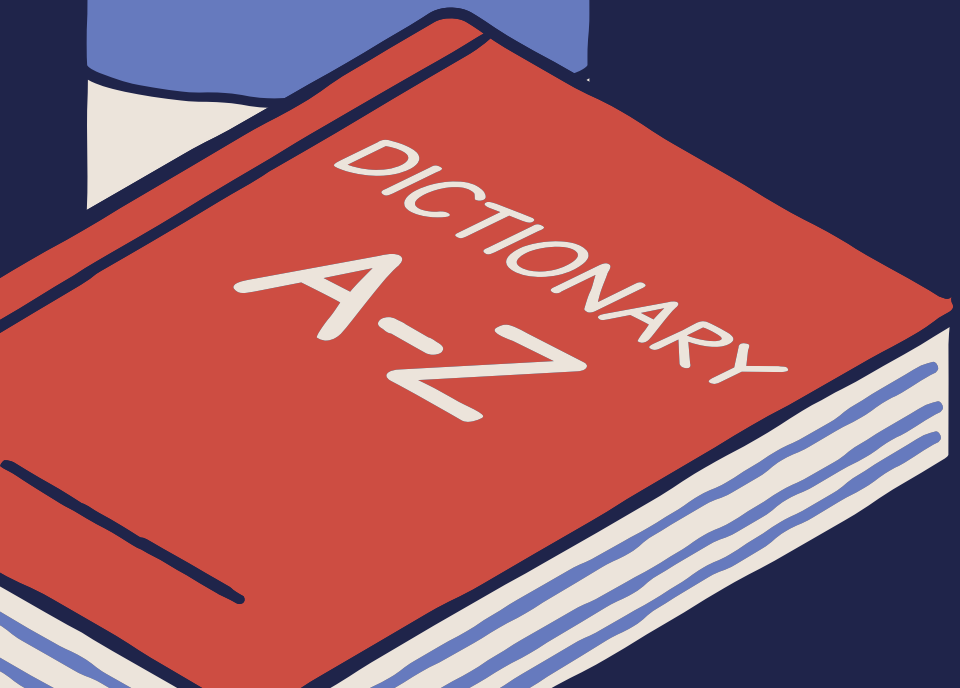
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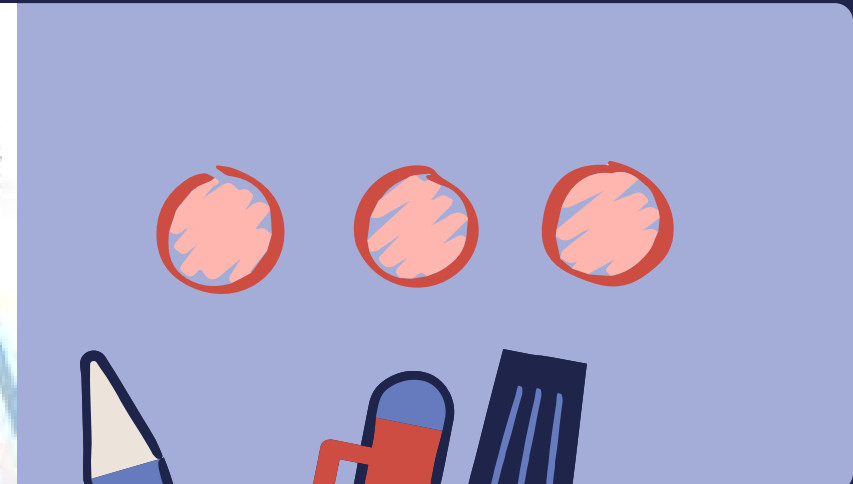


7. Expenditure



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U 7. Expenditure



Money spent or liability incurred for acquiring goods or services or asset is called an expenditure.

Thus, an expenditure is a payment for a **benefit received**.

Examples: Payment of rent, salary, purchase of goods, purchase of land, machinery, furniture etc.





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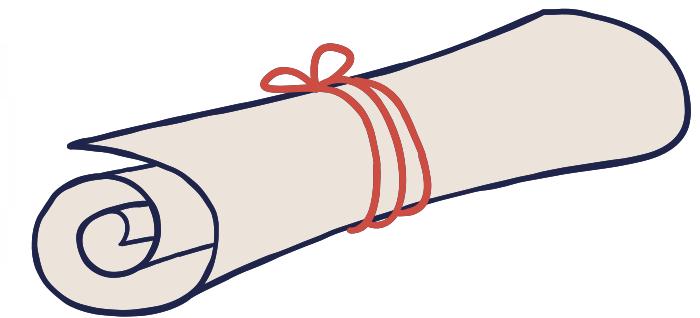
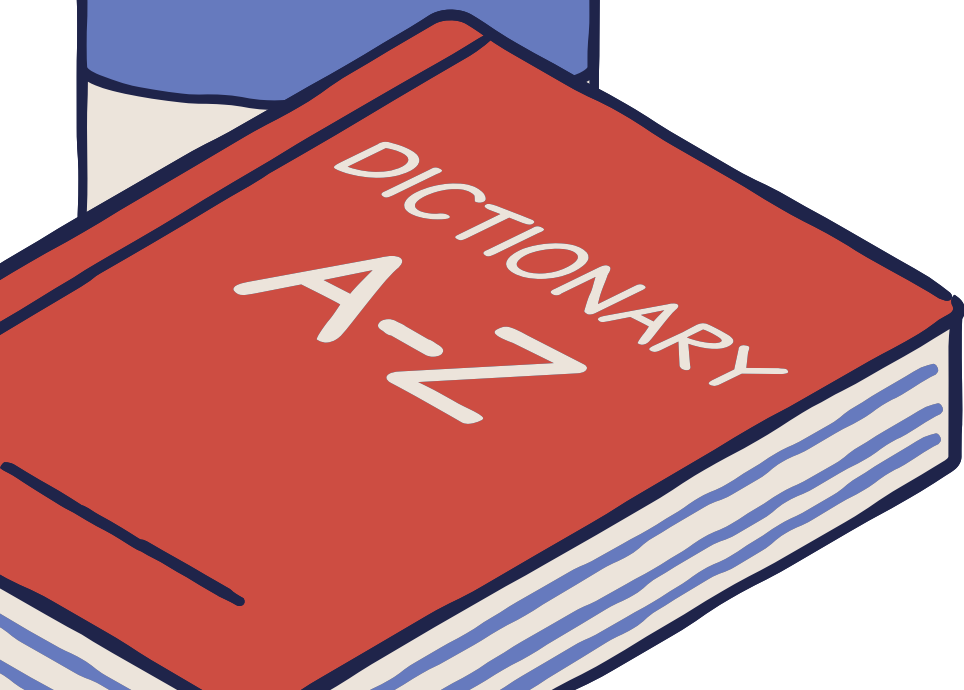
Types of Expenditure

**Capital
Expenditure**

**Revenue
Expenditure**

**Deferred Revenue
Expenditure**

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Types of Expenditure

01

Capital
Expenditure

02

Revenue
Expenditure



03

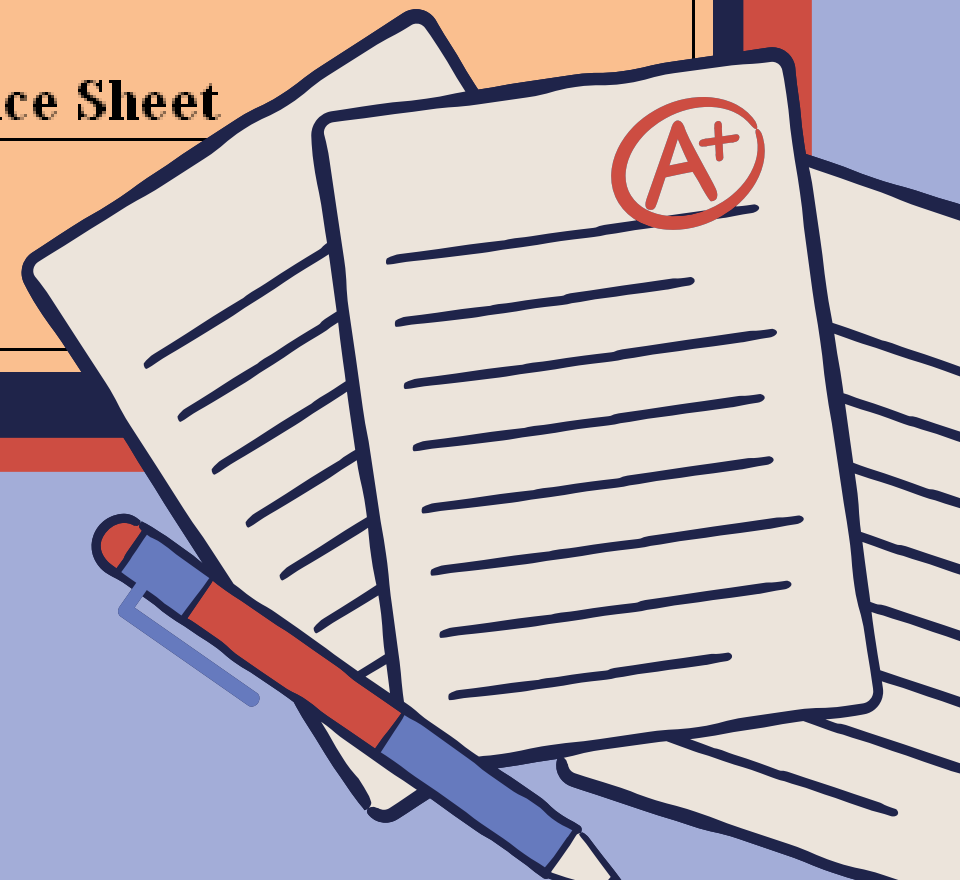
Deferred
Revenue
Expenditure



1. Capital Expenditure



1. Meaning	It is an expenditure which is incurred: (a) to acquire or bring into existence an asset, or (b) to acquire or bring into existence an advantage or benefit of an enduring nature, or (c) to <u>increase</u> the productivity or earning capacity.
2. Benefits	It yields benefits beyond current accounting period.
3. Accounting Treatment	It is debited to the Respective Asset Account They are shown in the assets side of the Balance Sheet
4. Examples	(a) Cost of Land and Building (b) Cost of Plant and Machinery (c) Cost of Furniture and Fixtures





2. Revenue Expenditure



1. Meaning	It is an expenditure which is incurred: (a) the benefit of which is consumed or exhausted within the accounting period (b) to maintain the productivity or earning capacity of a business.
2. Benefits	It does not yield benefits beyond current accounting period.
3. Accounting Treatment	It is debited to Respective Expense Account In case of proprietorship or partnership enterprises, they are shown on the debit side of the Trading or Statement of Profit and Loss Account In case of Not-For-Profit Organizations, it is shown on the debit side of Income and Expenditure Account
4. Examples	(a) Depreciation on Land & Building (b) Rent of Building (c) Repairs of Building (d) Insurance of Building (e) Salaries (f) cost of goods sold (g) advertisement expenses





3. Deferred Revenue Expenditure



1. Meaning	Deferred Revenue Expenditure is a revenue expenditure in nature but is written off (charged) in more than one accounting period
2. Benefits	because it is estimated that benefit of such expenditure will accrue in more than one financial year.
3. Accounting Treatment	They are shown in the assets side of the Balance Sheet
4. Examples	Heavy advertising to launch a new product is a deferred revenue expenditure since the benefit from it will be availed over the next 3 to 5 years





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Deferred Revenue Expenditure vs Fictitious Assets



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Test your Knowledge



.....
expenditure yields
benefit over a long
period of time to
business entity.



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Exercise

Question 1: Cost of installation of plant and machinery is a expenditure.

Answer 1:

Question 2: Payment of salary to employee is a capital/ revenue expenditure

Answer 2:

Question 3: Heavy advertisement incurred for launching a new product in the market is revenue/ deferred revenue expenditure

Answer 3:



Additional Resources



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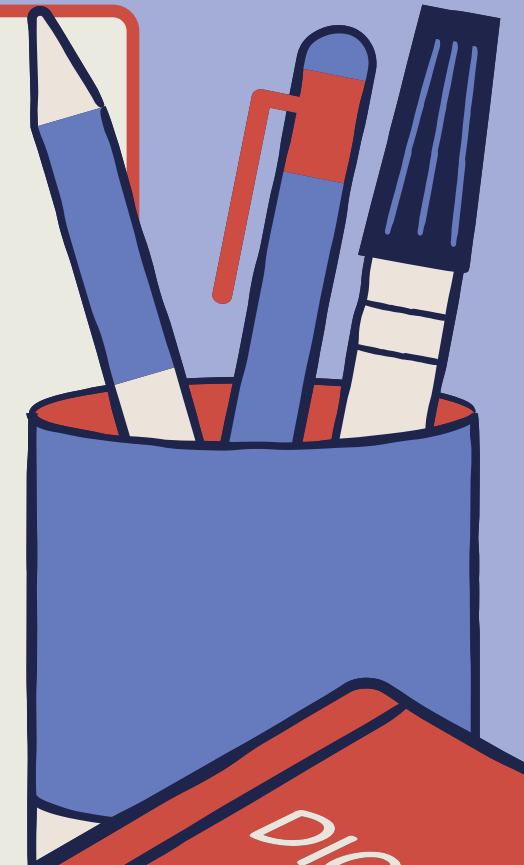
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Homework

Distinction between Capital
Expenditure and Revenue
Expenditure



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Homework

Learn these Basic Accounting Terms

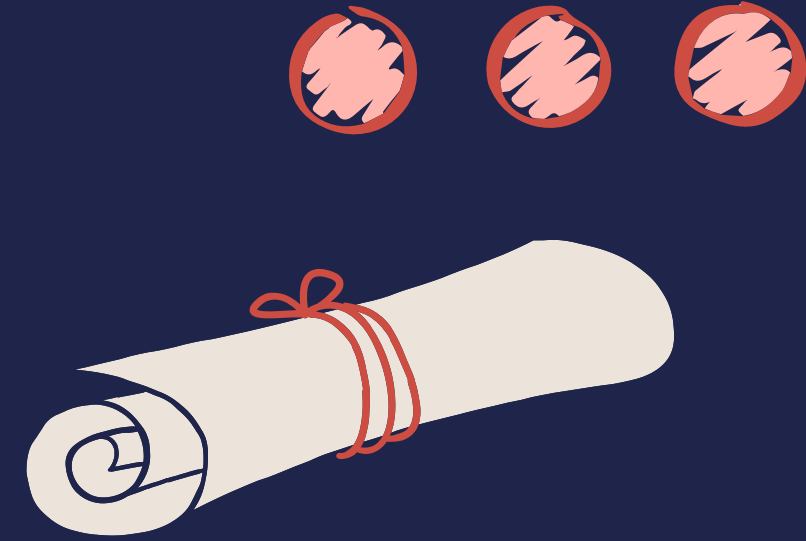
**Coming Soon:
Part 3 of this Video**





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Thank You



See You Next Time

**Coming Soon:
Part 3 of this Video**



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