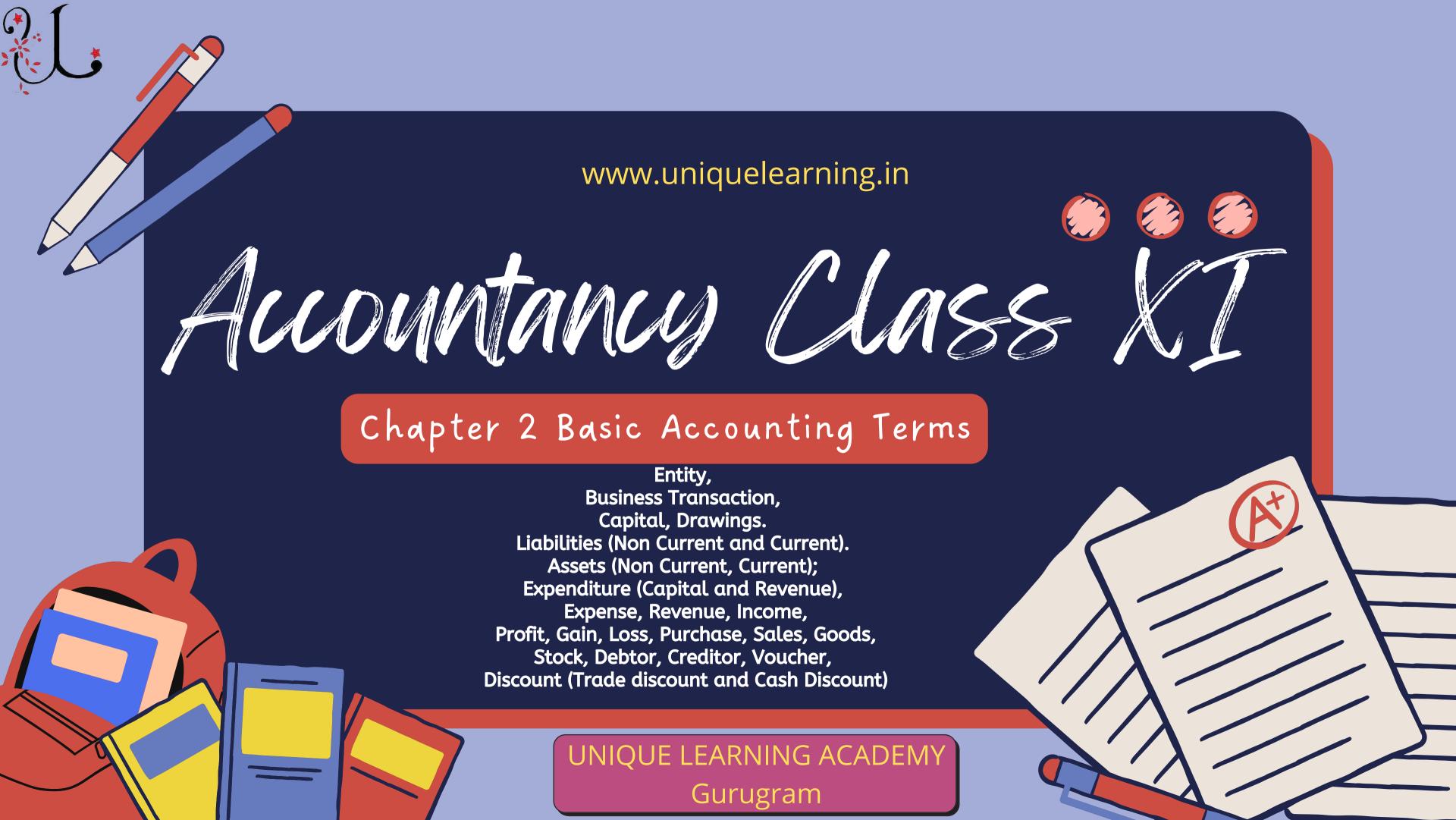
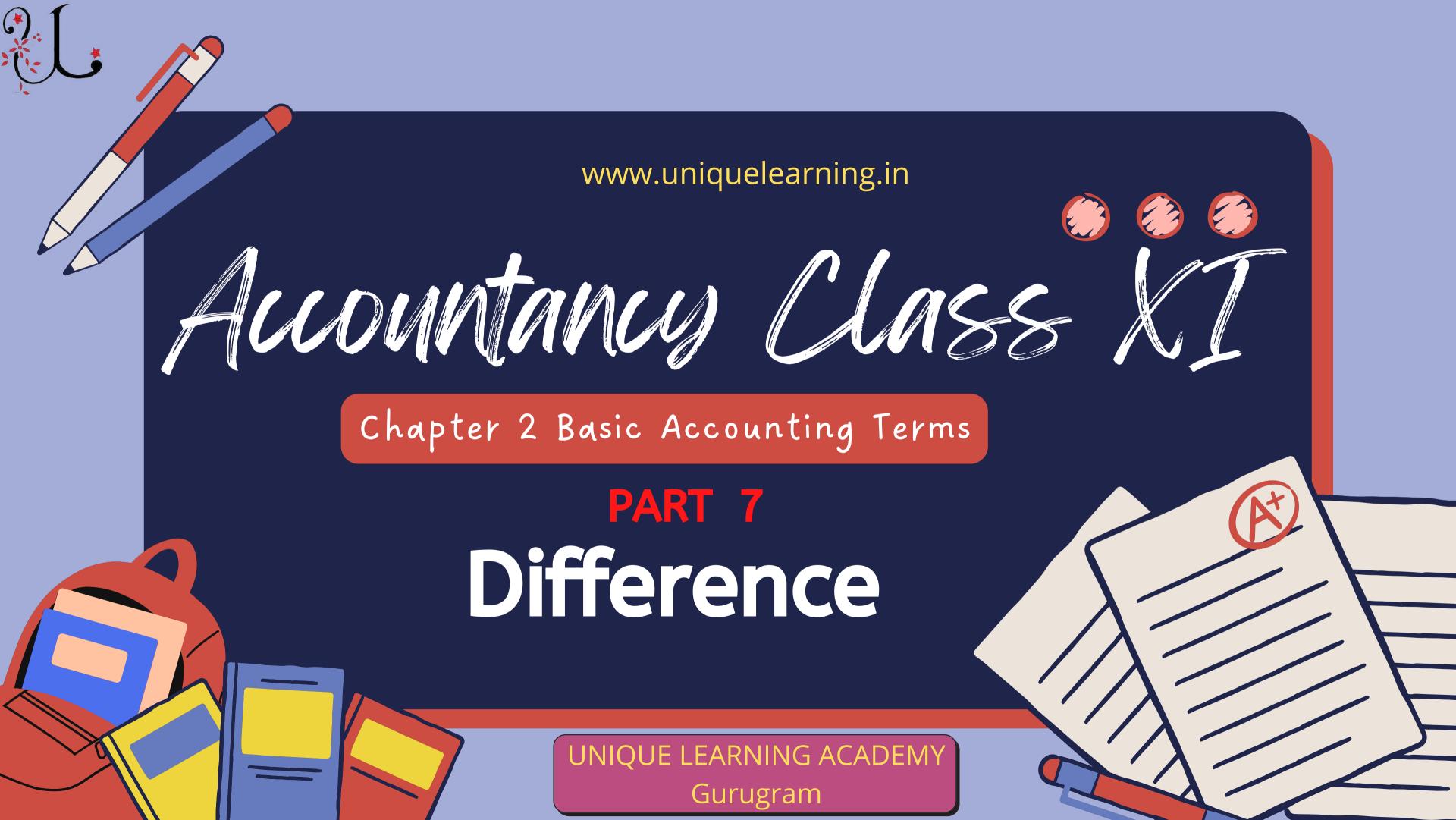


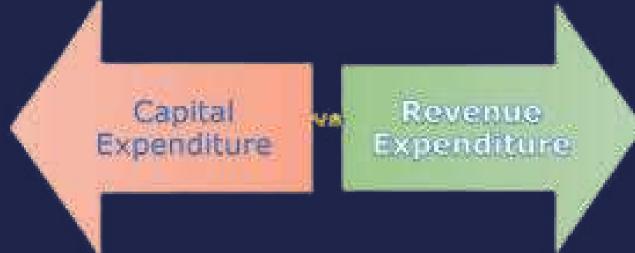


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Difference Between Capital Expenditure and Revenue Expenditure

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4. Examples



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 increase the productivity or earning capacity.

2. Benefits

It yields benefits beyond current accounting period.

3. Accounting

It is debited to the Respective Asset Account

They are shown in the assets side of the Balance Sheet

(c) Cost of Furniture and Fixtures

(b) Cost of Plant and Machinery

(a) Cost of Land and Building



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	It is debited to Respective Expense Account
Treatment	In case of proprietorship or partnership enterprises, they are shown on th
	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
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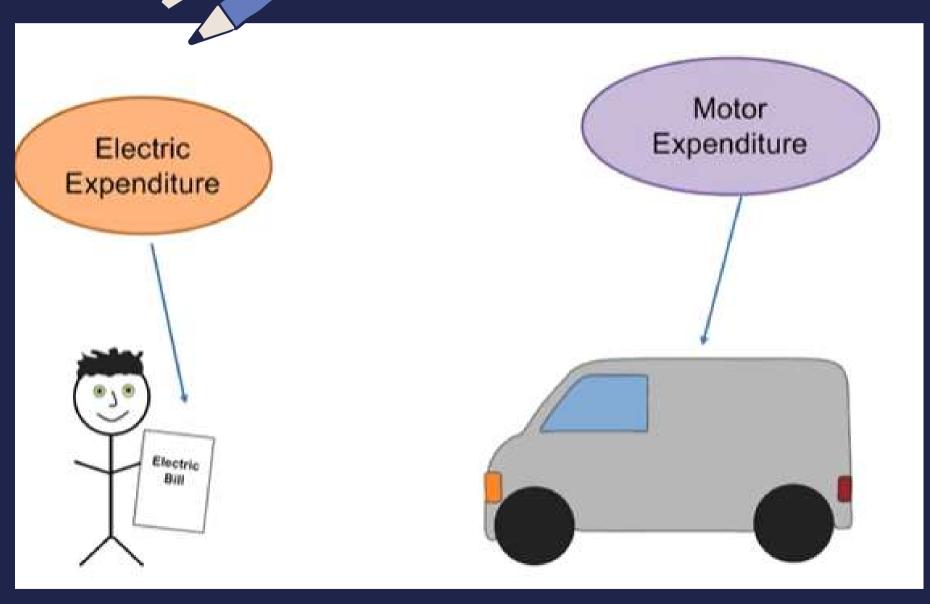
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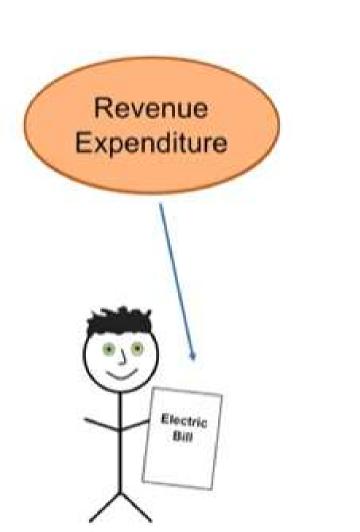
enterprises, they are shown on the

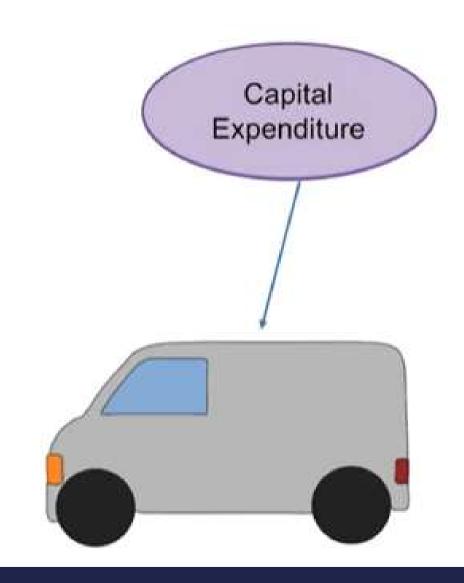


Capital Expenditure Revenue Expenditure

Difference Between Capital Expenditure and Revenue Expenditure









Capital Expenditure Revenue Expenditure

Difference Between

Capital Expenditure and Revenue Expenditure



Examples



Capital
Expenditure

Cost of Machinery

Cost of Building

Revenue Expenditure

Cost of labour (Wages), Cost of Manager (Salary) Rent of Building







Revenue Expenditure

Difference Between

Capital Expenditure and Revenue Expenditure



Purpose /Need

Cost of buying a new asset is CAPITAL EXPENDITURE,



Capital
Expenditure

It is incurred for the acquisition/acquiring or improving fixed assets of the business.

Not meant for resell

May add to the value of an existing asset

Revenue Expenditure

It is incurred for running of business. It is routine expenditure incurred in normal course of business.

Includes Cost for saleMaintenance of fixed assets

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Capital Expenditure

Revenue Expenditure

Difference Between

Capital Expenditure and Revenue Expenditure

Basis

Period

Revenue Expenditure

Types

Expenditures.

Capital Expenditure

Benefit more than 1 year

Benefit less than

1 year

Capital Expenditure

Its benefit extends to more than one year.

Revenue Expenditure

Its benefit is exhausted within the accounting year





Basis

Earning Capacity



Capital
Expenditure

Increasesearning capacity

Revenue Expenditure

Maintain the earning capacity

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Difference Between

Capital Expenditure and Revenue Expenditure

Basis

Nature



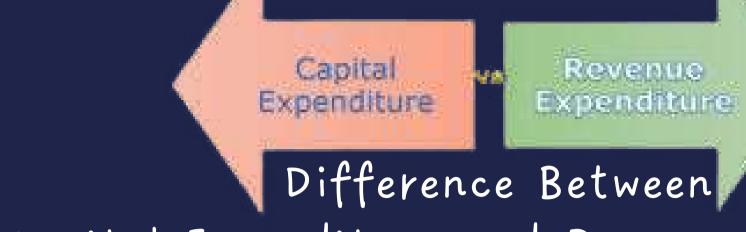
Capital
Expenditure

Non-recurring

Revenue Expenditure

Recurring

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Capital Expenditure and Revenue Expenditure

Basis

Account Name



Capital
Expenditure

Asset Account

Revenue Expenditure

ExpensesAccount

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Capital Expenditure and Revenue Expenditure

Basis

Nature of Account



Capital Expenditure

Real Account Revenue Expenditure

Nominal Account

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Capital Expenditure and Revenue Expenditure

Basis

Debited



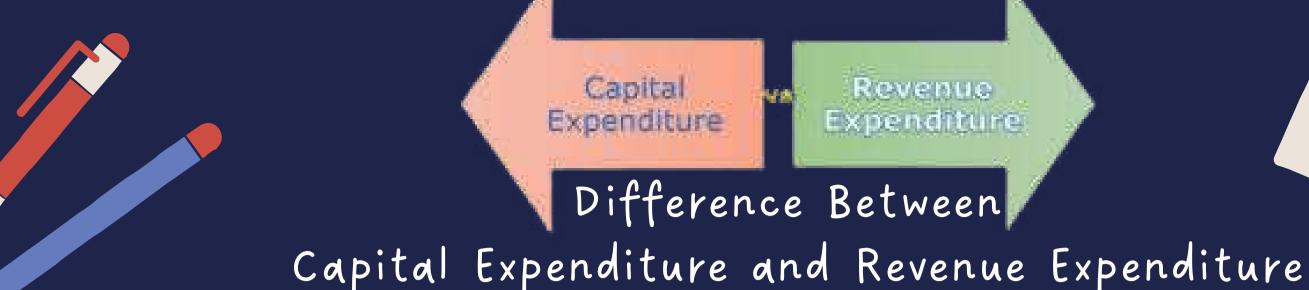
Capital Expenditure

To an
Asset
Account

Revenue Expenditure

To an Expense Account

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Basis

Financial Statement



Capital
Expenditure

Asset side of Balance Sheet

Revenue Expenditure

Debit side of Trading and profit & Loss Account



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Test your Knowledge

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



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

Answer 2:

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

Answer 1:

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

Answer 3:









Homework

Distinction between Capital Expenditure and Revenue Expenditure

