**The City School
North Nazimabad Boys Campus**

**Class: 10
Subject: Accounting
Teacher: Fazal Ur Rahman**

**Blog questions for 10-T Principles of Accounts**

**Topic: Capital and Revenue Expenditures**

**Q#1.**

1. What is meant by ‘capital expenditure’, and ‘revenue expenditure’?

(*b*) Some of the following items should be treated as capital and some as revenue. For each of

them state which classification applies:

(*i*) The purchase of machinery for use in the business.

(*ii*) Carriage paid to bring the machinery in (*i*) above to the works.

(*iii*) Complete redecoration of the premises at a cost of $1,500.

(*iv*) A quarterly account for heating.

(*v*) The purchase of a soft drinks vending machine for the canteen with a stock of soft drinks.

(*vi*) Wages paid by a building contractor to his own workmen for the erection of an office in

the builder’s stockyard.

**Q#2.** Indicate which of the following would be revenue items and which would be capital

items in a wholesale bakery:

(*a*) Purchase of a new van.

(*b*) Purchase of replacement engine for existing van.

(*c*) Cost of altering interior of new van to increase carrying capacity.

(*d*) Cost of motor tax for new van.

(*e*) Cost of motor tax for existing van.

(*f* ) Cost of painting business’s name on new van.

(*g*) Repair and maintenance of existing van.

**Q#3.** State the type of expenditure, capital or revenue, incurred in the following transactions

(*a*) Break-down van purchased by a garage.

(*b*) Repairs to a fruiterer’s van.

(*c*) The cost of installing a new machine.

(*d*) Cost of hiring refrigeration plant in a butcher’s shop.

(*e*) Twelve dozen sets of cutlery, purchased by a catering firm for a new dining-room.

(*f* ) A motor vehicle bought for re-sale by a motor dealer.

(*g*) The cost of acquiring patent rights.

**Q#4.** On what principles would you distinguish between capital and revenue expenditure?

Illustrate your answer by reference to the following:

(*a*) The cost of repairs and an extension to the premises.

(*b*) Installation of a gas central heating boiler in place of an oil-fired central heating boiler.

(*c*) Small but expensive alterations to a cigarette manufacturing machine which increased the

machine’s output by 20%.

**24.5** Explain clearly the difference between capital expenditure and revenue expenditure. State

which of the following you would classify as capital expenditure, giving your reasons:

(*a*) Cost of building extension to factory.

(*b*) Purchase of extra filing cabinets for sales office.

(*c*) Cost of repairs to accounting machine.

(*d*) Cost of installing reconditioned engine in delivery van.

(*e*) Legal fees paid in connection with factory extension.