

University of Wales

Trinity Saint David

Module Code: LCBB4001

Accounting Fundamentals

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Introductions

Accounting is the process of systematically registering and periodic presentation in financial statements and analysing the transactions of a company. Strictly defined rules are used to implement it. Accounting allows each company to analyse their financial business results based on different metrics such as net profit. In this report we will get acquainted with some of the basic principles used in accounting. (Booth, 2018)

The following definitions will also be used:

As **asset** we understand something owned and controlled by business, and is available to be used for the business

- **Non-current asset** – which will be used for a long time in the business and is not a part from the trading activities.
- **Current asset** – this is an asset which is a short-term, and is used in the near future from the business.
- **Non – current liability** – this is amount which is owed by the business and must to be paid in a long term(after 12 months).
- **Capital** is an amount which has invested from the owner in the business.
- **Drawings** – this is amounts which are withdraw by owners for their own personal use.

Task1: Journal, posting of the journal in ledger, extracting trial balance from the journal and making the financial statements that is profit and loss account and the balance sheet

Journal			
Date	Name of Ledger Account	DEBIT	CREDIT
05 April	CASH A/C	£300.00	
	CAPITAL A/C		£300.00
07 April	PURCHASES A/C	£200.00	
	CASH A/C		£200.00
08 April	CASH A/C	£250.00	
	LOAN A/C		£250.00
15 April	Motor VAN A/C	£150.00	
	CASH A/C		£150.00
20 April	CASH A/C	£350.00	
	SALES A/C		£350.00
28 April	RENT Paid A/C	£50.00	
	CASH A/C		£50.00
29 April	LOAN Return partly A/C	£200.00	
	CASH A/C		£200.00
30 April	DRAWINGS A/C	£60.00	
	CASH A/C		£60.00
	TOTAL	£1,560.00	£1,560.00
TRIAL BALANCE 30 April			
Name of Ledger Account		ASSETS	LIABILITIES
CASH A/C		£240.00	
CAPITAL A/C			£300.00
PURCHASES A/C		£200.00	
LOAN A/C			£50.00
Motor VAN A/C		£150.00	
SALES A/C			£350.00
RENT A/C		£50.00	
DRAWINGS A/C		£60.00	
TOTAL		£700.00	£700.00

According Accounting equation:

1/ ASSET = LIABILITIES + CAPITAL

2/ Amount of Assets should equal of Liabilities in Balance Sheet

Statement Profit & Lost 30 April		
Name of Ledger Account	ASSETS	LIABILITIES
SALES A/C		£350.00
PURCHASES A/C	£200.00	
EXPENSES A/C	£50.00	
PROFIT	£100.00	
TOTAL	£350.00	£350.00

Profit/Loss Sales - (Purchases+Expenses)
350-250=100

Ledger Account CASH A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
05 April	to Capital	£300.00	07 April	by Purchase	£200.00
08 April	to Loan	£250.00	15 April	by Motor VAN	£150.00
20 April	to Sales	£350.00	28 April	by Rent Paid	£50.00
			29 April	by Loan Paid	£200.00
			30 April	by Drawings	£60.00
			30 April	Balance b/d	£240.00
	Debit TOTAL	£900.00		Credit TOTAL	£900.00

Ledger Account CAPITAL A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
			05April	by Cash	£300.00
30 April	Balance c/d	£300.00			
	Debit TOTAL	£300.00		Credit TOTAL	£300.00

Ledger Account PURCHASES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
07 April	to Cash	£200.00			
			30 April	Balance b/d	200
	Debit TOTAL	£200.00		Credit TOTAL	£200.00

Ledger Account LOAN A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount

29 April	to Cash	£200.00	08 April	by Cash	£250.00
30 April	Balance c/d	£50.00			
	Debit TOTAL	£250.00		Credit TOTAL	£250.00

Ledger Account Motor VAN A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
15 April	to Cash	£150.00			
			30 April	Balance b/d	£150.00
	Debit TOTAL	£150.00		Credit TOTAL	£150.00

Ledger Account SALES A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
			20 April	by Cash	£350.00
30 April	Balance c/d	£350.00			
	Debit TOTAL	£350.00		Credit TOTAL	£350.00

Ledger Account RENT A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
30 April	to Cash	£50.00			
			30 April	Balance b/d	£50.00
	Debit TOTAL	£50.00		Credit TOTAL	£50.00

Ledger Account DRAWING A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
30 April	to Cash	£60.00			
			30 April	Balance b/d	£60.00
	Debit TOTAL	£60.00		Credit TOTAL	£60.00

Task2: Journal, posting of the journal in ledger, extracting trial balance from the ledger and making the financial statements that is profit and loss account and the balance sheet.

Journal			
Date	Name of Ledger Account	DEBIT	CREDIT
01 Jan 2019	CASH A/C	£5,000.00	
	to CAPITAL A/C		£5,000.00
02 Jan 2019	Motor VAN A/C	£600.00	
	to CASH A/C		£600.00
03 Jan 2019	PURCHASES A/C	£1,300.00	
	to CASH A/C		£1,300.00
04 Jan 2019	CASH A/C	£1,000.00	
	to LOAN A/C		£1,000.00
10 Jan 2019	Motor VAN A/C	£200.00	
	to CASH A/C		£200.00
13 Jan 2019	CASH A/C	£300.00	
	to SALES A/C		£300.00
20 Jan 2019	LOAN Return partly A/C	£500.00	
	SALES A/C		£500.00
24 Jan 2019	EXPENSES A/C	£150.00	
	to SALES A/C		£150.00
27 Jan 2019	LOAN A/C	£350.00	
	to CASH A/C		£350.00
30 Jan 2019	DRAWINGS A/C	£175.00	
	to CASH A/C		£175.00
	TOTAL	£9,575.00	£9,575.00

TRIAL BALANCE 30 April

Name of Ledger Account	ASSETS	LIABILITIES
CASH A/C	£4,025.00	
CAPITAL A/C		£5,000.00
Motor VAN A/C	£800.00	
PURCHASES A/C	£1,300.00	
LOAN A/C		£650.00
SALES A/C		£800.00
EXPENSES A/C	£150.00	
DRAWINGS A/C	£175.00	
TOTAL	£6,450.00	£6,450.00

According Accounting equation:

1/ ASSET = LIABILITIES + CAPITAL

2/ Amount of Assets should equal of Liabilities in Balance Sheet

Statement Profit & Lost 30 April		
Name of Ledger Account	DEBIT	CREDIT
SALES A/C		£800.00
PURCHASES A/C	£1,300.00	
EXPENSES A/C	£150.00	
LOSS		£650.00
TOTAL	£1,450.00	£1,450.00

Profit/Loss Sales - (Purchases+Expenses)
800-1450=(-650)

Balance Sheet 30 April		
Name of Ledger Account	ASSETS	LIABILITIES
CASH A/C	£4,025.00	
Motor VAN A/C	£800.00	
CAPITAL A/C		£4,175.00
LOAN A/C		£650.00
TOTAL	£4,825.00	£4,825.00

Capital **Capital - Net Loss-Drawings**
5000-(650+175)=4175

Ledger Account CASH A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/1/2019	to Capital A/C	£5,000.00	1/2/2019	by Motor VAN A/C	£600.00
1/4/2019	to Loan A/C	£1,000.00	1/3/2019	by Purchases A/C	£1,300.00
1/13/2019	to Sales A/C	£300.00	1/10/2019	to Motor VAN A/C	£200.00
1/20/2019	to Sales A/C	£500.00	1/24/2019	to expenses A/C	£150.00
			1/27/2019	by Loan A/C	£350.00
			1/30/2019	by Drawings A/C	£175.00
			1/31/2019	Balance b/d	£4,025.00
	Debit TOTAL	£6,800.00		Credit TOTAL	£6,800.00

Ledger Account CAPITAL A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
			1/1/2019	by Cash A/C	£5,000.00
1/31/2019	Balance c/d	£5,000.00			
	Debit TOTAL	£5,000.00		Credit TOTAL	£5,000.00

Ledger Account PURCHASES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/3/2019	to Cash A/C	£1,300.00			
			1/31/2019	Balance b/d	£1,300.00
	Debit TOTAL	£1,300.00		Credit TOTAL	£1,300.00

Ledger Account MotorVAN A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/2/2019	to Cash A/C	£600.00			
1/10/2019	to Cash A/C	£200.00	1/31/2019	Balance b/d	£800.00
	Debit TOTAL	£800.00		Credit TOTAL	£800.00

Ledger Account LOAN A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount

1/27/2019	to Cash A/C	£350.00	1/4/2019	by A/C	£1,000.00
1/31/2019	Balance c/d	£650.00			
	Debit TOTAL	£1,000.00		Credit TOTAL	£1,000.00

Ledger Account EXPENSES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/24/2019	to Cash A/C	£150.00			
			1/31/2019	Balance b/d	£150.00
	Debit TOTAL	£150.00		Credit TOTAL	£150.00

Ledger Account SALES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
			1/13/2019	to Cash A/C	£300.00
1/31/2019	Balance c/d	£800.00	1/20/2019	to Cash A/C	£500.00
	Debit TOTAL	£800.00		Credit TOTAL	£800.00

Ledger Account DRAWING A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/30/2019	to Cash A/C	£175.00			
			1/31/2019	Balance b/d	£175.00
	Debit TOTAL	£175.00		Credit TOTAL	£175.00

Task3: Journal, posting of the journal in ledger, extracting trial balance from the ledger accounts and making the financial statements that is profit and loss account and the balance sheet.

Journal

Date	Name of Ledger Account	DEBIT	CREDIT
2 Jan 2019	Harvey A/C	£124.00	
	to SALES A/C		£124.00
05 Jan 2019	Wages A/C	£12.00	
	to CASH A/C		£12.00
05 Jan 2019	PURCHASES A/C	£150.00	
	to Rich A/C		£150.00
07 Jan 2019	CASH A/C	£18.00	
	to Smith A/C		£18.00
09 Jan 2019	Max A/C	£21.00	
	to CASH A/C		£21.00
11 Jan 2019	CASH A/C	£64.00	
	to SALES A/C		£64.00
14 Jan 2019	Wages A/C	£14.00	
	to CASH A/C		£14.00
14 Jan 2019	PURCHASES A/C	£75.00	
	to CASH A/C		£75.00
15 Jan 2019	Rich A/C	£162.00	
	to CASH A/C		£162.00
20 Jan 2019	Office Expenses A/C	£32.00	
	to CASH A/C		£32.00
20 Jan 2019	Wages A/C	£17.00	
	to CASH A/C		£17.00
20 Jan 2019	CASH A/C	£110.00	
	to SALES A/C		£110.00
20 Jan 2019	Office Expenses A/C	£3.00	
	to CASH A/C		£3.00
20 Jan 2019	CASH A/C	£25.00	
	to Harvey A/C		£25.00
28 Jan 2019	CASH A/C	£84.00	
	to SALES A/C		£84.00
28 Jan 2019	Wages A/C	£15.00	
	to CASH A/C		£15.00
30 Jan 2019	CASH A/C	£30.00	
	to SALES A/C		£30.00
		£956.00	£956.00

Statement Profit & Lost 30 April		
Name of Ledger Account	DEBIT	CREDIT
SALES A/C		£412.00
to PURCHASES A/C	£225.00	
to WAGES A/C	£58.00	
to OFFICE EXPENSES A/C	£35.00	
NET PROFIT	£94.00	
TOTAL	£412.00	£412.00

Profit/Loss Sales - (Purchases+Expenses)
412-318=94

Balance Sheet 30 April		
Name of Ledger Account	ASSETS	LIABILITIES
CAPITAL A/C		£1,043.00
SUSPENCE A/C		£114.00
Harvey A/C	£138.00	
Inventory A/C	£458.00	
Furniture& FitA/C	£198.00	
Cash A/C	£20.00	
Cash in hand A/C	£343.00	
TOTAL	£1,157.00	£1,157.00

Since the capital was not give so it was calculated using a formula
Total assets – liabilities which is as follows

Harvey+ inventory+ furniture& fittings+ cash+ cash in hand- (suspense
a/c)
that is 138+458+198+20+343-(114)= 1043

TRIAL BALANCE 31 JAN 2019		
Name of Ledger Account	DEBIT	CREDIT
CASH A/C		£20.00
SALES A/C		£412.00
WAGES A/C	£58.00	

PURCHASES A/C	£225.00	
OFFICE EXPENSES A/C	£35.00	
SUSPENCE A/C	£114.00	
TOTAL	£432.00	£432.00

Ledger Account SALES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
			1/2/2019	by Harvey	£124.00
			1/11/2019	by Cash A/C	£64.00
			1/21/2019	by Cash A/C	£110.00
			1/28/2019	by Cash A/C	£84.00
			1/31/2019	by Cash A/C	£30.00
1/31/2019	Balance b/d	£412.00			
	Debit TOTAL	£412.00		Credit TOTAL	£412.00
Ledger Account RICH A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/15/2019	to Cash A/C	£162.00	1/1/2019	by Balance b/d A/C	£12.00
			1/5/2019	by Purchases A/C	£150.00
	Debit TOTAL	£162.00		Credit TOTAL	£162.00

Ledger Account PURCHASES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/5/2019	to Rich A/C	£150.00			
1/14/2019	to Cash A/C	£75.00	1/31/2019	by Balance b/d	£225.00
	Debit TOTAL	£225.00		Credit TOTAL	£225.00

Ledger Account HARVEY A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
01 01 19	to Balabce b/d	£39.00	1/23/2019	by Cash	£25.00
1/2/2019	to Sales A/C	£124.00	1/31/2019	by Balance b/d	£138.00
	Debit TOTAL	£163.00		Credit TOTAL	£163.00

Ledger Account SMITH A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/1/2019	to Bal b/d	£18.00	1/7/2019	by Cash A/C	£18.00
	Debit TOTAL	£18.00		Credit TOTAL	£18.00

Ledger Account OFFICE EXPENSES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/20/2019	to CashA/C	£32.00			
1/23/2019	to CashA/C	£3.00	1/31/2019	by Balance b/d	£35.00
	Debit TOTAL	£35.00		Credit TOTAL	£35.00

Ledger Account MAX A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/9/2019	to CashA/C	£21.00	1/1/2019	by Balance b/d	£21.00
	Debit TOTAL	£21.00		Credit TOTAL	£21.00

Ledger Account CASH A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/7/2019	to Smith	£18.00	1/5/2019	by WAGES	£12.00
1/11/2019	to SalesA/C	£64.00	1/9/2019	by Max	£21.00
1/21/2019	to SalesA/C	£110.00	1/14/2019	by WAGES	£14.00

1/23/2019	to Harvey	£25.00	1/14/2019	by Purchases A/C	£75.00
1/28/2019	to SalesA/C	£84.00	1/15/2019	by Rich	£162.00
1/31/2019	to SalesA/C	£30.00	1/20/2019	by Office Expenses	£32.00
			1/21/2019	by WAGES	£17.00
			1/23/2019	by Office Expenses	£3.00
1/31/2019	to Balance b/d	£20.00	1/28/2019	by WAGES	£15.00
	Debit TOTAL	£351.00		Credit TOTAL	£351.00

Ledger Account WAGES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
1/5/2019	to Cash A/C	£12.00			
1/14/2019	to Cash A/C	£14.00			
1/21/2019	to Cash A/C	£17.00			
1/28/2019	to Cash A/C	£15.00			
			1/31/2019	Balance b/d	£58.00
	Debit TOTAL	£58.00		Credit TOTAL	£58.00

Task4: Journal, posting of the journal in ledger, extracting trial balance from the ledger accounts.

Journal

Date	Name of Ledger Account	DEBIT	CREDIT
6/2/2019	CLAIRE A/C	£8,075.00	
	to SALES A/C		£8,075.00
6/13/2019	Purchases A/C	£11,160.00	
	to GEORGINA A/C		£11,160.00
6/14/2019	HYWEL A/C	£8,550.00	
	to SALES A/C		£8,550.00
6/20/2019	CASH A/C	£6,000.00	
	to SALES A/C		£6,000.00
6/21/2019	Purchases A/C	£4,410.00	
	to ANDRWE A/C		£4,410.00
6/22/2019	SALES RETURN A/C	£1,000.00	
	to CLAIRE A/C		£1,000.00
6/24/2019	CASH A/C	£4,850.00	
	to SALES A/C		£4,850.00
	CASH A/C	£7,075.00	
	CASH A/C		£7,075.00
6/25/2019	CASH A/C	£8,550.00	
	to HYWEL A/C		£8,550.00
	GEORGINA A/C	£11,160.00	
	to CASH A/C		£11,160.00
6/27/2019	ANDREW A/C	£4,410.00	
	to CASH A/C		£4,410.00
		£75,240.00	£75,240.00

Statement Profit & Lost 30 April		
Name of Ledger Account	DEBIT	CREDIT
SALES A/C		£18,925.00
to PURCHASES A/C	£15,570.00	
NET PROFIT	£3,355.00	
TOTAL	£18,925.00	£18,925.00

Profit/Loss Sales - (Purchases+Expenses)
18925-15570=3355

TRIAL BALANCE 31 JAN 2019		
Name of Ledger Account	DEBIT	CREDIT
SALES A/C		£18,925.00

SUSPENCE A/C		£8,550.00
CASH A/C	£10,905.00	
PURCHASES A/C	£15,570.00	
SALES RETURN A/C	£1,000.00	
TOTAL	£27,475.00	£27,475.00

Ledger Account CASH A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
6/20/2019	to Sales A/C	£6,000.00	6/25/2019	by GEORGINA	£11,160.00
6/24/2019	to Sales A/C	£4,850.00	6/27/2019	by ANDREW	£4,410.00
6/24/2019	to CLAIRE	£7,075.00			
6/25/2019	to HYWEL	£8,550.00			
			6/27/2019	by Balance b/d	£10,905.00
	Debit TOTAL	£26,475.00		Credit TOTAL	£26,475.00

Ledger Account GEORGINA A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
6/25/2019	to Cash	£11,160.00	6/13/2019	by Purchase	£11,160.00
	Debit TOTAL	£11,160.00		Credit TOTAL	£11,160.00

Ledger Account CLAIRE A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
6/2/2019	to Sales A/C	£8,075.00	6/22/2019	by Sales Return	£1,000.00
			6/24/2019	by Cash	£7,075.00
	Debit TOTAL	£8,075.00		Credit TOTAL	£8,075.00

Ledger Account PURCHASES A/ C					
DEBIT			CREDIT		
Date	Particular	Ammount	Date	Particular	Ammount
6/13/2019	to GEORGINA	£11,160.00			
6/21/2019	to ANDREW	£4,410.00	6/27/2019	by Balance b/d	£15,570.00

	Debit TOTAL	£15,570.00		Credit TOTAL	£15,570.00
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Ledger Account SALES A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
			6/2/2019	by CLAIRE	£8,075.00
			6/14/2019	by Cash A/C	£6,000.00
6/27/2019	Balance b/d	\$18,925.00	6/24/2019	by Cash A/C	£4,850.00
	Debit TOTAL	\$18,925.00		Credit TOTAL	£18,925.00

Ledger Account HYWEL A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
6/14/2019	to SALES	£8,550.00	6/25/2019	by CASH	£8,550.00
	Debit TOTAL	£8,550.00		Credit TOTAL	£8,550.00

Ledger Account ANDREW A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
6/27/2019	to Cash	£4,410.00	6/21/2019	by Purchases	£4,410.00
	Debit TOTAL	£4,410.00		Credit TOTAL	£4,410.00

Ledger Account SALES RETURN A/ C					
DEBIT			CREDIT		
Date	Particular	Amount	Date	Particular	Amount
6/22/2019	to CLAIRE	£1,000.00	6/27/2019	by Balance b/d	£1,000.00
	Debit TOTAL	£1,000.00		Credit TOTAL	£1,000.00

Task 5: Difference between the capital expenditure and revenue expenditure

Business incurs expenditure to increment its efficiency and further returns. Business expenditures are categorized into capital and revenue expenditure.

This task will discuss the two in details and further analyse the critical distinctions between them. (Mio, 2016)

What is mean Capital Expenditure?

The Capital Expenditure is a business expense, which is made to acquire an asset or to amend the capacity of an asset.

Capital expenditure is made to grow the business and increment profits and decrement the cost of engenderment. As such, capital spending aims to take care of the future economic benefits of a company. You will be right to cerebrate of it as a long-term asset investment done by a business to engender financial gain for the years to come. For instance, a company can purchase machinery or install incipient machinery equipment to amend productivity capacity and eventually increase profits.

What is Revenue Expenditure?

Unlike capital expenditure, revenue expenditure involves the expenses incurred in a business daily operating activities. Consequently, it is expenditure incurred on a conventional substratum. Revenue expenditures are simply mundane business expenses – business costs incurred during mundane business operations.

For example, stationery, printing, electricity costs, wages and salary, postage, indemnification, repairs and maintenance, inventory, taxes, etc. As such, revenue expenditure is charged to the Income Verbalization when it occurs.

Distinctions between Capital Expenditure and Revenue Expenditure

The most paramount distinction between revenue and capital expenditure is that the capital expenditure is denoted to amend the general earning capacity of business and revenue expenditure is aimed at maintaining that earning capacity. To understand the main distinctions between the two, they have been further elaborated on the following points. Have a glance, here are nine major distinctions between capital and revenue expenditure. (Mio, 2016)

Term:

Capital expenditure is a long-term expenditure and consequently has a long-term effect on the business. It is not exhausted within a current accounting year. Adscitiously, its benefits will be received for some years. Conversely, revenue expenditure is short-term. Its benefits are received within the current accounting year.

Value:

Capital expenditure optically discerns to it that an asset is procured or the value of a subsisting asset is ameliorated. With revenue expenditure, neither the acquisition nor value enhancement of an asset is done.

Physical Esse:

Capital expenditure has a physical subsistence except for intangible assets. On the other hand, revenue expenditure has no physical presence as it is incurred on business items utilized in daily business operations.

Occurrence:

Capital expenditure is non-recurring, unlike revenue expenditure which is conventional and occurs perpetually.

Progression:

Capital expenditure avails a company progress the business while revenue expenditure avails maintain the business.

Amount Shown:

A portion of capital expenditure is conventionally shown in Trading, Profit and Loss account and the balance shown on the asset side in the balance sheet. With revenue expenditure, the whole amount is always shown in an income verbalization or the trading Profit and Loss account.

Balance Sheet:

Capital expenditure is betokened on the balance sheet until its benefits are exhaustively exhausted. Contrariwise, revenue expenditure is not shown on the balance sheet

Capitalisation:

Capital Expenditure is capitalized, unlike revenue expenditure, which is not capitalized.

Revenue:

Capital expenditure does not reduce the revenue of the business. Fine-tuned asset acquisition does not affect business revenue. Revenue expenditure impacts and reduces the business profits.

Summary of Capital Expenditure and Revenue Expenditure

As a businessperson, it is essential to understand both capital and revenue expenditure. Both capital expenditure and revenue expenditure are essential for business magnification as well as profit making. Both avail the business earn profits in present in and in following years. Both have benefits for business. With a capital expenditure, a company purchases an asset, which avails, engenders profits for the future. Conversely, no asset is procured with revenue expenditure, but it avails maintain daily business processes.

Conclusion:

In conclusion of all of that we can say the information that the business receive from accounting needs to be as effective as possible.

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