

University of Wales Trinity Saint David

Business school, Campus London

A S S I G N M E N T 1

Student name: Elena Pehlivanova

Student number: 1813121

Module: Accounting fundamentals

Module code: LCBB4001

Module Lecturer: Professor Gazi Arif

Content page

Introduction	3
Accounting terminology	3
Task 1	5
Task 2	11
Task 3	17
Task 4	24
Task 5	28
Reference list	31

Introduction

The purpose of this essay is to present the main principles of financial and management accounting. In the first part are presented definitions of the basic terms used in the accounting. In the second part are exposed some examples and are compared capital and revenue expenditure.

Accounting terminology

All financial transactions made in a business should be recorded.

Main types of financial transactions are:

- Cash – when the payment is done immediately whenever cash or by bank
- Credit - when the payment is postponed for future date
- Paper - value of a transaction is not considered, as goods or cash lost.
- Internal – is no outside person or institution involve, as depreciation of asset
- External – coming from outsider or external part

Recoding the transaction accurately gives clearer state for all participants in a business. Reviewing the books by corporation's management show them how the company is performing, is it earn more than spends. Investors and lenders can take decision if this is an appropriate company to trust their money in.

The process of recording and maintenance records of financial transactions is known as bookkeeping. There two types of bookkeeping:

- Single –entry – uses in very small business or not profit –organisation. Every transaction is recorded as one single entry. This booking is simplest and often can mean a firm maintains only a receipts and payments account – either in the form of cash or as money taken from or paid into the firm's bank account. This book is commonly known as cash book.
- Double – entry – when business begins to grow beyond the certain size and maintenance of financial record going to be not enough straightforward. Every transaction requires two entries – debit and credit, recorded in speared account depend of its nature. For example, for each type of asset, expense or income is opening account. In addition, there

should be opened account for every individual credit supplier or customer. All transaction between business and the owner are also recorded whenever the owner is adding recourse or withdrawing recourse from the business.

Periodically the business needs to know the financial state of the business. This process starts with balanced all accounts that are means to be find the difference between debit and credit entries, sometime their overall is equal, but is not mandatory. In case if they no identical we use “balance c/d” or “balance b/d”.

Ones the accounts have been balanced off the next step is to be prepared trial balance. That is a list of all the outstanding balances found on the double – entry account. It is including only the balances of account not the totals of accounts. Based on the main principal of double entry that every transaction has two entries debit and credit in trial balance list totals of debt and credit column also should be identical. Showing the difference means that mistakes have been made in double entry booking. However, even if the trial balance totals agree, errors may still have been made.

Financial statement

After the trial balance has been gendered is very common to be produce set of financial statements. It consists profit and loss account (also called Income statement) and balance sheet.

Difference between what a firm earn in income and all its expense determines the profit or loss statement for certain accounting period. Obviously if the income is more than expenses would be generating profit and opposite if the total expenses are more than amount of income will generate loss.

There is two measure of profit which is commonly used:

- Gross profit – profit earned by the firm’s trading
- Net profit – profit remaining after all expenses have been deducted

Sometimes it is possible even the firm earn gross profit still ends up with a net loss. More unlikely situation is when the firm is made gross loss, which would make it highly unlikely that they would make anything other than a net loss.

The other part of financial statement is balance sheet. It is focuses on the business at certain moment in time. All balances from trial balance which is not

already used in income statement take part in balance sheet these are balances related to the assets, the liabilities and the capital of the business.

The following equation must always hold true in the balance sheet:

$$\text{Asset} = \text{Capital} + \text{Liabilities}$$

That is meaning that the capital along with liabilities enables the business to acquire assets which can be used as part of the business operations.

Task 1

Maxim commenced trading in his bakery on 5 April.

All his transactions were on a cash basis, as follows:

5 April Introduced cash into the business of £300

7 April Purchased goods for £200

8 April Received loan from Tatiana of £250 repayable within twelve months

15 April Purchased a motor van for £150

20 April Sold goods for £350

28 April Paid rent of £50

29 April Repaid part of the loan £200

30 April Drew cash from the business £60

At 30 April Maxim had £100 goods in hand.

Required:

- (a) Write up, balance and close the relevant ledger accounts for the above transactions.
- (b) Prepare the list of account balances at 30 April.
- (c) Prepare the statement of profit or loss for the month ended 30 April and a statement of financial position at that date.

(a) Balance and relevant ledger accounts for the above transactions

The Journal

Date	Description	Debit	Credit
05-Apr	<i>Initial capital introduced in business</i>		
	Maxim - capital		£300.00
	Cash	£300.00	
07-Apr	<i>Purchased goods</i>		
	Cash		£200.00
	The purchases	£200.00	
08-Apr	<i>Receive loan</i>		
	Account payable - Loan		£250.00
	Cash	£250.00	
15-Apr	<i>Purchase a motor van</i>		
	Cash		£150.00
	Car – motor van	£150.00	
20-Apr	<i>Sold goods in cash</i>		
	Revenue		£350.00
	Cash	£350.00	
28-Apr	<i>Paid rent</i>		
	Cash		£50.00
	Rent	£50.00	
29-Apr	<i>Repaid loan</i>		
	Account payable - Loan	£200.00	
	Cash		£200.00
30-Apr	<i>Drew cash</i>		
	Drawing	£60.00	
	Cash		£60.00

General Ledgers

Date		Cash	
	05-Apr	300	
	07-Apr		200
	08-Apr	250	
	15-Apr		150
	20-Apr	350	
	28-Apr		50
	29-Apr		200
	30-Apr		60
		900	660
			240
			balance c/d
		900	900
30-Apr	balance b/d	240	

Date		Account payable-Loan	
	29-Apr		250
	30-Apr	200	
		200	250
30-Apr	balance c/d	50	
		250	250
			50
			balance b/d

Date	Capital
05-Apr	300

Date	Purchased
07-Apr	200

Date	Car
15-Apr	150

Date	Revenue
20-Apr	350

Date	Rent
28-Apr	50

Date	Drawing
30-Apr	60

(b) List of account balances at 30 April

Trial balance at 30 April

Account title	Balance	
	Debit	Credit
Cash	£240.00	
Capital		£300.00
Purchased	£200.00	
Accounts payable - Loan		£50.00
Car	£150.00	
Revenue		£350.00
Rent	£50.00	
Drowning	£60.00	
Total	£700.00	£700.00
Stock as at 30 April was valued at £ 100.00		

(c) Statement of profit or loss for the month ended 30 April and a statement of financial position at that date.

Profit and Loss account		
Description		
Revenue		£350.00
Cost of goods sold:		
Purchases	£200.00	
less goods of stock	£100.00	
Total cost	£100.00	
Gross profit		£250.00
Expenses:		
Rent	£50.00	
Total expenses	£50.00	
Net profit		£200.00

Balance sheet	
Description	
Fixed asset:	
Car	£150.00
Sum fixed asset	£150.00
Current asset:	
Cash	£240.00
Closing Stock	£100.00
Sum current asset	£340.00
Total assets	£490.00
Current liabilities:	
Loan	£50.00
Total liabilities	£50.00
Capital	£300.00
Net profit	£200.00
Gross capital	£500.00
Drawings	£60.00
Net capital	£440.00
Capital + Liabilities	£490.00

Asset = Capital + Liabilities

$$490.00 = 440.00 + 50.00$$

Task 2

P e n d o

You are given the following information on the first month's trading of Pendo, who is in business as a second-hand furniture dealer. All transactions are on a cash basis.

1 January Pendo paid £5,000 into the business

2 January Bought a motor van for £600

3 January Bought goods for £1,300

4 January Received a loan from Sergei £1,000 repayable within twelve months

10 January Paid expenses on the motor van of £200

13 January Sold goods for £300

20 January Sold goods for £500

24 January Paid storage expenses £150

27 January Repaid Sergei part of his loan £350

30 January Withdrew cash from the business £175

31 January Closing inventory was £800.

Required:

(a) Write up the ledger accounts for the above transactions, including dates, descriptions and balances.

(b) Prepare the trial balance at 31 January.

(c) Prepare the statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

(a) The ledger accounts for the above transactions, including dates, descriptions and balances.

The Journal

Date	Description	Debit	Credit
01-Jan	<i>Cash in business</i>		
	Pendo - capital		£5,000.00
	Initial capital introduced - cash	£5,000.00	
02-Jan	<i>Bought motor van</i>		
	Cash		£600.00
	Fixed asset	£600.00	
03-Jan	<i>Bought goods</i>		
	Cash		£1,300.00
	Stock	£1,300.00	
04-Jan	<i>Receive loan from Sergei</i>		
	Cash	£1,000.00	
	Loan		£1,000.00
10-Jan	<i>Paid expenses on the motor van</i>		
	Cash		£200.00
	Expenses	£200.00	
13-Jan	<i>Sold goods in cash</i>		
	Revenue	£300.00	
	Stock		£300.00
20-Jan	<i>Sold goods in cash</i>		
	Revenue	£500.00	
	Stock		£500.00
24-Jan	<i>Paid storage expenses</i>		
	Cash		£150.00
	Expenses	£150.00	
27-Jan	<i>Repaid part of his loan to Sergei</i>		
	Cash		£350.00
	Loan	£350.00	
30-Jan	<i>Withdrew cash</i>		
	Cash		£175.00
	Drawing	£175.00	

General Ledgers

Date	Cash		Date	Capital	
01-Jan	5000		01-Jan		5000
02-Jan		600			
03-Jan		1300			
04-Jan	1000				
10-Jan		200			
13-Jan	300				
20-Jan	500				
24-Jan		150			
27-Jan		350			
30-Jan		175			
	6800	2775		0	5000
		4025			
	6800	6800			
balance b/d	4025				

balance c/d

Date	Withdraw	
30-Jan	175	
	175	0

Date	Bought goods	
03-Jan	1300	
	1300	0

Date	Expenses	
10-Jan	200	
	200	0

Date	Storage	
24-Jan	150	
	150	0

Date	Motor van	
02-Jan	600	
	600	0

Date	Revenue - sold goods	
13-Jan		300
20-Jan		500
	0	800

Date	Loan	
04-Jan		1000
27-Jan	350	
	350	1000
balance c/d	650	
	1000	1000
		650 balance b/d

(b) Trial balance at 31 January.

Trial balance at 31 January

Account title	Balance	
	Debit	Credit
Cash	£4,025.00	
Capital		£5,000.00
Bought goods	£1,300.00	
Revenue - sold goods		£800.00
Storage	£150.00	
Car - motor van	£600.00	
Loan		£650.00
Expenses	£200.00	
Withdraw	£175.00	
Total	£6,450.00	£6,450.00
Stock as at 31 Jan was valued at £ 800.00		

(b) Statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

Profit and Loss account		
Description		
Revenue- sold goods		£800.00
Cost of goods sold:		
Bought goods	£1,300.00	
less goods of stock	£800.00	
Total cost	£500.00	
Gross profit		£300.00
Expenses:		
Other expenses	£200.00	
Storage	£150.00	
Total expenses	£350.00	
Net profit		-£50.00

Balance sheet	
Description	
Fixed asset:	
Car	£600.00
Total fixed asset	£600.00
Current asset:	
Cash	£4,025.00
Closing Stock	£800.00
Total current asset	£4,825.00
Total assets	£5,425.00
Current liabilities:	
Loan	£650.00
Total liabilities	£650.00
Capital	£5,000.00
Net profit	-£50.00
Gross capital	£4,950.00
Drawings	£175.00
Net capital	£4,775.00

Asset = Capital + Liabilities

$$5,425.00 = 4,775.00 + 650.00$$

Task 3

Mafuta is a retailer and on 1 January his assets were:

	£
Cash in hand	343
Inventory	458
Furniture and fittings	198
Receivables	
Smith	18
Harvey	39
Moon	26

His liabilities were to the following suppliers:

	£
Rich	12
Max	21

His transactions during January were:

	£
2 January Goods sold to Harvey on credit	124
5 January Paid wages	12
Bought goods on credit from Rich	150
7 January Smith settled his account	
9 January Paid the amount owing to Max	
11 January Cash sales	64
14 January Paid wages	14
Bought goods for cash	75
15 January Paid Rich for balance owing on his account	
20 January Bought for cash a new office desk	32
21 January Paid wages	17
Cash sales	110
23 January Paid office expenses	3
Harvey paid on account	25
28 January Cash sales	84
Paid wages	15
31 January Cash sales	30
Inventory at cost was	374

Required:

- Write up and close the relevant ledger accounts.
- Extract a trial balance at 31 January
- Prepare a statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

(a) Relevant ledger accounts.

The Journal

Date	Description	Debit	Credit
02-Jan	<i>Goods sold to Harvey on credit</i>		
	Sold goods	£124.00	
	Receivable Harvey		£124.00
05-Jan	<i>Paid wages</i>		
	Cash		£12.00
	Wages	£12.00	
05-Jan	<i>Bought goods on credit from Rich</i>		
	Bought goods	£150.00	
	Payable Rich		£150.00
07-Jan	<i>Smith settled his account</i>		
	Cash	£18.00	
	Receivable Rich		£18.00
09-Jan	<i>Paid the amount owing to Max</i>		
	Account payable	£21.00	
	Bank		£21.00
11-Jan	<i>Cash sales</i>		
	Cash	£64.00	
	Sold goods		£64.00
14-Jan	<i>Paid wages</i>		
	Cash		£14.00
	Wages	£14.00	
14-Jan	<i>Bought goods for cash</i>		
	Cash		£75.00
	Bought goods	£75.00	
15-Jan	<i>Paid Rich for balance owing on his account</i>		
	Account payable	£162.00	
	Cash		£162.00
	<i>Note: That is sum of £12+£150 bought goods on credit from Rich</i>		

20-Jan	<i>Bought for cash a new office desk</i>		
	Cash		£32.00
	Furniture and fitting	£32.00	
21-Jan	<i>Paid wages</i>		
	Cash		£17.00
	Wages	£17.00	
21-Jan	<i>Cash sales</i>		
	Cash	£110.00	
	Sold goods		£110.00
23-Jan	<i>Paid office expenses</i>		
	Cash		£3.00
	Expenses	£3.00	
23-Jan	<i>Harvey paid on account</i>		
	Bank	£25.00	
	Receivable Harvey		£25.00
28-Jan	<i>Cash sales</i>		
	Cash	£84.00	
	Sold goods		£84.00
28-Jan	<i>Paid wages</i>		
	Cash		£15.00
	Wages	£15.00	
31-Jan	<i>Cash sales</i>		
	Cash	£30.00	
	Sold goods		£30.00

Date	Cash	
01-Jan	343	
05-Jan		12
11-Jan	64	
14-Jan		14
14-Jan		75
15-Jan		162
20-Jan		32
21-Jan		17
02-Jan	110	
23-Jan		3
28-Jan	84	
28-Jan		15
31-Jan	30	
	631	330
		301
		balance c/d
balance b/d	631	631
	301	

Date	Capital	
01-Jan		343
01-Jan		458
01-Jan		198
01-Jan		18
01-Jan		39
01-Jan		26
01-Jan	12	
01-Jan	21	
	33	1082
balance c/d	1049	
	1082	1082
		1049

Date	Receivable	
01-Jan	18	
01-Jan	39	
01-Jan	26	
02-Jan	124	
07-Jan		18
23-Jan		25
	207	43
		164
		balance c/d
	207	207

Date	Payable	
01-Jan		12
01-Jan		21
05-Jan		150
09-Jan	21	
15-Jan	162	
	183	183
	183	183

Date	Sold goods	
02-Jan		124
21-Jan		110
28-Jan		84
31-Jan		30
	0	348

Date	Furniture and fittings	
01-Jan	198	
20-Jan	32	
	230	0

Date	Inventory	
01-Jan	458	
	458	0

Date	Wages	
05-Jan	12	
14-Jan	14	
21-Jan	17	
28-Jan	15	
	58	0

Date	Bought goods	
05-Jan	150	
14-Jan	75	
	225	0

Date	Expenses	
23-Jan	3	
	3	0

Date	Bank	
07-Jan	18	
09-Jan		21
23-Jan	25	
	43	21
balance c/d		22
	43	43
	22	

balance b/d

(c) Trial balance at 31 January

Trial balance at 31 January

Account title	Balance	
	Debit	Credit
Cash	£301.00	
Bank	£22.00	
Capital		£1,049.00
Inventory at 1 January	£458.00	
Account receivable	£164.00	
Account payable		£0.00
Bought goods	£225.00	
Revenue - sold goods		£412.00
Furniture and fittings	£230.00	
Wages	£58.00	
Expenses	£3.00	
Total	£1,461.00	£1,461.00
Inventory at 31 Jan was valued at £ 374.00		

(d) Statement of profit or loss for the month ended 31 January and a statement of financial position at that date.

Profit and Loss account		
Description		
Revenue - sold goods		£412.00
Cost of goods sold:		
Bought goods	£225.00	
Inventory at 1 January	£458.00	
Inventory at 31 January	£374.00	
Total cost	£309.00	
Gross profit		£103.00
Expenses	£3.00	
Wages	£58.00	
Total expenses	£61.00	
Net profit		£42.00

Balance sheet	
Description	
Fixed asset:	
Furniture and fittings	£230.00
Total fixed asset	£230.00
Current asset:	
Cash	£301.00
Bank	£22.00
Account receivable	£164.00
Inventory at 31 January	£374.00
Total current asset	£861.00
Total assets	£1,091.00
Current liabilities	
Account payable	£0.00
Total liabilities	£0.00
Capital	£1,049.00
Net profit	£42.00
Gross capital	£1,091.00
Drawings	£0.00
Net capital	£1,091.00

Asset = Capital + Liabilities

$$1,091.00 = 1,091.00 + 0.00$$

Task 4

Ricardo, a sole trader, had the following transactions for the month of June:

- 2 June Sold goods to Claire for £8,500 on credit; offered a 5% quick settlement discount.
- 13 June Bought goods from Georgina for £12,000 on credit; Georgina offered a 7% quick settlement discount.
- 14 June Sold goods to Hywel for £9,000 after a 5% trade discount.
- 20 June Sold goods to Jane for £6,000 cash.
- 21 June Bought goods on credit for £4,500 from Andrew who offered a 2% quick settlement discount.
- 22 June Claire returned goods sold of £1,000.

- 24 June
 - (i) Mandy bought goods worth £5,000 and was offered a 3% quick settlement discount.
 - (ii) (ii) Claire took advantage of Ricardo's discount and paid the net amount due after taking the discount offered.

- 25 June
 - (i) Hywel settled the amount due in full.
 - (ii) (ii) Ricardo paid Georgina the amount due after deducting the discount offered.

- 27 June Ricardo paid Andrew in full, after deducting the discount offered.

Required:

- (a) Prepare the relevant ledger accounts to record the above transactions.
- (b) Extract a trial balance at 27 June and close the relevant ledger accounts.
Your answer should clearly show transactions with individual customers and suppliers.

(a) Relevant ledger accounts

Date	Description	Bank	
24-Jun	Claire	7125	
25-Jun	Haywel	8550	
25-Jun	Georgina		11160
27-Jun	Andrew		4410
		15675	15570
			105
		balance c/d	
		15675	15675
balance b/d		105	

Date	Description	Cash	
20-Jun	Jane	6000	
		6000	0

Date	Description	Account receivable	
02-Jun	Claire	8500	
14-Jan	Hywel	9000	0
22-Jun	Claire		1000
24-Jun	Claire		7500
25-Jun	Haywel		9000
		17500	17500

Date	Description	Sold goods	
02-Jun	Claire		8500
14-Jan	Hywel		9000
20-Jun	Jane		6000
22-Jun	Claire	1000	
24-Jun	Mandy		5000
		1000	28500
balance c/d		27500	
		28500	28500
		balance b/d	27500

Date	Description	Account payable	
13-Jun	Georgina		12000
21-Jun	Andrew		4500
25-Jun	Georgina	12000	
27-Jun	Andrew	4500	
		16500	16500

Date	Description	Purchases	
13-Jun	Georgina	12000	
21-Jun	Andrew	4500	
		16500	0

Date	Description	Discounts sells	
24-Jun	Claire	375	
25-Jun	Hywel	450	
		825	0

Date	Description	Discounts purchases	
25-Jun	Georgina		840
27-Jan	Andrew		90
			930

Date	Description	Claire	
02-Jun	Sold goods		8500
22-Jun	Return goods	1000	
		1000	8500
		7500	

8500 8500

7500 balance c/d

375 5% discount 5/10, n/30

7125 paid amount on 24 Jun

Date	Description	Hywel	
14-Jun	Sold goods		9000
		0	9000

450 5% discount 5/10, n/30

8550 paid amount on 25 Jun

Date	Description	Georgina	
13-Jun	Bought goods		12000
		0	12000

840 7% discount 7/10, n/30

11160 paid amount on 25 Jun

Date	Description	Andrew	
21-Jun	Bought goods		4500
		0	4500

90 2% discount 2/10, n/30

4410 paid amount on 27 Jun

(b) Extracted a trial balance at 27 June

Trial balance at 27 June

Account title	Balance	
	Debit	Credit
Cash	£6,000.00	
Bank	£105.00	
Account receivable	£5,000.00	
Bought goods	£16,500.00	
Revenue - sold goods		£27,500.00
Discount sells	£825.00	
Discount purchases		£930.00
Total	£28,430.00	£28,430.00

Task 5

Demonstrating your research, differentiate between revenue expenditure and capital expenditure with reference to International Accounting Standards

International Accounting Standard (IAS) is accounting standard which aim to make it easier financial compare between companies on the stock exchange.

According the standard Presentation of financial statement include: Statement of financial position; Statement of profit or loss and other comprehensive income; Statement of changes in equity; Statement of cash flows and notes to the account and accounting policies. In all these statements transaction should have recorded and present in the way that does not misled users as to the interpreted them.

Moreover, very natural process in course of running the business is to occurrence the expenses. Generally, their idea is to give rise of the efficiency of business and further return. Expenses are classified on two categories: Capital expenditure and Revenue expenditure. The first one is made to acquire an asset or improve the capacity of the asset and take part in statement of financial position and statement of changes the equity; the second one defines the routine expenditures which are incurred in the day to day business activities and participate in Statement of profit or loss and other comprehensive income related with the previous mentioned statement.

Capital Expenditure

A capital expenditure is an amount spent to acquire or significantly improve the capacity or capabilities of a long-term asset such as equipment, buildings, furnishings, fixtures, vehicles. It involves the purchases or acquisition of tangible non-current assets. The costs which getting the asset in working condition for a number of accounting periods are also could be include as capital expenditures. In statement of financial position items are recorded in their original cost under the heading of Property, Plant and Equipment (IAS16). These expenditures are not appearing directly in the income statement as a deduction, they are dealt with through the process of depreciation over the useful life of the asset.

The total amount spent on capital expenditures during an accounting year is reported under investment activities on the statement of cash flows.

Revenue Expenditure

Revenue expenditure is an amount that is spent for an expense that will be matched immediately with the revenues reported on the current period's income statement and do not add value to the not-current assets of the business.

Examples of revenue expenditures include the amounts spent to purchases of inventory, administrative expenses, advertising and other general expenses associated with running the business.

IAS 38 clearly states that internally generate goodwill, brand name generates internally, and other types of intangible asset cannot be capitalised and should be written off as revenue expenditure, that include research and development expenditures.

Revenue expenses are short term expenses and can be sub classified into two categories:

- Expenditures for giving rise of revenue include expenses required to meet the ongoing operational costs on a day to day basis, so there the same such operating expenses. They can be fully tax-deducted in the same year of their occurrence.
- Expenditures for maintenance of revenue-generating assets include the ordinary repair and maintenance costs that are necessary to keep the asset in working order without substantially improving or extending the useful life of the asset. Revenue expenses associated with the existing assets include expenses for repairs and regular maintenance as well as repainting and renewal expenses. Opposite the most capital expenditure revenue expenditures can be considered as iterative ones.

Example of capital and revenue expenditures

Capital expenditure	Revenue expenditure
Purchas a building	Rent a building
Buy a motor van	Repair a motor van
Build extension in house	Repaint existing extension
Installation cost of new equipment	Electricity cost of using the equipment

Implication of expenditure in the company presentation

Capital expenditure appears in the Statement of financial position whereas revenue expenditure appears in the Statement of profit or loss. If expenses are treated as revenue expenditures, they immediately decrease net profit with the amount spent for them. If they are treated as capital expenditure, there is no immediate impact upon profit. Profit is only reduced with a part of the expenditure which is charged against income during the time the item purchased is in use, and those charges (called 'depreciation') spread the cost of the item over several years.

Companies like to show that they are being as profitable as possible, so they aspire to include more expenses as a capital's ones. Doing this they present the company as more prosperous as the fixed assets are at a higher value than it would have been if the expenditure had been treated as revenue expenditure.

Compare table between capital and revenue expenditure

	Capital	Revenue
Generate benefit	More than one year	Only for current accounting year
Outlay	One-time investment	Occur frequently
Shown in	Statement of financial position as fix asset or depreciation in Statement of profit and lost	Statement of profit and lost
Capitalization	Yes	No
Term	Long term	Short term
Earning capacity	Improve the earning capacity on the entry	Maintaining the earn capacity
Matching concept	Not matched with capital receipts	Matched with the revenue receipts

Summarise up for earning the profit for current or future years both capital and revenue expenditure has their role in the business. On base of capital expenditure assets increase which rebound on revenue for upcoming years. In case of revenue expenditure assets are not changed but it influences on profit at present year.

References List

Avercamp, H. (2019) [Online] *What is the capital expenditure versus the revenue expenditure?* Available from: <https://www.accountingcoach.com/blog/capital-expenditure-revenue-expenditure> (Accessed: 21 April 2019)

El-Hoss, D. (.....) [Online] *Capital versus revenue expenditure* Available from: https://www.igcseaccounts.com/uploads/2/6/7/8/26787454/capital_versus_revenue_expenditure.pdf (Accessed: 20 April 2019)

Horner, D. (2017) *Accounting for non Accountants*. 11th ed. London: Kogan Page

Mbwambo Edwun C. (2014) *Principal of accounting Capital and revenue expenditure* Available from: https://www.academia.edu/9219250/Capital_and_Revenue_Expenditures (Accessed: 19 April 2019)

Surbhi, S. (2015) [Online] *Difference Between Capital Expenditure and Revenue Expenditure* Available from: <https://keydifferences.com/difference-between-capital-and-revenue-expenditure.html> (Accessed: 19 April 2019)

Walker, J. (2011) *Accounting in a Nutshell* [Online]. Available from: <https://www-dawsonera-com.ezproxy.uwtsd.ac.uk/abstract/9780080943152> (Accessed: 19 April 2019)