PA ASSIGNMENT WEEK 9

1. Distinguish between capital and revenue expenditure with suitable example
2. The following costs were generated by the purchase and running of a new machine. Originally, all of these costs were included in the income statement as revenue expenditure.

(a) Calculate the correct amounts to be included as capital expenditure and as revenue expenditure.

(b) Calculate the overall change to profit for the year once expenditure has been correctly allocated.

(c) Calculate the change to the assets of the business once expenditure has been correctly allocated.

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|  | **Rs.** |
| Buying new machine | 24000 |
| Legal costs involved in buying machine | 910 |
| Operational costs for machine for financial year | 2313 |
| Installation costs of machine | 430 |
| Maintenance of machine | 299 |

3. Decide whether the following are capital expenditure, capital receipts, revenue expenditure or revenue receipts.

(a) Sale of inventory

(b) Purchase of inventory

(c) Sale of business premises

(d) Carriage on inventory

(e) Wages paid to production workers

(f) Repayment of loan

(g) Legal costs in buying new business

(h) Annual marketing costs

(i) Car purchased for resale

(j) Commission received

(k) Bank loan taken by business

(l) New computer network installation costs