

Estimation of business expenses

Introduction

.1 Overview

Business expenses are the costs that you spend to run your business. The total business expenses are subtracted from the business's total revenue to reach the business's net income. A proper record of expenses can help the business to make financial decisions. Most of the business expenses are deductible under the income tax act; the deduction of expenses reduces the tax liability.

Capital expense (capex) refers to the money an organization spends to maintain, buy, or improve its fixed assets, such as land, buildings, plant & machinery and equipment. Capex is recorded as an investment in the balance sheet rather than as an expense on the income statement. Capex can include costs related to acquiring or creating a fixed asset, such as fees, transportation, installation, and registration.

For example, if a company buys a building and pays a commission to the broker, the purchase price and the commission are considered capex. Capex can also include costs related to extending or improving a fixed asset or replacing a significant part of an existing fixed asset. The benefit of such spending is expected to last for more than one year.

Revenue expenditure is a company's regular cost to support its business operations and earn revenue in a specific period. It does not create any long-term benefit or asset for the company. It is related to the fixed assets that the company uses for production or sales. For example, maintenance, repair, rent, wages, etc., are revenue expenditures. They are recorded in the company's income statement for the period they are incurred.

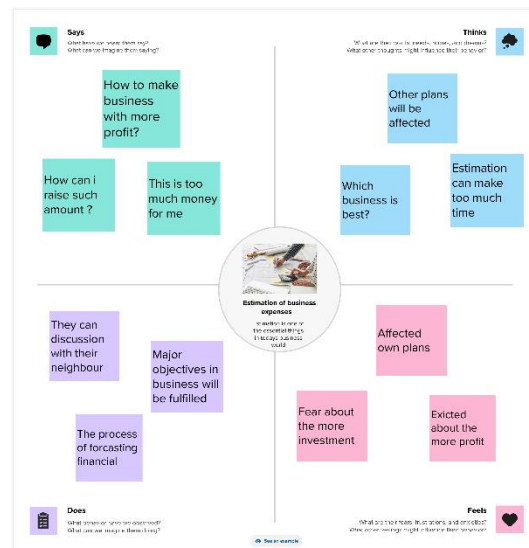
.2 purpose

A number of different types of business cost can be deducted from your taxable Here are a few examples:

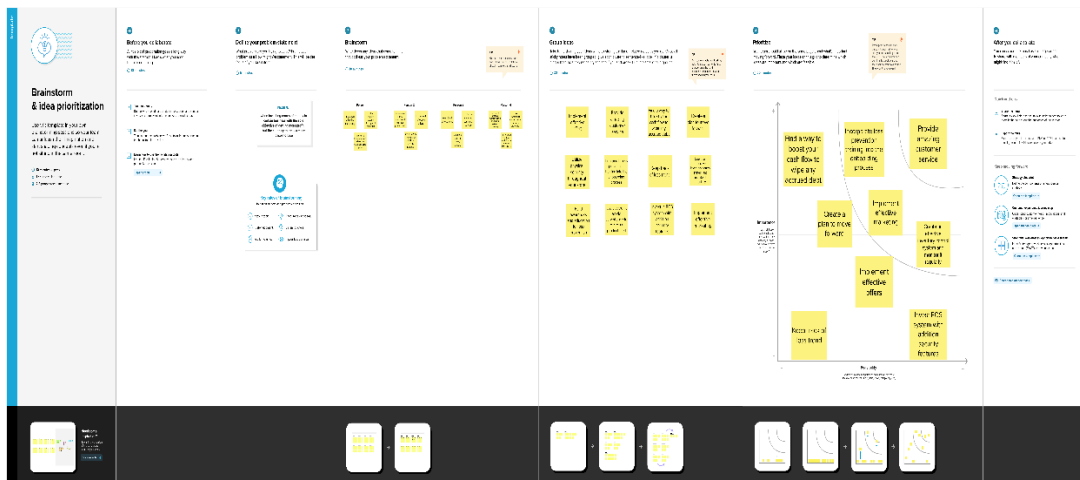
- Business travel expenses
- Rent or lease payments
- Insurance premiums for your business
- Interest paid on business loans
- Advertising costs
- Telephone and fax charges related to your business
- Supplies and materials used in your business

Problem Definition and Design Thinking

2.1 Empathy map:

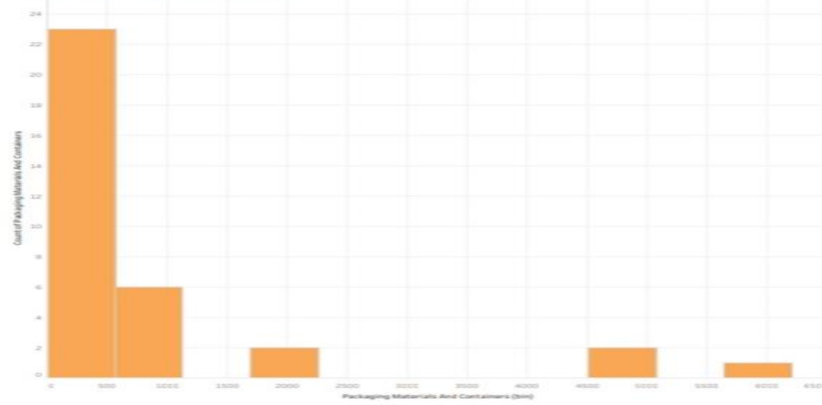


2.2 Ideation and brainstorming map:

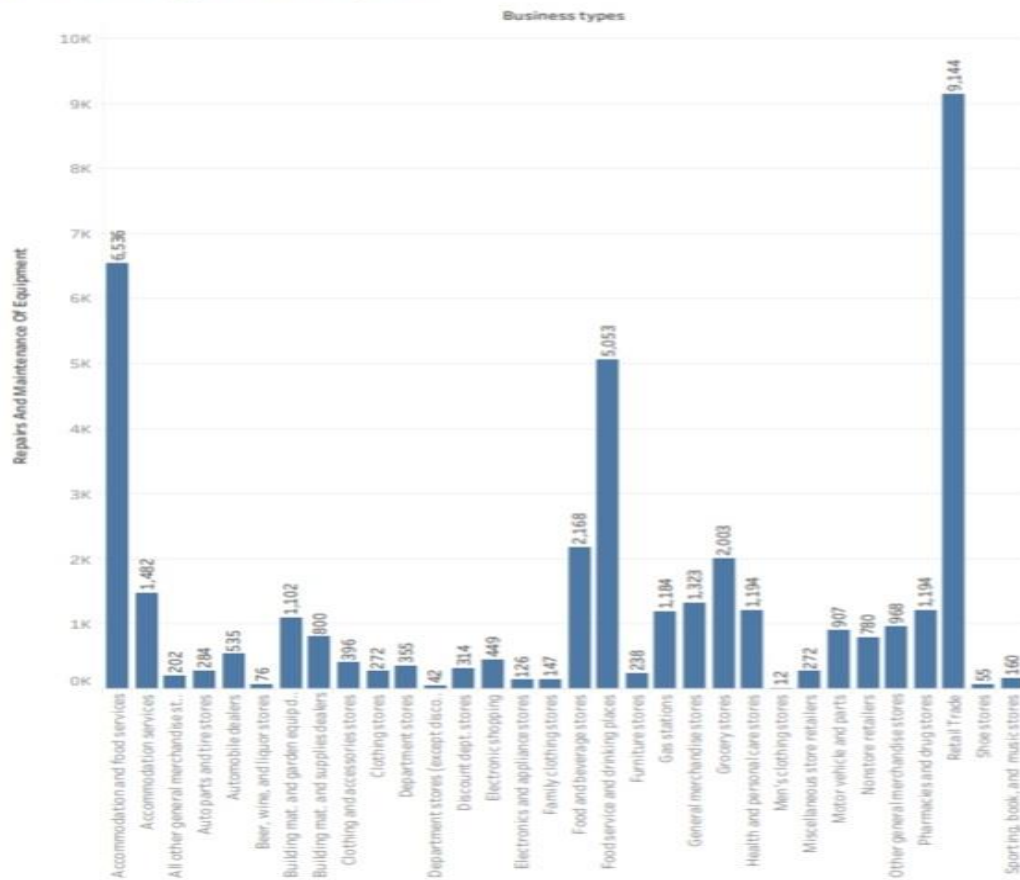


Result:

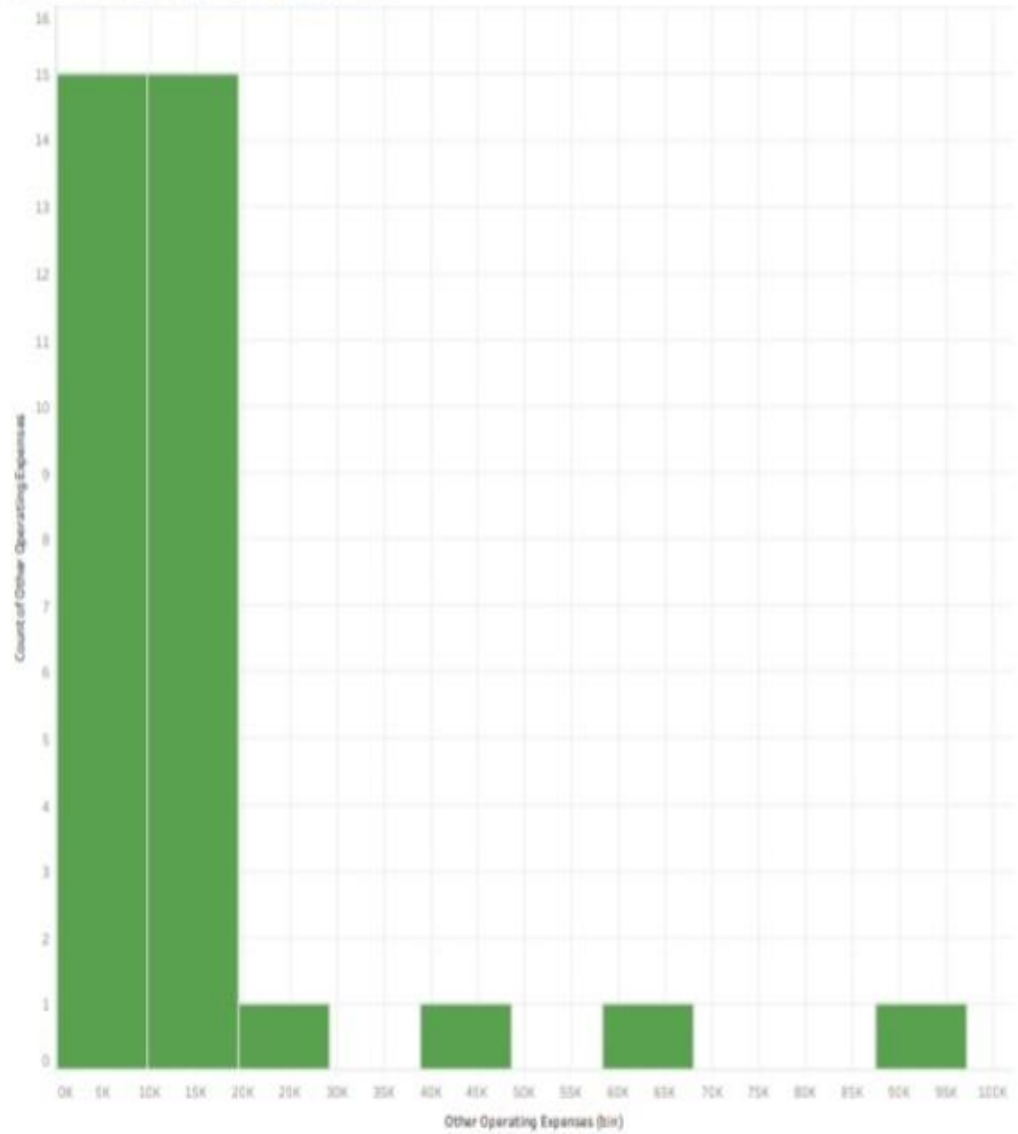
Packing material and containers



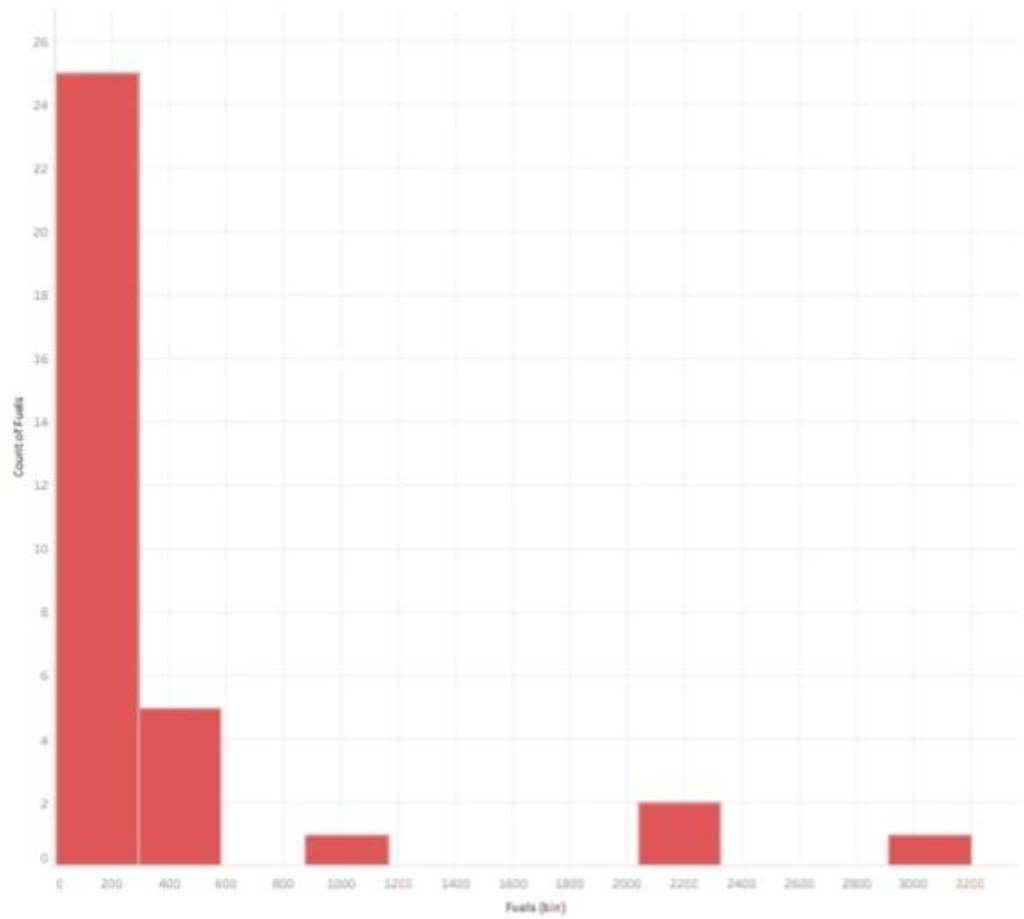
Business types and repairs

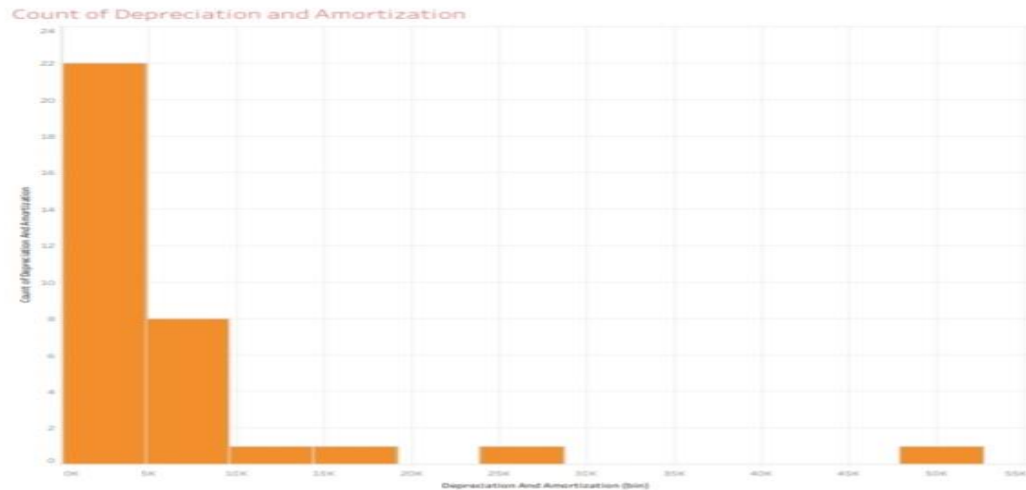


count of other operating expenses



count of fuels and fuels





Advantages:

- IRS audit preparedness sways most of my Schedule C clients to separate personal and business banking. Many correspondence audits focus on one area of the return. If your Schedule C is chosen for an audit, you will have to submit bank statements to the IRS. Do you really want to submit your personal financial information if you do not have to? Separate finances make for a cleaner tax audit.
- Personal and business accounts need to be managed completely separately and everything needs to be done by the book, especially for startups looking to raise VC or exit via IPO or acquisition. You can have both accounts with one bank -- as long as that works best for your business. It can help reduce management time marginally, but when starting a business, the business always comes first.
- Although it may feel easier to mix personal and business finances to start, it will create complications down the road. There are many advantages to separating business and personal banking, such as building business credit and the ease of calculating taxes. Others will see your business as more legitimate when paying to or being paid from a business account rather than a personal one.

Disadvantages:

- **A shortage of cash.** You may need to borrow money to buy new premises or equipment to expand.
- **Increased capital requirements.** A larger business requires a larger workforce, more facilities or equipment, and often more investment.
- **Loss of control.** Larger businesses mean delegating more management duties or dividing workloads between different locations. This potentially can lead to compromised quality and lower staff morale, resulting in higher staff turnover, which in turn can damage your customer relationships.
- **Compromised productivity and quality** due to lack of resources. Management, staff and even your machines may not be able to keep up with the excess workload.

Application:

- According to the Internal Revenue Service (IRS), business expenses are ordinary and necessary costs incurred to operate your business. Examples include inventory, [payroll](#) and rent. Fixed expenses are regular and don't change much — things like rent and insurance. Variable expenses are expected, but they can change. Some examples include sales commissions, gas for business vehicles and shipping costs. You expect variable expenses each month, but the actual amount will vary. Tracking your business expenses helps you keep an eye on whether you'll see profits or losses.
- Also referred to as deductions, business expenses are the costs of operating a business. They're recorded on the income statement. These expenses will be subtracted from business revenue to show a company's net profit or loss and taxable income.
- Guidelines for business expenses can be found in Section 162 of the Internal Revenue Code (IRC). As long as an expense is considered ordinary and necessary, it can be reported to the IRS to help reduce tax liability.

- According to the IRS, ordinary refers to expenses common to most business owners in the industry or trade. Necessary means your expenses help with your business operations, and they're appropriate to your organization.

Conclusion:

Any expense that meets the IRS definition of ordinary and necessary can be deducted. To be written off, an expense needs to be incurred by a business intending to make a profit. Some expenses may be fully deductible, whereas others are partially deductible or won't be fully deducted the year they're incurred.

Appendix:

Introduction

<https://tax2win.in/guide/what-are-business-expenses-definition-type>

Advantages

<https://especia.co.in/post/business-expenses>

Disadvantages

<https://www.forbes.com/sites/forbesfinancecouncil/2019/09/10/13-advantages-of-keeping-personal-and-business-bank-accounts-separate/?sh=600c532649ae>

Application

https://www.allianz-trade.com/en_global/news-insights/business-tips-and-trade-advice/advantages-and-disadvantages-of-expanding-a-business.html

conclusion

<https://www.netsuite.com/portal/resource/articles/financial-management/business-expenses.shtml>