6.4 ACCOUNTING PROCEDURES

6.4.1 CAPITAL & REVENUE EXPENDITURE & RECEIPTS

- Distinguish b/c and A/c for capital exp. & revenue exp.

**CAPITAL Exp.** - the money spent on acquiring, improving, and installing non-current assets.
  - Purchase of non-current asset
  - Provides benefit for over 1 year
  - Appears in the statement of financial position

**REVENUE Exp.** - the money spent on running a B on a day-to-day basis.
  - Day-to-day running expense
  - Provides benefit for less than 1 year
  - Appears in income statement

- Distinguish b/c and A/c for capital receipts & revenue receipts.

**CAPITAL RECEIPTS** - amounts received which do not form part of the day-to-day trading activities
  - Long-term effect
    - \[ \text{\textdollar} \text{value of assets} + \text{\textdollar} \text{value of debt} \]
    - E.g., sale of a fixed asset, a loan from a bank
REVENUE RECEIPTS - amounts received in the day-to-day trading activities from revenue and other items of income.

- Short term effect
- Does not affect the value of Assets or Liabilities.

("Refer 2 pages back")