

Classification of Capital and Revenue Expenditures:

Q1. State whether the following expenses are capital or revenue in nature:

- I. Expenses on whitewashing and painting of a building purchased to make it ready for use.
- II. 10,000 spent on constructing platform for a new machine.
- III. Repair expenses of 25,000 incurred for whitewashing of factory building.
- IV. Insurance premium paid as renewal premium.
- V. Purchased a new car.
- VI. Excise duty paid on purchase of new machine.
- VII. Wages paid to install a machine.
- VIII. Repairs carried out on existing car.
- IX. Office block of building repainted for 50,000.
- X. Paid telephone bill of 2,500.

Solution –

S.No.	Transaction	Nature of Expense
1	Expenses on whitewashing and painting of a building purchased to make it ready for use.	Capital Expense
2	10,000 spent on constructing platform for a new machine.	Capital Expense
3	Repair expenses of 25,000 incurred for whitewashing of factory building.	Revenue Expense
4	Insurance premium paid as renewal premium.	Revenue Expense
5	Purchased a new car.	Capital Expense
6	Excise duty paid on purchase of new machine.	Capital Expense
7	Wages paid to install a machine.	Capital Expense
8	Repairs carried out on existing car.	Revenue Expense
9	Office block of building repainted for 50,000.	Revenue Expense
10	Paid telephone bill of 2,500.	Revenue Expense

