

Revenue Exp & Cap Exp.

- to ascertain the net result of the trading activity for an accounting year.
- to ascertain the financial posn of the busi at the end of year.

Income st-
P/L A/c.
Rev.

Posn stt
B/S → Final AC.
↓
Capital

Capital & Rev. Expenditure

Routine
↓
short pd
Rev. Exp

Durable.

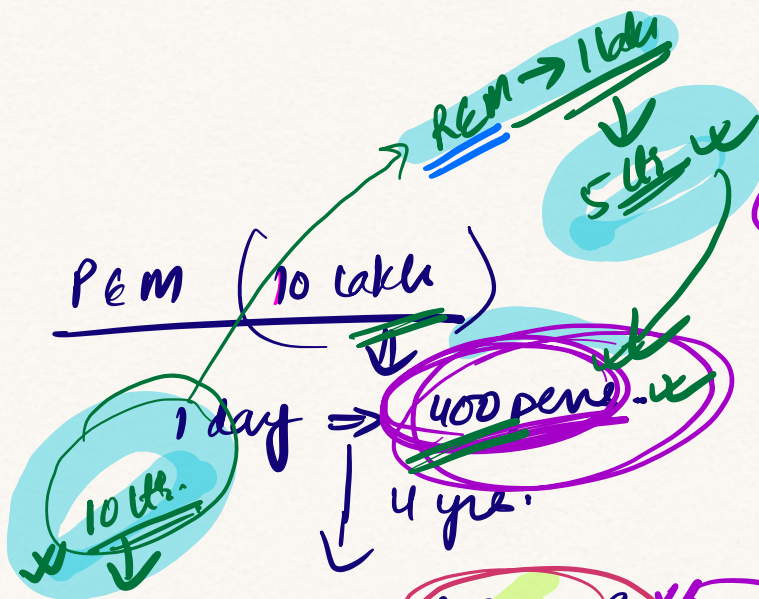
↓
longer pd.

↓
Cap. Exp.

↓
1. Acq. of Fixed Assets

✓ Land / Bldg / P&M

2. Exp. Fixed Asset which



results in

- ① expansion.
- ② substantial increase in its life.
- ③ improvement in its rev. earning capacity.
 - 1) increased prodn. capacity.
 - 2) reduction in cost of operation.



③ Exp. incurred during early years on dist. of mtr & land & plantation, till mtr become operational

④ legal charges incurred in connection with acquiring or defending suits & protecting FA, Rts etc

Revenue Expenditures

Benefit not likely to extend beyond 1 yr.

1. day to day conduct

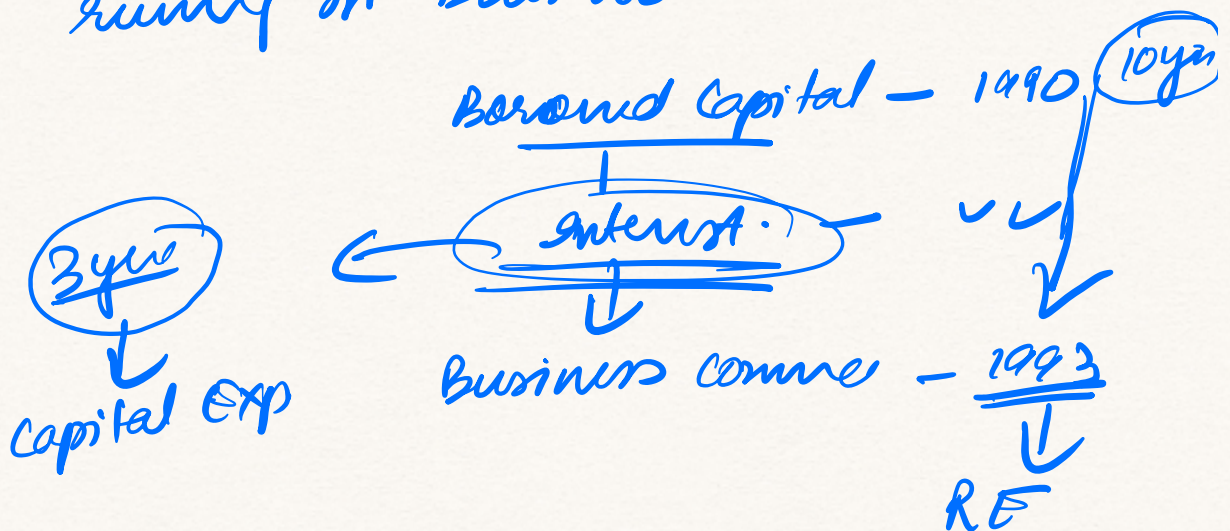
- Wages/salaries.
- rent
- Postage
- stationary.
- insurance
- cloth.

2. Raw materials + mfg. → Expense.

3. R & M → Fixed assets.

4. Depreciation on FA.

5. Interest on loans borrowed & running on business.



6.

CE

RE

① raised the earning capacity of business.

② incurred & acquired FA

③ non-recurring in nature.

④ Beneficial of CE - long term - beyond 1 Ac. in year.

⑤ recorded in P/L

① maintaining the earning capacity of business.

② RE is incurred & metted on day to day operating expenses of business.

③ Recurring type of EXP

④ exhausted in 1 Ac. in year.

⑤ P/L AC.

① CIT v Madras Auto Services.

Ass. ee → deminish & continued.
↓
low rent.

② Maxon Technical Services Ltd.

U CTT

Depreciation

↓

\$32

↓

\$28 → PGBP ✓

\$29 → 30 - 44

20-37 → sp. i.e. deduction — PGBP

→ \$32 — Depn.

→ in respect of :-

(a) Tangible assets

(b) Intangible Assets.
(Goodwill ✗).

— "Block of Assets" !!

→ WDV

— Owner.

— @ Ratio spent it ✗.

2(11) → Block of Asset.

(and) + (a) same category ✓
(b) same rate & depn ✓

CATEGORY

- (1) Buildings
- (2) Furniture & fixtures.
- (3) P & M
- (4) ships
- (5) Intangible Assets.

Residential — 5%
Non residential — 10%
Temporary — 40%

Bldgs 1 — 4H ✓
↓
2 — garden
3 — front of ✓
4 — staff q → cold — 1.566
5 — temporary shed.

6 — staff guard 3 labels
↓
P & M — 1.5
157 @ 2 ✓

Block 1 — Bldgs @ 5% ✓
1, 4, 6
5,00,000.

Block 2 — Bldgs @ 10%
2, 3

Block 3 - Bldgs @ 40%.

Format: - Block of asset → cease to exist.

Opening WDV

Add: Actual cost of asset acquired during the PY (6)

Less: Money recd. in respect of any asset sold/discharged/damaged/destroyed etc. (4)

WDV & depn.

(-) Depreciate @ 5% (2.5%)
closing WDV

Next year

opening WDV

xx 5 lak.
xx 3 lak.

(xx) 1.5
9 lak.
STC 4

(xx) 6.5 lak.
4 lak.
xx
1.5 lak.
@ 2.5%

(7)

←

(7)

→ Depn can be claimed after the asset is 1st put to use

less than 180 days
FY.

Additional depn

① Ass. ce Mfging or Production activity reduced by 50%.

acquires any new asset in a FY.

add. al depn @ 20% in the year of acquisition of an asset.

PEW → @ 15% - 1, 2, 3 → New → 4 → 2 lakh. 180 days

Op. WDV	→	4 lakh.
Ac Cost	—	2 lakh.
—	—	0
—	—	0
WDV + dep	—	6 lakh.
Depn @ 15%	—	90,000
—	—	—
Add. al depn @ 20% on	—	10% of 2 lakh.
on value of new Asset	—	20% of 2 lakh.
4 @ 20%.	—	40,000
—	—	20,000
@ 10%	—	—
—	—	470,000

Business loan

