Revenue Exp
& Cap Exp.

- to ascertain the net result of the trading activity 4 an accounting year.
- to ascertain the financial position of the busi at the end of year.

Income st.	Position stt
P/L A/c.	B/S → Final A/c.
Rev.	↓ 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

ⓐ expansion.

ⓑ substantial increase in its life.

ⓒ improvement in its rev. earning capacity.

i) increased prodn. capacity.

2) reducing in cost of operation.

PEM (10 lakh)

REM → 1 lakh

5 lts

1 day ⇒ 400 pens

10 lts.

4 yrs.

1 day = 200 pens — RE

@ expenses of Repair & Maintenance

→ 2 lakh → CE

⇒ 500 pens → 350 pens NO

CE

③ Exp. incurred during early years on devt of mine & land 4 plantation, till they become operational

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

Revenue Expenditure

Benefit not likely to extend beyond 1 yr.

1. day to day conduct
   - wages/salaries.
   - rent
   - Postage
   - stationary.
   - insurance
   - electr.

2. Raw materials + mfg. → Expenses.

3. R & M → Fixed assets.

4. Depreciation on FA.

5. Interest on loans borrowed 4 running on business.

Borrowed Capital – 1990 (10yrs)

Interest

3yrs ↓ Capital exp

Business comm. – 1993 ↓ RE

6.

CE	RE
(a) raised the earning capacity of business	(a) maintaining the earning capacity of business.
(b) incurred to acquire FA	(b) RE is incurred for meeting the day to day operating expenses of business.
(c) Non-recurring in nature.	(c) Recurring type of exp
(d) Benefit of CE - long term - beyond 1 Ac/ing year.	(d) exhausted in 1 Ac. ing year.
(e) recorded in B/S	(e) P/L A/c.

(1) CIT v Madras Auto services.

Ass. ee → demolish & construct.
↓
lower rent.

(2) Maccon Technical Services Ltd.

U CIT

Depreciation

↓

$32

↓

$28 → PGBP ✗

$29 → 30 – 44

30–37 – spl. deduction – PGBP

→ $32 – Depry.

→ In respect of :-

ⓐ Tangible assets

ⓑ Intangible Assets. (goodwill ✗).

– "Block of Assets"

→ WDV

– Owner.

– @ Rates spcd IT ~~A~~.

Q (ii) → Block of Asset.

and + (a) same category ✓
(b) same rate of depn. ✓

CATEGORY

(i) Buildings — Residential — 5%.
Non residential — 10%.
Temporary — 40%.
(2) Furniture & fixtures.
(3) P & M
(4) ships
(5) Intangible Assets.

Bldgs 1 — GH ✓ P&M — 1
2 — godown 15 @ 2 ✓
6 — staff quarters 3 — Front office ✓ Run.
3 lakhs 4 — Staff 9 → sold — 1.5 lakh
5 — temporary shed.

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

Block 2 — Bldgs @ 10%.
2, 3

Block 3 — Bldgs @ 40%.

5

Format :— Block of asset — cease to exist.

Opening WDV	xx 5 lakh.
Add: Actual cost of asset acquired during the PY 6	xx 3 lakh.
Less: Money recd. in respect of any asset sold/discarded/damaged/destroyed etc. 4	(xx) 1.5 9 lakh STCG
WDV 4 depn.	(xx) 6.5 lakh.
(−) Depreciation @ ~~5%~~ 2.5%	@ 5% 4 lakh xx 1.5 lakh @ 2.5%
Closing WDV	Y

Next year

Opening WDV — Y

→ Depn can be claimed after the asset is 1st put to use → less than 180 days F.Y. → reduced by 50%.

Additional depn

① Ass.ee — Mfg or Production activity

acquires any new asset in a F.Y.

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

PEM → @ 15% — 1, 2, 3 → New → 4 → 2 lakh. → 180 days

Op. WDV	→	4 lakh.
Ac cost	—	2 lakh.
− Money recd	—	0
WDV 4 dep	—	6 lakh.
Depn @ 15%.	—	90,000
Add.al depn @ 20%. on the value of new Asset 4 @ 20%. @ 10%.	— 10% of 2 lakh 20% of 2 lakh.	40,000 20000
		470000

Business loan

Principal

Interest