DPBS(PG) College, Anoopshahr

BCA II Semester
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Capital Expenditures and Revenue Expenditures

Capital is the investment of money in terms of Fixed Assets.

Revenue is the income from short term investments.

Capital Expenditures

These are expenditures for high-value items that holds longer duration requirements. Capital expenditures are long-term expenditures. In other words, when the expenses are made for a particular asset but they do not get completely consumed in the specific time. Due to this the earning capacity increases, and in the meanwhile, the price of the assets decreases.

Consequently, the future costs are reduced because the costs of the assets are continuously revised according to the depreciation taking place. There is a requirement to redo the capital expenditures in the accounting year. These do not get exhausted in the accounting year and benefits the user in the future years. Besides that, capital expenditures enhance the position of the business and trade.

There different types of capital expenditure, for example

- Cash money spent on business purposes.
- Purchasing of Plants and machinery items
- IT items
- Electric power equipment
- Permanent additions to existing fixed assets

Revenue Expenditures

In contrast to the capital expenditure, revenue expenditures are not the high-value items, instead, they are the routine expenditures that takes place in the normal business. In other words, this kind of expenditure maintains fixed assets.

Unlike capital expenditure, earnings do not increase but stay maintained in revenue expenditure. The assets get consumed in an accounting year and no future benefits are available. Also, the prices of assets remain fixed. The assets are consumed in less than a year so there is a need to purchase them again. This is a recurring type of expenditure. There are two sub-categories of revenue expenditures:

1. **Direct Expenses:** These include the cost of manufacturing of raw material to turn it into a finished product. For instance, Productive wages and salaries to workers, shipping costs, legal expenses, electricity, and water bills, fuels costs, rent, commissions, packaging charges.
2. **Indirect Expenses:** These connect with only selling and distributing goods other than manufacturing. For example, salaries, depreciation, machinery, items of furniture and fixing, etc.

Capital income

The income arises from non-recurring Transactions by certain or a certain event is called capital income.

1. Price received on investments in small saving schemes.
2. The premium on letting out shops or houses.
3. Bonus shares on investment.
4. Hidden treasures found on the dismantling of the old house.

Revenue income

Income arose from Recurring transactions in the ordinary course of business is called revenue income.

1. Commission received.
2. discount received.
3. interest from debtors.
4. fees and room rent from patients.
5. donations and charities received by the charitable institution.
6. Fright received by transport companies.
7. interest dividend and bonus shares received by the investment company.

References:

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