

CAPITAL AND REVENUE EXPENDITURES

- 1 A motor vehicle cost \$8000 and the price included \$36 for petrol. The total payment of \$8000 was debited in the Motor Vehicles account.

What is the effect of the error on the Profit and Loss Account and the Balance Sheet?

	net profit		Non current assets	
A	overstated	\$36	overstated	\$36
B	overstated	\$36	understated	\$36
C	understated	\$36	overstated	\$36
D	understated	\$36	understated	\$36

- 2 Which item is capital expenditure for a sole trader?

- A additional capital brought into the business
- B drawings of the proprietor for her own use
- C expenditure on the improvement of fixed assets
- D expenditure to finance day-to-day expenses

- 3 Sulin sublets part of her premises to Mai.
How will Sulin classify the rent she receives?

- A capital expenditure
- B capital income
- C revenue expenditure
- D revenue income

- 4 Repairs to a motor vehicle have been debited to the motor vehicle account.

How will this affect the net profit and the noncurrent assets in the Statement of financial position?

	net profit	Noncurrent assets
A	overstated	overstated
B	understated	understated
C	overstated	understated
D	understated	overstated

- 5 Which is shown in a Balance Sheet?

- A capital expenditure
- B cost of goods sold
- C gross profit
- D revenue expenditure

6 Which item is a capital receipt for the owner of a bakery?

- A cash discount from a supplier of flour
- B cash from sale of a wedding cake
- C proceeds from the sale of an oven
- D refund of rent from the landlord

7 Tan has a transport business. He purchased a motor vehicle and some fuel on credit from Yeung.

The invoice received from Yeung showed the following.

	\$
purchase of motor vehicle	20 000
purchase of fuel	200
	20 200

What are the entries in Tan's books?

	account(s) debited		account(s) credited	
		\$		\$
A	motor vehicles	20 200	Yeung	20 200
B	motor vehicles	20 000	Yeung	20 200
	motor expenses	200		
C	Yeung	20 200	motor vehicles	20 200
D	Yeung	20 200	motor vehicles	20 000
			motor expenses	200

8 Motor repairs, \$250, have been posted in error to the motor vehicles account. What is the effect on the financial statements?

	profit for the year	non-current assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 9 Ezra received the following cheques.
 \$210 from the sale of goods
 \$1000 from the sale of old motor vehicle (at book value)
 \$150 for rent of premises

How did Ezra classify these receipts?

	sale of goods	motor vehicle	rent received
A	capital receipt	capital receipt	revenue receipt
B	capital receipt	revenue receipt	capital receipt
C	revenue receipt	capital receipt	revenue receipt
D	revenue receipt	revenue receipt	capital receipt

- 10 Repairs to a motor vehicle were debited in error to the motor vehicles account.
 How does this affect the profit for the year and the non-current assets in the statement of financial position?

	profit for the year	non-current assets
A	overstated	overstated
B	overstated	understated
C	understated	overstated
D	understated	understated

- 11 Which transaction is a capital receipt?

- A cash received from sale of goods
- B interest received from bank
- C proceeds of sale of equipment
- D rent received from tenant

- 12 Which is capital income?

- A purchase of machinery by cheque
- B rent received in cash
- C sale of machinery for cash
- D stationery bought by cheque