

Capital & Revenue Expenditure (objectives.)

* Choose the correct answer:-

1. An expenditure is capital expenditure because:

- (a.) The amount is paid in lump-sum
- (b.) The amount is large
- (c.) It is related to the benefit of current year
- (d.) It is related to the benefit of future

Ans → (d)

2. An expenditure is revenue expenditure because:

- (a.) It is related to the benefit of current period
- (b.) The amount is small
- (c.) It is deducted from the gross sale proceed
- (d.) None of these

Ans → (a)

3. A receipt is a capital receipt because:

- (a.) Amount is large
- (b.) It is related to fixed assets
- (c.) It is credited to capital account
- (d.) None of these

Ans → (c)

4. A receipt is a revenue receipt because:

- (a.) The amount is small
- (b.) It relates to the routine activity of the business
- (c.) It is received in the accounting year
- (d.) None of these

Ans → (b)

5. A loss is a capital loss because:

- (a) It relates to fixed assets
- (b) It arises due to abnormal reasons
- (c) It means withdrawal of capital
- (d) It is received in the current year

Ans -> (a) - It relates to fixed assets.

6. A loss is a revenue loss because:

- (a) It relates to current assets
- (b) It is incurred to decrease the tax liability
- (c) It arises due to normal reasons
- (d) None of these

Ans ->

(a)