**Multiple Choice Questions:**

1. An expenditure is capital in Nature when –

(a) The receiver of the amount is going to treat it for the purchase of fixed assets.

(b) It increase the quantity of fixed assets

(c) It is paid as interests on loans for the business

(d) It is maintains a fixed assets

2. Capital expenditures are recorded in the

(a) Balance sheet (b) Profit and loss A/c (c) trading a/c (d) manufacturing a/c

3. Which of the following transaction is of capital nature

(a) Purchases of a truck (b) replacement of old trucks

(c) Cost of repairing of truck (d) all of the above

4. ` 5,000 incurred for up gradation of computer by installation of 128 MB Ram is

(a) Capital expenditure (b) deferred revenue expenditure

(c) revenue expenditure (d) none of the above

5. Entrance fee of ` 20,000 received by a club is a

(a) capital receipts (b) revenue receipt (c) capital expenditure (d) revenue expenditure

6. Life membership fees received by a club

(a) Revenue expenditure (b) capital expenditure (c) deferred revenue expenditure (d) capital receipt

7. Cost of goods purchased for resale is an example of –

(a) Capital expenditure (b) Revenue expenditure

(c) deferred revenue expenditure (d) none of these

8. Import duty of raw material purchased

(a) Revenue expenditure (b) capital expenditure

(c) deferred revenue expenditure (d) none of these

9. Received from soloman by co., an invoice for ` 1500 for repairs to factory walls

(a) Revenue expenditure (b) capital expenditure

(c) deferred revenue expenditure (d) none of these

10. Company received from government for compulsory acquisition of land

(a) Revenue expenditure (b) capital expenditure

(c) deferred revenue expenditure (d) none of these

11. All revenue receipts and expenditures are shown in: -

(a) Balance Sheet (b) Trading and Profit and Loss A/c

(c) Cash Flow Statement (d) Statement of Affairs

12. A bad debt recovered during the year will be

(a) Capital expenditure (b) Revenue expenditure

(c) Capital Receipt (d) Revenue Receipt

13. Insurance claim received on account of machinery damaged completely by fire is

(a) Capital Receipt (b) Revenue receipt (c) Capital expenditures (d) Revenue Expenditure

14. Amount of `5,000 spent as lawyers’ fees to defend a suit claiming that the firm’s factory site belonged to the plaintiff’s land is

(a) Capital expenditures (b) Revenue Expenditure c) Deferred revenue expenditures d) None

15. Money spent `10,000 as travelling expenses of the directors on trips abroad for purchase of capital assets is

(a) Capital expenditures (b) Revenue Expenditures c) Deferred revenue expenditures d) None

Ans: 1. b 2. a 3. a 4. a 5. a 6. d 7. b 8. a 9. a 10. d 11. b 12. d 13. a 14. b 15. a

**Fill in the blanks:**

1. Revenue receipts are shown in \_\_ (“Trading and P & L account”)

2. Any donation received for a specific purpose is a \_\_ (“Liability or capital receipt”)

3. Capital expenditure provide \_\_ benefit (“Long period”)

4. Amount received from a bank as a midterm loan for working capital \_ (“Capital expenditure”)

5. ` 3,500 spent on painting new factory is \_\_ (“Capital Expenditure”)

6. Extension to building occupied on lease for 5 years \_ (“Deferred revenue expenditure”)

7. ` 20,000 received from an issue of further shares the expenses of issue being ` 2500 \_\_\_ (“Capital receipt ` 20,000 and deferred revenue expenditure ` 2500)

8. Taxes paid \_\_\_ (“Revenue expenditure”)

9. Revenue is generally recognized as being earned at that point of time \_\_ (“Sale is effected”)

10. Capital receipts are shown in \_\_ side of balance sheet (“liabilities”)

11. White washing expenses are \_\_ (Revenue Expenditure)

12. `2,500 spent on the overhaul of Machinery purchased second hand is \_\_ (capital expenditure)

13. `1,200 spent on repairs on machinery \_\_ (Revenue expenditure)

14. Inauguration expenses incurred on the opening of new manufacturing unit in an existing business. \_\_ (Revenue expenditure)

15. Subsidy of `40,000 received from the government per working capital \_\_ (Revenue receipt.)

**State whether the following statements true of false:**

1. An expenditure in nature, when it benefits the current period (TRUE)

2. Paper purchased for use as stationery is capital expenditure (FALSE)

3. Purchase of machinery for sale is revenue expenditure (TRUE)

4. Gratuity and pension paid to employees after retirement is deferred revenue expenditure (FALSE)

5. A bad debt recovered during the year is revenue receipt (TRUE)

6. Freight paid on purchase of machinery is to be treated as Revenue Expenditure (FALSE)

7. Repainting of building done every 3 years “Revenue expenditure” (FALSE)

8. Which of the following is capital profit Premium received on issue of share (TRUE)

9. A motor tuck costing ` 15000 and standing in the books at ` 7250 was sold for ` 1200. “Capital loss ` 4750 & capital expenditure ` 1200” (FALSE)

10. A motor car which was purchased for ` 20,000 had its book value ` 12,000 was sold for ` 25,000 the capital profit will be “` 5000 (TRUE)