EAL activities

Jigsaw reading

Jigsaw cards

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| **GROUP A**  **Capital expenditure** is the amount spent by a business to acquire, improve or extend the life of non-current assets such as property, equipment and machinery. It is non-recurring by nature and is recorded in the statement of financial position of a business. New projects or investments undertaken by a business are treated as capital expenditure as they increase the efficiency and scope of the business to earn more profits. Capital-intensive businesses have some of the highest levels of capital expenditure. Examples of capital-intensive businesses are those concerned with telecommunications, large-scale manufacturing and oil exploration, to name a few.  The one-off costs incurred in the acquisition of non-current assets should also be included as capital expenditure, for example, transportation costs, legal fees and installation costs. |
| **GROUP B**  **Revenue expenditure** is a short-term expense incurred to meet the operational costs of running the business on a day-to-day basis. The benefit attained from this expenditure is completely exhausted during the year in which it is incurred. Revenue expenditure is normally recurring, compared to the one-off nature of most capital expenditure. While capital expenditure is meant to extend a business’ ability to earn income, revenue expenditure is meant to maintain the business’ ability to operate. It includes ordinary repairs and maintenance needed to keep an asset working in its current condition and not to improve or extend its economic life.  Revenue expenditure is charged to profit in the statement of profit or loss as soon as it is incurred. Once again, the matching concept is being used as expenses are linked to revenues earned in an accounting period.  Some examples of revenue expenditure are:   * purchase of goods and raw materials * salaries * postage * rent * travel expenses * stationery * wages. |

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| **GROUP C**  **Capital receipts** are funds received by the business that are not part of the operating activities of the business. Capital receipts are non-recurring and non-routine. When a non-current asset is sold, the money received is a capital receipt. This receipt is not entered in the statement of profit or loss but is credited to the non-current asset in the general ledger, reducing the value of the non-current asset. However, if a profit or loss is made on the sale of the asset, it is entered in the statement of profit or loss prepared in the year the asset is sold. Other sources of capital receipts are:   * an issue of shares * an issue of debentures * a loan taken from a bank * additional equity introduced by the owner * an insurance claim. |
| **GROUP D**  **Revenue receipts** arise from the normal operating activities of the business and are recurring. Therefore, income received from the day-to-day activities of the business such as sales revenue, commission receivable or rent income, make up the revenue receipts of a business. They are entered in the statement of profit or loss prepared by the business at the end of the financial year. Some examples of revenue receipts are:   * sales revenue received by a trading or manufacturing business * fees received by a service business * discounts received from suppliers or trade payables * earnings from investment income * rent income. |