

- 4 Bamber is a manufacturer. He knows that it is important to distinguish between capital expenditure and revenue expenditure.

For
Examiner's
Use

REQUIRED

- (a) (i) Explain the effect on Bamber's income statement of recording capital expenditure as revenue expenditure.

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- (ii) Explain the effect on Bamber's balance sheet of recording capital expenditure as revenue expenditure.

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On 1 April 2011 Bamber bought a new computer for his business costing \$4800. He also bought a new laser printer costing \$750.

On 1 January 2012 Bamber replaced the hard disk in the computer as the existing one had failed. The cost was \$450.

REQUIRED

- (b) In the table below, place a tick (✓) under the most appropriate heading to show whether the item is capital or revenue.

	Capital expenditure	Revenue expenditure
Purchase of new computer		
Purchase of new laser printer		
Replacement of hard disk in computer		

[3]

Bamber decided to depreciate the capital items using the straight line method. He considered the useful life of the items would be three years and that they would have a total scrap value of \$600 at the end of this time.

For
Examiner's
Use

REQUIRED

- (c) (i) Calculate the depreciation for the year ended 31 March 2012.
Show your workings.

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- (ii) Calculate the net book value of the assets at 31 March 2012.
Show your workings.

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When preparing his balance sheet, Bamber wishes to show his assets in the correct category.

REQUIRED

- (d) In the following table, place a tick (✓) under the heading to show the correct category of each asset.

	Non-current tangible asset	Non-current intangible asset	Current asset
Office building			
Motor vehicle			
Goodwill			
Work in progress			

[4]

[Total: 17]