# Expendititures Interview Questions And Answers Guide.

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# Expenditures Job Interview Preparation Guide.



**Question # 1**
Explain deferred expenditures. How are these expenses dealt with in profitability statement?

**Answer:-**
Deferred Revenue Expenditure is revenue expenditure, incurred to receive benefits over a number of years say 3 or 5 years. These expenses are neither incurred to acquire capital assets nor the benefits of such expenditure is received in the same accounting period during which they were paid. Thus they don't affect profitability statement as they are not transferred to the profitability statement in the period during which they are paid for. They are charged to profit and loss account over a number of years depending upon the benefit accrued.

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**Question # 2**
What are capital expenditures? Is it Ok to consider these expenditures while calculating the profitability of during a certain period?

**Answer:-**
Capital Expenditure is an amount incurred for acquiring the long term assets such as land, building, equipments which are continually used for the purpose of earning revenue. These are not meant for sale. These costs are recorded in accounts namely Plant, Property, Equipment. Benefits from such expenditure are spread over several accounting years.
E.g. Interest on capital paid, Expenditure on purchase or installation of an asset, brokerage and commission paid.
No, Capital expenditure should not be considered while calculating profitability as benefits incurred from the capital expenditure are long term benefits and cannot be shown in the same financial years in which they were paid for. They need to be spread over a number of years to show the true position in balance sheet as well as profit and loss account.

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**Question # 3**
Can you explain Revenue Expenditure. Does it affect the profitability statement in a period?

**Answer:-**
Revenue Expenditure is the expenditure incurred in one accounting year and the benefits from which is also enjoyed in the same period only. This expenditure does not increase the earning capacity of the business but maintains the existing earning capacity of the business. It included all the expenses which are incurred during day to day running of business. The benefits of this expenditure are for short period and are not forwarded to the next year. This expenditure is on recurring nature.
As the return on revenue expenditure is received in the same period thus the entries relating to the revenue expenditure will affect the profitability statements as all the entries are passed in the same accounting year, the year in which they were incurred.

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**Question # 4**
Explain Revenue Expenditure?

**Answer:-**
Revenue Expenditure is the expenditure incurred in one accounting year and the benefits from which is also enjoyed in the same period only. This expenditure does not increase the earning capacity of the business but maintains the existing earning capacity of the business. It included all the expenses which are incurred during day to day running of business. The benefits of this expenditure are for short period and are not forwarded to the next year. This expenditure is on recurring nature.

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**Question # 5**
Explain Capital Expenditure?

**Answer:-**
Capital Expenditure is an amount incurred for acquiring the long term assets such as land, building, equipments which are continually used for the purpose of earning revenue. These are not meant for sale. These costs are recorded in accounts namely Plant, Property, Equipment. Benefits from such expenditure are spread over several accounting years.

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**Question # 6**

What are the different types of expenditures considered for the purpose of accounting?

**Answer:-**

For the accounting purpose expenditures are classified in three types:
* Capital Expenditure is an amount incurred for acquiring the long term assets such as land, building, equipments which are continually used for the purpose of earning revenue. These are not meant for sale. These costs are recorded in accounts namely Plant, Property, Equipment. Benefits from such expenditure are spread over several accounting years.
E.g. Interest on capital paid, Expenditure on purchase or installation of an asset, brokerage and commission paid.
* Revenue Expenditure is the expenditure incurred in one accounting year and the benefits from which is also enjoyed in the same period only. This expenditure does not increase the earning capacity of the business but maintains the existing earning capacity of the business. It included all the expenses which are incurred during day to day running of business. The benefits of this expenditure are for short period and are not forwarded to the next year. This expenditure is on recurring nature.
Eg: Purchase of raw material, selling and distribution expenses, Salaries, wages etc.
* Deferred Revenue Expenditure is a revenue expenditure which has been incurred during an accounting year but the benefit of which may be extended to a number of years. And these are charged to profit and loss account. E.g. Development expenditure, Advertisement etc.

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**Question # 7**

Explain Deferred Revenue Expenditure?

**Answer:-**

Deferred Revenue Expenditure is a revenue expenditure which has been incurred during an accounting year but the benefit of which may be extended to a number of years. And these are charged to profit and loss account. E.g. Development expenditure, Advertisement etc.

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