Capital Expenditures
vs.
Operating Expenditures

What is the difference and why does this matter to my business?

Capex (or Capital Expenditure) is a business expense incurred to create future benefit i.e. acquisition of assets that will have a useful life beyond the tax year. e.g. expenditure on assets like building, machinery, equipment or upgrading existing facilities so their value as an asset increases.

On the other hand, those expenditures required for the day-to-day functioning of the business, like wages, utilities, maintenance and repairs fall under the category of Opex (operational expenditure). Opex is the money the business spends in order to turn inventory into throughput. Operating expenses also include depreciation of plants and machinery which are used in the production process.

So why do I want purchases as a OpEx vs. CapEx?

(CapEx)Cannot be fully deducted in the period when they were incurred. Tangible assets are depreciated and intangible assets are amortized over time.

(OpEx)Operating expenses are fully deducted in the accounting period during which they were incurred.

IP Convergence can sell you goods/products as a service to allow you the customer to fully deduct that purchase in the calendar year they were purchased.

Example: Network Upgrades, Firewalls, VOIP systems, Data Cloud Backup Services even PC support can be sold as a service to benefit your company.

Contact us for further information: sales@ipcnv.com (940) 464-2900