

# BHARAT SCHOOL OF BANKING

## Capital and Assets

### Assets

**Assets** are those **tangible** and **intangible** things that you **own**. You can **sell** them in the **market** to get **money**, or you can retain those for your **personal enjoyment**. Also, there are some **assets** which you cannot **directly sell** to get the money, or the **value of the asset** cannot be properly **assessed**.

- **Tangible Assets** - land, building, machinery and equipment, goods, raw materials, factory, cash in bank accounts, etc.
- **Intangible Assets** - patents, copyrights, goodwill, etc. **Monetary value** of these **intangible** assets is **hard to assess**.

**Assets** can also be classified depending on **liquidity** -

- **Fixed assets** (property, plant and equipment, i.e., **PP&E**, which cannot be easily converted into **cash**)
- **Current assets** (liquid assets like **cash** or **bank accounts**, which are easily convertible into **cash**)

### Capital

**Capital** is the **fund** that is required to run a **business**, like buying machinery and equipment, etc., to produce **goods** and **services**. Generally, **funds** are arranged from the **investors** and the **lenders**.

Only those **assets**, which are used to **make money**, or to **run business**, or to **produce goods** and **services**, are considered as **Capital**.

Now, consider the following **example** - Suppose you have bought a **van** which is used in your **business** to make **profit**, then this **asset** can be considered as **Capital Asset**, whereas if you have bought a **luxury car**, which is for your **personal use** only, but of **no-value** for your **business**, then it will be your **Asset**, not a **Capital Asset**.

Now, don't confuse **Capital Assets** with **Capital**. **Capital** is only **fund**, taken from the **investors** or **lenders** to run **business**. Funds taken as **loans** from **banks** or **bonds** from **investors** will be **liabilities** of the **business**, which need to pay back, but is the **Capital** for the business. Funds taken from **shareholders** are also **Capital**, but is not a **liability** for the business.